



ADMINISTRATIVE POLICY No. 709

IMPLEMENTATION MAY 2011

TANGIBLE CAPITAL ASSETS (TCA)

In accordance with PSAB Section 3150, the 2008/09 Financial Statements initiate compliance with provisions related to the valuation of Tangible Capital Assets (TCA). AP 701.1 provides overall direction for the capitalization of assets, technical guidance in the creation of a tangible capital assets accounting system and addresses areas of PSAB 3150 that may require professional judgment. In addition, the TCA Policy provides a framework to make consistent and sound decisions, plan ahead for future needs and provide public confidence in accounting and financial reporting processes.

PROCEDURES

1. Definitions

In accordance with PSAB 3150.05, TCA are non-financial assets having physical substance that:

- i. are held for use in the production or supply of goods or services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- ii. have useful economic lives extending beyond an accounting period;
- iii. are to be used on a continuing basis; and
- iv. are not for sale in the ordinary course of operations.

Cost is the gross amount of consideration given up to acquire, construct, develop or better a TCA, and includes all costs directly attributable to acquisition, construction, development or betterment of the TCA, including installing the asset at the location and in the condition necessary for its intended use. TCA's are recorded at historical cost. Where historical cost information is not available, valuation approaches such as appraisals, the deflated replacement cost, the deflated reproduction cost or fair value are to be applied where appropriate.

2. Asset Classes and Amortization

The level of detail required in the capital asset inventory is a balance between the cost of data collection, tracking and analysis and the beneficial use of the information

gathered. A category of assets is a grouping of assets of a similar nature or function in the school division's operations. The school division utilizes the following Asset classes and Amortization table as recommended by the Ministry of Education.

Asset Classes and Amortization			
Class of Asset	Tracking Method	Amortization Method	Useful Life
Land	By Asset at Historical cost	N/A	N/A
Land Improvements: pavement, fencing, lighting, etc.	By Asset	Straight line	20
Buildings	By Asset	Straight line	50
Buildings – short term: portables, storage, outbuildings, garages	By Asset	Straight line	20
School Buses	By Asset or Pooling	Straight line	12
Other Vehicles - Light	By Asset	Straight line	5
Other Vehicles - Heavy	By Asset	Straight line	10
Furniture & Equipment	Pooling	Straight line	10
Computer Hardware & Audio Visual Equipment	Pooling	Straight line	5
Computer Software	Pooling	Straight Line	5
Books (only collections with unlimited useful life)	Pooling	N/A	N/A
Leased Capital Assets	Pooling	Straight line	Lease Term
Assets Under Construction	By Asset	N/A	N/A

Pooling refers to the Pooled Cost Approach. Under this approach, similar TCA are grouped into one TCA class as would ordinarily be done under the regular cost approach. Pooled TCA are typically held until the end of their useful life. TCA recorded under the pooled cost approach are to be reported by year of purchase in the applicable TCA class.

3. Capitalization Thresholds

Capitalization thresholds are established to determine whether expenditures are to be capitalized as assets and depreciated or treated as current year expenditures. The school division capitalization thresholds are set based on information gathered from various industry sources and experts combined the consideration of the materiality of the asset category. Thresholds apply to capital goods purchased and capital projects constructed with the total cost of the good or project meeting the capitalization threshold criteria. For financial reporting purposes, thresholds are set fairly high; however, details may be useful for the school division's capital asset management program. Therefore, an optimal threshold for each asset category is a balance between the two.

Expenditures in excess of thresholds for building components such as roofs, boilers, ventilation systems, etc., will be recorded at cost. In cases where costs for facility improvements are supported by the Ministry, capital grants **are not netted** against the cost of the improvement. Amortization of costs will be straight line and the length of the

amortization period will be determined by the impact the expenditure will have on the useful life of the building. Guidance in this process will be taken from the projected life cycles of components contained within FAME Asset Management Software being utilized by the school division. A full year's amortization is recorded in the year the asset is acquired, constructed or developed and put into use, regardless of when this event occurs in the fiscal year.

Asset Category	Capitalization Threshold
Land	Capitalize Only
Land Improvements	\$25,000
Buildings	\$50,000
Buildings – Short Term	\$10,000
School Buses, Light and Heavy Vehicles	\$3,000
Furniture and Equipment	\$3,000 (a)
Computer Hardware & Audio Visual Equipment	\$3,000 (a)
Computer Software	\$3,000 (a)
Leased Capital Assets	\$3,000 (a) (b)
Assets Under Construction	Capitalize Only

- (a) Since these classes of TCA will be tracked using the pooled method, the threshold to consider is the total amount to be pooled.
- (b) Leased TCA note disclosure detailing leases required