Asset Management Policy

Asset Management Policy			
Effective Date	April 16, 2019	**Policy Type**	Administrative
Responsibility	Vice-President, Administration	**Cross-Reference**	1. Contract Management Policy 2. Employee Code of Conduct Policy 3. Financial Signing Authority Policy 4. Fundraising Policy
Approver	Executive Council	**Appendices**	1. Asset Disposal Form
Review Schedule	Every 5 years		

1. Policy Statement

1.1 Grande Prairie Regional College ("GPRC" or the "College") has implemented processes and internal controls over asset acquisitions, amortization, tracking and disposals to ensure assets are accurately recorded, properly classified and appropriately safeguarded.

2. Background

2.1 GPRC acquires, records, inventories, maintains and disposes of assets in the course of delivering its programs and services.

3. Policy Objective

3.1 The objectives of this policy are to ensure:

- 3.1.1 Assets are acquired and amortized at the appropriate rates
- 3.1.2 Assets are appropriately safeguarded and maintained
- 3.1.3 The existence and value of assets are periodically verified
- 3.1.4 Assets are appropriately valued in the College's financial records and removed from the records or written down to an appropriate value when required
- 3.1.5 Assets are disposed of appropriately, in accordance with College policies, procedures, applicable legislation, and in a manner that achieves maximum financial return
- 3.1.6 Assets are accounted for in accordance with the requirements of the Public Sector Accounting Standards ("PSAS").

4. Scope

4.1 This policy applies to all assets acquired, constructed, donated-to, or otherwise owned by the College.

4.2 Student-constructed projects funded by College resources.

5. Definitions

5.1 "Amortization" is the expensing of the cost of a capital asset proportionally over the estimated useful life of the asset.

5.2 "Assets" are those tangible assets, including composite assets, which are used in the supply of goods and services, have a useful life of more than one year, are used on a continuing basis and are not for sale in the ordinary course of business.

5.3 "Bargain Purchase Option" is an option in a lease agreement that allows the lessee to purchase the leased asset at the end of the lease period at a price substantially below its fair market value.

5.4 "Betterment" is a cost incurred to enhance the service potential of an asset. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs decrease, the life or useful life is extended, or the quality of output is improved.

5.5 "Capital Assets" are those assets with a cost or value of $1,500 or greater and have been capitalized and are being tracked on the Capital Asset Continuity Schedule. Capital assets do not include works of art, historical treasures and collections, except library holdings.

5.6 "Capitalize" is to delay the expensing of the cost of an asset by recording the expense as a long-term asset.

5.7 "Capital Lease" is a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee. It is assumed that the transfer of ownership of the leased equipment occurs when one or more of the following conditions are met:

5.6.1 There is reasonable assurance that the College will obtain ownership of the leased property by the end of the lease term (i.e. a bargain purchase option exists).

5.6.2 The lease term is of such a duration that the College will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span (i.e. lease term is 75% or greater than the useful life).

5.6.3 The minimum lease payments are equal to substantially all (i.e. 90% or more) of the fair market value of the leased property at the inception of the lease.

5.8 "Carrying Value" is the original cost of an asset, less the: 1) accumulated amount of any depreciation and 2) accumulated amount of any asset impairments.

5.9 "Composite Asset" is an asset that is composed of a number of pieces/components that are purchased together, function together and are collectively valued at $1,500 or greater.

5.10 "Cost" is the amount of consideration given up to acquire, construct, develop, or better an asset (including a composite asset) and all normal and reasonable expenditures necessary to make the asset operational. Cost also includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

5.11 "Disposal" means to relinquish ownership of an asset by sale, exchange, retirement, transfer, involuntary conversion (i.e. damage, theft, repossession, etc.), abandonment or donation.

5.12 "Fair Market Value" is the amount of consideration that a knowledgeable, willing buyer would pay for an item in an arm's length transaction.

5.13 "Impairment" is the condition that exists when the carrying value of capital asset exceeds its fair value. It is typically a significant and / or unexpected decline in the value and / or utility of a capital asset due to physical damage, theft, loss or obsolescence.

5.14 "Leasehold Improvements" are additions, alterations, remodels or renovations completed on a leased property by the tenant to improve the lease property.

5.15 "Net Book Value" is the cost of a capital asset less both the accumulated amortization and the amount of any write-downs.

5.16 "Nominal Value" is the apparent or face value of an asset. For example, the value printed on the face of a security certificate that is unrelated to market value.

5.17 "Related Parties" exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

5.18 "Residual Value" is the amount recoverable from disposal of the asset using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used.

5.19 "Retire" is the withdrawal of an asset from normal use and / or service. It represents its other-than-temporary removal from service, including its sale, abandonment, recycling or disposal in some other manner.

5.20 "Software" includes computer programs, either for individual or multiple users (i.e. lab packs), and either for academic or administrative purposes, that are newly purchased and not an upgrade to current software, with a dollar value per user in excess of the established capitalization threshold and a useful life greater than one accounting period.

5.21 "Stewardship" involves basic safeguarding and physical security, keeping assets in good working condition, using the assets properly and complying with the College's record keeping policies.

5.22 "Surplus Property" are assets no longer required by the user.

5.23 "Transfers" occurs when a department or unit agrees to give a capital asset to another department or unit or when a department or unit moves a capital asset from one location to another within the department or unit.

5.24 "Unamortized Deferred Capital Contributions" are restricted funds received towards the purchase of assets.

5.25 "Useful Life" is the period over which an asset, singly or in combination with other assets, is expected to directly or indirectly contribute to the future cash flows of the College.

6. Asset Acquisitions

6.1 Any asset acquired by the College, either by purchase, lease, donation or other means, remains the property of the College, regardless of the asset's location, until its disposal in accordance with set policies.

6.2 Assets must be acquired in accordance with the Procurement Policy, Contract Management Policy (leases) and the Budgeting Process.

6.3 The Director, Financial Services must review the acquisition of any assets obtained through a leasing arrangement to determine if it meets the criteria of a capital lease. Capital leases will be presented on the financial statements in accordance with PSAS.

6.4 Departments receiving donations of assets must comply with the requirements of the Fundraising Policy and must notify Financial Services of the gift upon receipt.

6.5 Abusive, unethical, or fraudulent, personal-use of College-owned equipment, assets, or property is not accepted per the Employee Code of Conduct Policy. Requests to use College equipment for non-work related purposes must be approved in advance by the immediate supervisor.

7. Asset Capitalization and Amortization

7.1 GPRC will record assets at cost and those assets with a cost exceeding $1,500 (with the exception of computer software and furnishings) will be capitalized and amortized over their useful lives if the following criteria are met:

7.1.1 A life expectancy of more than one year under normal use
7.1.2 An identity which does not change
7.1.3 A unit or system which makes formal accountability practical
7.1.4 Used in normal operations and is not for sale
7.1.5 Usually repaired, not replaced when damaged.

7.2 Assets with a cost below the $1,500 threshold will be recorded as an operating expense.

7.3 Assets consisting of two or more items or components costing in excess of $1,500 and meeting the above criteria will also be capitalized and amortized over their useful lives.

7.4 Furnishings, such as but not limited to desks, chairs and cabinets are only capitalized when purchased as part of a capital project. All other furnishings will be recorded as an operating expense.

7.5 GPRC will capitalize land acquisitions and any site improvements on a project and per parcel basis where applicable.

7.6 Capital assets received from or provided to related parties will be recorded or disclosed in the financial statements according to PSAS.

7.7 Costs incurred to maintain and repair capital assets will be expensed as incurred and not included in the cost of a capital asset. Costs incurred as a betterment of the capital asset will be capitalized.

7.8 Costs incurred for leasehold improvements will be capitalized and amortized over the remaining life of the lease or the life of the improvement, whichever is shorter.

7.9 Donated or contributed assets will be recorded as revenues at fair market value on the date of donation, except in circumstances where fair market value cannot be reasonably determined, which will then be recognized at nominal value.

7.10 Works of art, historical treasures and collections, with exception of library holdings, are not considered capital assets and will be expensed when acquired.

7.11 Computer software acquisitions over $50,000 will be capitalized and amortized over their useful lives.

7.12 GPRC will not amortize construction in progress, which includes facilities and improvement projects and development of information systems, until after the project is complete and the capital asset is in service.

7.13 GPRC will amortize the cost, less the residual value, of capital assets, excluding land, on a straight-line basis over the estimated useful lives as follows:

ASSET CLASS	ESTIMATED USEFUL LIFE
Buildings: Portable Buildings Brick Buildings	 25 years 40 years
Site Improvements	25 years
Furnishing and Equipment	5 - 15 years
Vehicles	5 years
Library Materials	10 years
Leasehold Improvements	5 years
Computers and Computer Software	5 years

7.14 GPRC will recognize unamortized deferred capital contributions as revenue in the periods in which the related capital asset(s) are amortized.

8. Asset Tracking and Valuation

8.1 Financial Services will maintain a list of all capital assets acquired by the College. A Capital Asset Continuity Schedule will be prepared annually, and updated regularly for capital asset additions, transfers, disposals and amortization.

8.2 The College will conduct periodic inspection of physical inventory to verify the value, existence and condition of capital assets and ensure the accuracy of the capital asset list.

8.3 GPRC will write down capital assets when conditions indicate that the asset no longer contributes to the College's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets is less than its net book value. The net write-downs will be accounted for as expenses in the statement of operations.

9. Disposals

9.1 Departments are responsible for the stewardship of all assets under their control and are in charge of:

9.1.1 Ensuring disposal of equipment, chemical, radiation or biological hazards are properly decontaminated and documented in accordance with Health and Safety Standards.

9.1.2 Ensuring that assets purchased with restricted donations or grants, are disposed of according to the acceptance agreement.

9.1.3 Reporting lost or stolen assets as soon as the loss or theft is known.

9.1.4 Identifying assets that become impaired or surplus to its needs, and initiating a disposal process.

9.2 Disposals of assets, must be approved in advance of disposal, by using the Asset Disposal Form.

9.3 Disposal of library circulation materials will be managed and approved by the Librarian, or designate. All asset disposals must be reported to the Manager, Accounts Payable and Capital Assets.

9.4 Departments can provide a recommendation to Financial Services on how the College will dispose of capital assets; however, the method may require Executive Council approval if deemed necessary by Financial Services (e.g. capital assets with significant net book values, removal of portable building or automobiles).

9.5 The disposal method chosen must take into consideration the fair market value, demand, and estimated disposal costs, of the items being disposed. The following methods should be considered:

9.5.1 Formal tendering procedures
9.5.2 On-site Auction
9.5.3 Public Auction
9.5.4 Silent Auction
9.5.5 On-site Sale
9.5.6 Donation to other schools or Colleges or non-profit groups in the GPRC Region
9.5.7 Trade-in on replacement it, with approval of the Vice–President, Administration

9.6 Assets acquired with government or other funding must be managed and disposed of in accordance with applicable contractual or agreement terms and conditions (i.e. it may be necessary to obtain permission from the funder to dispose of the asset).

9.7 Prior to disposing of donated or gift-in-kind assets, appropriate approval from the Director, Community Engagement must be obtained. Disposal of donated or gift-in-kind assets must comply with both the terms and conditions agreed to when accepting the asset and the Fundraising Policy.

10. Roles and Responsibilities

STAKEHOLDER	RESPONSIBILITIES
Executive Council	• Approve and formally support this policy
Vice President, Administration	• Oversee the implementation of this policy • Review and approve any exceptions to the requirements of this policy
Director, Community Engagement	• Approve the disposal of donated or gift-in-kind assets
Director, Financial Services	• Review the acquisition of assets obtained through leasing arrangements to determine if it is a capital or operating lease
Financial Services	• Manage and record the capital asset acquisition and disposals
Departments	• Maintain custody over capital assets and ensure appropriate stewardship

11. Exceptions to the Policy

11.1 Exceptions to the guiding principles in this policy must be documented and formally approved by the Vice-President, Administration. Evidence of the approval must be sent to Financial Services for processing.

11.2 Policy exceptions must describe:

- 11.2.1 The nature of the exception
- 11.2.2 A reasonable explanation for why the policy exceptions are required
- 11.2.3 Any risks created by the exceptions to this policy

12. Inquiries

12.1 Inquiries regarding this policy can be directed to the Director, Financial Services.

13. Amendments (Revision History)

13.1 Amendments to this policy will be published from time to time and circulated to the College community.

Appendix 1 – Asset Disposal Form

ASSET DISPOSAL FORM

Reason for Disposal				Transferring or Disposing Division		Recommended Disposal Method			
				Name			Auction		Traded
	Obsolete		Stolen	Division			Transfer		Donated
	Damaged		Missing	Date			Stolen		Missing
	Other (specify)			Signature			Obsolete/Damaged		Tender
	Impairment (specify)								

Inventory Tag#	Serial# (if applicable)	Description / Location	Disposal Date	Est. Fair Market Value	Net Book Value
Finance Approval			Date		
Department Head / Dean			Date		
DO NOT DISPOSE OF ITEMS UNTIL YOU HAVE RECEIVED AUTHORIZATION FROM THE FINANCIAL SYSTEMS SUPERVISOR OR PURCHASING AGENT. Executive approval may be required in certain circumstances, if deemed necessary by Finance.					
	<-- Initial box if Executive approval required	Executive Approval			