

Administrative Procedure 516

ASSETS: INVENTORIES, CAPITAL ASSETS AND PROJECTS

Background

Aspen View Public Schools requires accurate accounting, documentation and care of all Division owned assets. An inventory of the Division's assets is required to be maintained and updated regularly.

Aspen View Public Schools requires all assets with a value greater than \$5,000 and a useful life of more than one year will be reviewed to determine if it is a capital asset. Capital assets and projects will be recorded and depreciated per accounting guidelines. Other assets/inventories will be recorded and maintained per the processes below.

Definitions

Assets: an asset is any resource that AVPS controls and that provides future benefit. Assets include inventory, capital assets and projects, and technology.

Amortization: is the process of allocating the cost of a capital asset, expensing an asset, over its estimated useful life.

Capital Asset: is an expenditure, or project, that meets the following criteria:

- An asset that provides a future benefit; a capital asset must have a useful life that is greater than one year
- The cost of the asset exceeds a minimum value of \$5,000.
- If several assets are purchased together the purchase needs to be evaluated to determine if the joint cost exceeds \$5,000 and the assets should be deemed capital

Examples of capital assets include:

- Land and land improvements
- Buildings
- Equipment
 - Information Technology (hardware and software)
 - Maintenance equipment such as a lawnmower or a lift
- Vehicles
- Building Improvements
- Furniture
- Operating Equipment
- Betterments: enhancements to the service of a capital asset such as increased physical output, reduction in operating costs, extension of useful life, and improvement of quality output
 - New deck on a lawnmower that will extend the useful life
 - A new motor in a Division vehicle

Capital Project: refers to an accumulation of costs over time that are incurred to build, maintain, replace or improve an asset. Capital projects must meet capitalization criteria (cost must exceed \$5,000 and the useful life of the asset must exceed one year). Examples of a capital project include: large software upgrades, new software implementation, building a new school, betterment projects, and upgrading existing facilities.

Cost: the amount required to purchase an asset, to construct an asset, or to upgrade an asset. This includes all costs associated with procuring the asset and having it in a condition ready for use. This includes direct costs (labour and material), fixed components, professional fees, duties, shipping/freight, overhead and indirect costs

Inventory: Items that are purchased for use that are consumed within a year

Useful Life: The estimated period in which a tangible asset will provide value.

Procedures

All assets purchased with Division funds are the property of AVPS. Tangible assets will be recorded at cost in the month in which they are in use.

1) Inventory:

Principals and Business Managers/Directors shall maintain a video graphic recording of the contents, including both inventory and capital assets, at their locations annually. The recording is to be submitted to the Secretary Treasurer no later than June 30th.

2) Capital Purchases:

Capital asset and capital project purchases shall be complete in accordance with AVPS purchasing procedures (AP515).

Capital assets are to be included in the video inventory and will also require an annual review by the Principal or Site Manager to ensure that all assets are recorded accurately in the financial statements.

- a) Requests for new capital assets will require a completed Capital Asset Addition Form (Appendix __) which provides the Finance Department with the information required to record the asset appropriately.
 - i) Provide a detailed description of the asset, and the reason for purchase which will assist in determining the asset category
 - ii) Identify the source of funding. Internal base budget funded, school generated funds, external source such as grant funding or a donated asset.
 - iii) Identify if insurance is required
 - iv) Is the asset replacing an existing asset? If yes, the method that the existing asset will be disposed (transfer to another school, sale, landfill, donation)
 - v) Ensure that there is the necessary asset or project approval which may include the following:
 - (1) Capital plan
 - (2) IMR plan
 - (3) Grant application
 - (4) Proposal submission
 - (5) Annual budget
 - (6) Board approval
 - vi) If the asset is a project request a work in progress (WIP) account be setup by Finance to accumulate all project costs as they are incurred
- b) Once the project is complete (in use) notify financial services to capitalize work in progress costs accumulated and begin amortizing the asset.

3) Capital Asset Thresholds for each category of assets is the minimum cost that an individual asset should be before it is recorded as a tangible capital asset. If an asset does not meet capitalization threshold it will be expensed in the year it is purchased. Thresholds will be applied to the asset on an individual basis in most circumstances. See Schedule A

for a complete list of categories, asset thresholds as well as recommended useful life. Finance will capitalize and amortize assets appropriately based on the information provided applying the thresholds and useful life guidelines.

- 4) **Capital Asset continuity schedules** will be maintained by the Finance Department at Division Office. Principals and Business Centre Managers/Directors are responsible for ensuring that the required information is provided to accurately maintain the schedules.
 - a) Asset Transfers must be communicated to the Finance Department to ensure that all assets are recorded at the appropriate location
 - i) Asset location determines where amortization is expensed
 - b) New asset purchases require the asset description, serial number, and any other pertinent information be provided to the Finance Department to be included in the asset continuity schedules.
- 5) **Verification:** Annually the Finance Department will provide a list of assets for each school/department for verification by the Principal, Supervisor, or their designate.
 - a) A copy of the list must be approved and provided to the Secretary Treasurer or designate annually by the end of June
- 6) **Fixed Assets dispositions/sales** or requests for write-off must be communicated to the Finance Department.
 - a) Assets will be written off when they no longer provide value due to having severe damage, being destroyed or being lost
 - b) Assets may be disposed through sale, loss, trade in, or waste disposal. Once an asset is no longer providing a benefit to the Division the asset will be removed from the asset continuity. Notify Financial Services to complete the required accounting entries to remove the asset.
 - i) Asset Dispositions:
 - (1) Supported: proceeds are recorded as unexpended deferred capital revenue for reinvestment in supported tangible capital assets
 - (2) Unsupported: Gain or loss is recognized in the period
 - (3) Real Property: Proceeds are transferred to Capital Reserves
- 7) **Impairment** occurs when an asset's value is reduced, but the asset still has value to the Division, impairment will result in the write-down of the asset. This occurs when the asset no longer is able to provide future benefits and the value is less than its net book value. A write-down is used to reduce the value of the asset to reflect the actual value.
 - a) Impairment may occur when an asset:
 - i) Is taken out of use for an extended period of time
 - ii) The service of the asset is permanently reduced due to damage
 - iii) Technical obsolescence
- 8) **Amortization:** Assets will be amortized using the straight-line basis method which determines depreciation expense by dividing the assets cost less salvage value by the number of years the asset is expected to be used $((\text{Cost-Salvage Value}) / \text{Useful Life})$
 - a) Amortization shall be recorded either in the school or department in which the asset is recorded.
 - b) Will begin the month the asset is in use
- 9) **Inventory purchases** must be made in accordance with general purchasing guidelines and will be expensed in the year that they are purchased.

Schedule A: Capital Asset Threshold and Estimated Useful Life Guidelines

Capital Asset Category	Threshold	Estimated Useful Life
Land	All	Indefinite
Land improvements	\$5,000	10-40 years
Buildings	\$5,000	10-50 years
Building Improvements/betterments	\$5,000	10-50 years
Leasehold Improvements	\$5,000	Useful life of asset or lease term (lesser of)
Operating Equipment	\$5,000	3-10 years
Vehicles	ALL	3-15 years
System development of Information and communication systems	\$250,000	3-10 years
Major upgrades/enhancements to Information and Communication systems	\$100,000	3-10 years
Computer Hardware	\$5,000	3-10 years
Computer Software	\$5,000	3-10 years
Office Furniture and Equipment	\$5,000	3-10 years

References

Public Sector Accounting Standards

Tangible Capital Assets Accounting and Reporting

Alberta Education: Programming, Accounting and Reporting Manual