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# NAIT *Guidelines*

OA.6.19

## Campus Development

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**Purpose:** To establish processes, accounting principles, and financial guidelines covering the various stages within the life cycle of buildings, leasehold, and site improvements.

## **1.0 Definitions**

### **1.1 *Characteristics of Campus Development:***

**1.1.1** Campus Development includes: construction or purchase of buildings; the renovation of existing buildings which, after completion will extend the life of the building or change the use of the area of the building; site improvements; leasehold improvements; the acquisition of land; and renovation of existing buildings and upgrade/replacement of building systems to keep them in efficient operating condition.

### **1.2 *Campus Development Capital Costs:***

Capital costs include the following:

**1.2.1** Construction of a building - includes all planning, design, legal, inspection and other soft costs (including moving charges), and the costs of construction and building systems incurred to ready the building for occupancy.

**1.2.2** Purchase of a building – includes the purchase price of the building plus any costs incurred to ready the building for occupancy.

**1.2.3** Renovations to existing buildings - includes all costs incurred in the design and completion of the renovations and related building systems.

**1.2.4** Site improvements – includes all costs incurred in completing the site improvements.

**1.2.5** Leasehold improvements - includes all costs incurred to complete the renovations and related building systems.

**1.2.6** Land - includes all the costs of the land, any realty fees incurred and the cost of any landscaping done at the time of acquisition.

**1.2.7** Upgrade/replacement of building systems.

### **1.3 Capitalization Criteria**

The various types of campus development must meet one of the following criteria in order to be recorded in the capital accounts:

- 1.3.1** The campus expansion entails the purchase or construction of a new building.
- 1.3.2** The capital renovation will enhance the service potential of the building or area and will extend the useful life of the building or change the use of the area of the building being renovated.
- 1.3.3** The site improvement has a value that will extend over future years.
- 1.3.4** The leasehold improvement will improve the use of the leased facilities.

All renovations or improvements undertaken that do not meet one of the above criteria are for purposes of keeping the campus in an efficient operating condition, and are expensed in the year of undertaking.

### **1.4 Accounting Period**

Accounting period means July 1<sup>st</sup> to June 30<sup>th</sup>.

### **1.5 Categories of Budget Allocation**

- 1.5.1** Campus Expansion – to increase space through the construction or purchase of buildings or obtaining additional leased facilities, in accordance with NAIT's Campus Development Plan.
- 1.5.2** Major Maintenance Program– replacement of mechanical, electrical, and structural components of existing buildings, and renovations to academic, common use, administrative and support spaces.
- 1.5.3** Major Renovations – a budget allocation within the Major Maintenance Program for functional renovations required to make better use of the space available in academic areas of the Institute.
- 1.5.4** Minor Renovations – renovations completed per requests received from various areas to maintain the function and use of the space held (i.e. installation of wall jacks etc.). The typical cost is less than \$10,000.

## **2.0 Accounting Policies**

- 2.1** Amortization of capital costs occurs on a straight-line basis over the useful life as calculated by Financial Services through discussions with Capital Projects and Facilities Operations:

|                        |                            |
|------------------------|----------------------------|
| Buildings              | up to 40 years             |
| Renovations            | remaining life of Building |
| Site improvements      | up to 10 years             |
| Leasehold improvements | Lease Term                 |

- 2.2** Unamortized deferred capital contributions are recognized as revenue in the period in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contribution revenue are matched to indicate how the related amortization expense has been funded.

Unamortized deferred capital contributions relating to disposed capital assets are recognized as revenue in the period of disposal, provided that compliance with all restrictions has been met.

## **3.0 Post-Secondary Learning Act**

The appropriate sections of the Post-Secondary Learning Act shall be applied in the purchase, sale or lease of land and buildings.

## **4.0 Alberta Infrastructure Contracting Requirements**

NAIT shall comply with the requirements of the Alberta Infrastructure Contracting Requirements for Grant Funded Capital Projects.

## **5.0 Conflict of Interest**

- 5.1** For projects where NAIT has entered into a Capital Grant Agreement ("initial agreement") with one Minister of the Government of Alberta, NAIT shall not enter into any other agreement with any other Minister of the Government of Alberta or any other person, the requirements of which will conflict with the requirements of the initial agreement, or that will or may result in its interest in any other agreement and the initial agreement being in conflict.
- 5.2** NAIT shall ensure that its officers, employees, agents:
- 5.2.1** Conduct their duties with impartiality and shall, if they exercise inspection or other discretionary authority over others in the course of those duties, disqualify themselves from dealing with anyone with whom a relationship between them could bring their impartiality to question,

- 5.2.2 Not influence, seek to influence, or otherwise take part in a decision knowing that the decision might further their private interests,
  - 5.2.3 Not accept any commission, discount, allowance, payment, gift or other benefit that is connected, directly or indirectly, with the performance of their duties that causes, or would appear to cause, a conflict of interest, and
  - 5.2.4 Have no financial interest in the business of a third party that causes, or would appear to cause, a conflict of interest in connection with the performance of their duties, and if such financial interest is acquired during the term of the project, such financial interest shall immediately be reported to the Vice President Administration and CFO.
- 5.3 For members of the NAIT Board of Governors, refer to section 4.14 of the NAIT Board of Governors By-Laws regarding the avoidance of circumstances of potential conflicts of interest.
- 5.4 All official documents issued by NAIT, such as Requests for Proposals, Requests for Expressions of Interest, and Contracts of any consultant, sub-consultant, construction manager, general contractor, sub-contractor, equipment supplier, or any other firm with whom NAIT does business, and any of their owners, employees, or agents (collectively known as the "proponent"), shall include a conflict of interest section that states that the proponent shall:
- 5.4.1 Conduct their duties related to the contract with impartiality and shall, if they exercise inspection or other discretionary authority over others in the course of those duties, disqualify themselves from dealing within anyone with whom a relationship between them could bring their impartiality into question,
  - 5.4.2 Not influence, seek to influence, or otherwise take part in a decision of NAIT, knowing that the decision might further their private interests,
  - 5.4.3 Not accept any commission, discount, allowance, payment, gift, or other benefit that is connected, directly or indirectly, with the performance of their duties related to the contract ,that causes, or would appear to cause, a conflict of interest, and
  - 5.4.4 Have no financial interest in the business of a third party that causes, or would appear to cause, a conflict of interest in connection with the performance of their duties related to the contract, and if such financial interest is acquired during the term of the contract, the proponent shall promptly declare it to the Vice President Administration and CFO of NAIT.

- 5.5 In the official documents issued by NAIT pursuant to paragraph 5.4, the proponent shall confirm in writing that they have read and fully understand the Conflict of Interest provisions as stated in the instructions to proponents, and they shall certify that they have no conflict of interest at the time of signing, and will report any future conflicts of interest to NAIT, if any arise during the course of the project.
- 5.6 Any sub-contracts issued by a consultant, general contractor, construction manager or any other party, shall also include the conflict of interest requirements pursuant to paragraph 5.4, and the written confirmation requirements of paragraph 5.5.
- 5.6 If NAIT, in its sole discretion, deems the particular circumstances outlined in paragraph 5.4, or other such circumstances to comprise a conflict of interest, NAIT may terminate the contract, cause a sub-contract to be terminated by a contractor, or remove the conflict of interest to the satisfaction of NAIT.

## **6.0 Regulatory Approvals**

NAIT shall work diligently with the applicable regulatory agencies, including municipal planning departments, to ensure that approvals are processed in as timely manner as possible, and that related risks are appropriately identified and mitigated.

## **7.0 Budget Planning, Approval and Coordinating Process**

### **7.1 *Committee Roles***

#### **7.1.1 Board of Governors**

- a) Reviews and approves the recommendations submitted by the Campus Development Committee and the Finance and Audit Committee;
- b) Makes recommendations to the Minister in accordance with the Post-Secondary Learning Act.

#### **7.1.2 Campus Development Committee (Board of Governors)**

- a) Reviews and makes recommendations to the Board of Governors regarding:
  - i) the acquisition of buildings or land through purchase, construction, or lease;
  - ii) the disposal of buildings or land;
  - iii) a long-range campus development strategy and plan;

- iv) individual building project proposals and project expenditures;
  - v) the annual capital renovation program within the context of an overall balanced Budget;
  - vi) the framework for naming opportunities of various areas of the campus; and
  - vii) the actual naming of space.
- b) Approves the appointment of consultants, bidders invitation lists, and construction contract awards in accordance with this Campus Development Guideline.
  - c) Reviews and approves schematic design concepts and design development reports on major building projects.
  - d) Reviews and approves policies governing the use of Institute space.
  - e) Monitors the financial performance of the Institute in relation to expenditure of funds on construction projects.

#### 7.1.3 Finance and Audit Committee (Board of Governors)

- a) Reviews and makes recommendations to the Board of Governors regarding **the three year Comprehensive Institutional Plan and annual Budgets, inclusive** of the financial allocations made for purposes of campus development.

#### 7.1.4 Executive Committee

- a) Ensures that the campus development components of the three year Comprehensive Institutional Plan and annual balanced Budgets that are prepared and presented to the Campus Development Committee and the Finance and Audit Committee are in alignment with the Institute's Campus Development Plan and priority needs.
- b) Reviews and approves the prioritized Infrastructure Maintenance Program and Major Renovation lists as recommended by the Capital Review Committee.

#### 7.1.5 Capital Review Committee (a subcommittee of President's Council)

- a) Provides advice to the Executive Committee regarding the Infrastructure Maintenance Program and Major Renovation project planning parameters for the three year Comprehensive Institutional Plan and annual Budget.

- b) Reviews and recommends to Executive Committee, the prioritized Major Maintenance Program and Major Renovations project lists as prepared by Capital Projects and Facilities Operations. The review process includes identification of any areas of potential concern for follow up, any coordination that is required, the impacts on space utilization and renovations, and ensures that the required documentation has been properly completed.
- c) Approves the documentation requirements and ranking criteria in regards to campus development.
- d) The Chair, or designate, monitors Infrastructure Maintenance Program and Major Renovation project costs throughout the year in comparison to the budget.
- e) The Chair, or designate, reviews and approves, if appropriate, recommendations made during the fiscal year by Capital Projects and Facilities Operations regarding reallocation of budgets between certain Infrastructure Maintenance Program and Major Renovation projects, within the total approved campus development budget for the year.

#### **7.1.6 Executive Committee Members**

- a) Campus Expansion, Infrastructure Maintenance Program and Major Renovation Projects – initial review as prepared by Capital Projects and Facilities Operations occurs through the office of the Vice President Administration and CFO.
- b) Purchases or Disposal of Buildings or Land – the Vice President Administration and CFO is responsible for providing advice regarding compliance with the Post-Secondary Learning Act in regards to such transactions, and ensuring that following appropriate approvals, that all aspects of the transaction are completed.
- c) Leases - the Vice President Administration and CFO is responsible for ensuring that new leases, lease terminations, or lease renewals are executed in accordance with approved plans.



## **7.2 Coordinating Roles**

### **7.2.1 Capital Projects and Facilities Operations**

- a) Ensures that all proposed campus development is consistent with the applicable scenarios contained within NAIT's Campus Development Plan.
- b) Coordinates the planning, design, construction and occupancy process for all categories of campus development (i.e. campus expansion, infrastructure renewal and major renovations) in accordance with Facilities Guideline FM.1.1. Processes include:
  - i) Develop and maintain standards for buildings and building systems and grounds to support the campus development plan vision and to provide quality cost effective and energy efficient facilities.
  - ii) Identification of development options that meet program and support services needs, and that are consistent with the Campus Development Plan;
  - iii) Review of project proposals or work order requests received from programs or support services, assessing their feasibility, preparing preliminary cost estimates for budgeting and approval purposes;
  - iv) Recommending the source of funding to be used for each project;
  - v) Following appropriate consultation, presenting proposed Major Maintenance Program and Major Renovation lists and budgets at meetings of the Capital Review Committee and the Campus Development Committee;
  - vi) Following budget approval, proceeding to engage the appropriate resources as required for the project in accordance with this Campus Development Guideline; and
  - vii) Providing regular reports to the Capital Review Committee and the Campus Development Committee regarding the status of approved projects.
- c) Ensures that Provincial space and condition inventory information is kept current to support appropriate Provincial funding decisions for Campus Expansion and annual Infrastructure Maintenance Program grants.
- d) Has a major responsibility in the purchase, disposal, and leasing of properties.

### **7.2.2 Purchasing**

- a) Provides assistance where necessary, using the documentation prepared by Capital Projects and Facilities Operations, for purchases in accordance with Purchasing Guideline OA.6.7.

### **7.2.3 General Counsel Services**

- a) Reviews or prepares contracts;
- b) Provides advice regarding insurance for construction contracts, and makes the necessary arrangements with the Institute's insurer;
- c) Provides advice as appropriate in regards to purchase, disposal, and lease transactions, and reviews or prepares the necessary documents to complete such transactions.

### **7.2.4 Financial Services**

- a) In consultation with Capital Projects and Facilities Operations, determines whether the project is to be capitalized or expensed.

For projects that are to be expensed, the applicable amount of grant revenue from external sources is recognized in the revenue section of the Budget.

The total value of all projects that are to be capitalized based on the criteria in paragraph 1.3 is reflected in the applicable sections of the Budget.

- b) Processing of project revenues and expenses and preparation of financial reports occurs through Financial Services.

### **7.2.5 Deans, Directors and Managers**

- a) Identify space needs and renovation requirements to Capital Projects and Facilities Operations in accordance with the planning cycle.
- b) Participate in functional planning and design activities for approved projects.

## **8.0 Budget Setup and Budget Maintenance Process**

### **8.1 Establishment of Project Codes**

Following approval of campus development projects within the overall Budget, Financial Services will establish the project codes and the budget in the General Ledger, by assigning each project a unique code with the corresponding funding source(s) attached. The project code will be communicated to the parties requiring the information. Specific Chartfield coding will be provided where the purchase of furniture and equipment is required.

### **8.2 Implementation**

Following approval of the Budget by the Board of Governors and the establishment of project codes, Capital Projects and Facilities Operations has the authority to expend funds prior to the new fiscal year to ensure that the project is completed for the start of the new academic year.

To ensure that the budget setup contains the appropriate expenditure allocation by fiscal year, Capital Projects and Facilities Operations provides Financial Services with an estimate for each project at the time of budget setup.

### **8.3 Carry Over of Project Budgets**

**8.3.1** In the fourth quarter of the fiscal year, and following consultation with Financial Services, a listing of projects which were scheduled to be completed in the current year and which have not started will be presented by Capital Projects and Facilities Operations to the Capital Review Committee. The Committee will be provided with information on the status of these projects and the rationale for any request to carry over funds to the next fiscal year.

**8.3.2** The Capital Review Committee may approve or deny the request to carry over the funds.

**8.3.3** Any budgeted amounts remaining in excess of actual expenditures on completed Infrastructure Maintenance Program, and Major Renovation projects shall have this total amount carried forward into the next fiscal year in an unallocated capital project. The use of these funds are subject to approval by the Capital Review Committee, and may include assigning all or a portion of these funds to cover expenditures in excess of the budget in future fiscal years, undertaking prior project requests that were not approved, or addressing an emergency project issue during the year which cannot be addressed through other means.

**8.3.4** Financial Services will ensure that the correct amounts are carried forward through the applicable capital projects.

#### **8.4 Actual Cost in Excess of Budget**

**8.4.1** Capital Projects and Facilities Operations will provide the Capital Review Committee with Infrastructure Maintenance Program **and** Major Renovation project financial reports including the approved budget, actual expenditures to date, and the anticipated variance that is expected in completing the project. Capital Projects and Facilities Operations will also propose appropriate budget reallocations from other projects or from the unallocated capital project.

**8.4.2** Total project expenditures cannot exceed the total budget available, including the budget available within the carry forward accounts.

#### **9.0 Campus Development Financing**

Sources of campus development financing include the following:

##### **9.1 Campus Expansion Grants**

Grants that are specified by the Government for a specific campus expansion project at the Institute.

##### **9.2 Annual Infrastructure Maintenance Program Grants**

Grants that are distributed by the Government on an annual basis using an established formula. These grants, although not specifically designated to projects by the Government, are intended for the Infrastructure renewal of the Institute's facilities.

##### **9.3 Annual Budget**

The campus development allowance contained within the annual Budget approved by the Board.

##### **9.4 Conditional and Special Grants**

The allowance contained within the terms of conditional or special grants that may be used for campus development.

##### **9.5 Donations**

Voluntary contributions made for campus development. Matters relating to acceptance of donations, the responsibilities of the receiving unit, and other issues related to gifts in kind are addressed in Guideline FR.2.1.

## **9.6 Transfer from Operating to Renovations Budget**

- 9.6.1** When the Dean/Director/Associate Vice President/Vice President has expended their equipment contingency budget (OA 6.18, Section 5.9), their Academic Incentive Plan Funds (OA 6.18, Section 5.10) or any donated or grant funds that may be utilized for renovations by a program, they may, on an annual basis, transfer up to a total of \$50,000 of their operating budget to capital equipment or renovations budgets, provided that their operating budget will be balanced for the year, and approval has been received from their Vice President. The transfer must be approved no later than April 30<sup>th</sup>. Any unspent renovation amounts within the budget year will be returned to the appropriate operating budget upon completion of the renovation.

For greater clarity, it is expected that the capital contingency for the Associate Vice Presidents and Vice Presidents will be used to support capital equipment needs of the schools and departments which report to them prior to the request to transfer operating funds to capital.

- 9.6.2** If at the end of the fiscal year the operating budget of the School or Department is in a deficit position, the amount of the operating funds transferred to the renovation project/capital budget or the amount of the deficit (whichever is less) will be charged to the Dean/Director/Associate Vice President/Vice President's following year's Capital Contingency.
- 9.6.3** Any transfers made by Schools or Departments from their operating budget to the capital equipment budget, as provided for in the Capital Equipment Guideline OA.6.18, reduces the \$50,000 limit in section 9.6.1 by the amount of the transfer made to the capital equipment budget.

## **10.0 Consulting Services**

### **10.1 Scope of Consulting Services**

Consulting services in support of capital projects includes Architectural, Engineering, Cost Management, and other specialist consulting services.

## 10.2 Consulting Service Contracts

The following table establishes the approval authority, and contract signing authority for various ranges of consulting contracts for campus development projects:

| CAPITAL PROJECTS AND FACILITIES OPERATIONS - Consultant Services                           | Manager   | Director  | Associate Vice-President                                   | Vice President     | President Or Designate | Board Committee   |
|--|---|---|--|--------------------|------------------------|-------------------|
| Approve issue of request for quote / request for proposal                                  | Up to \$10,000  | Up to \$10,000  | All  |                    |                        |                   |
| Approve rejection of non-compliant, apparent low quote / highest scoring proposal          |   |   | All  |                    |                        |                   |
| Approve requests from proponents to withdraw quotes / proposals                            |   |   | All  |                    |                        |                   |
| Approval to Award Contract to lowest compliant quote or highest compliant scoring proposal | Up to \$25,000  | Up to \$25,000  | Up to \$ 250,000   | Up to \$ 1,000,000 | Up to \$ 2,000,000     | Over \$ 2,000,000 |
| Reject all quotes / proposals  |   |   | All  |                    |                        |                   |
| Approve Sole Source Contracts  | Up to \$10,000  | Up to \$10,000  | Up to \$75,000   | Up to \$ 1,000,000 | Up to \$ 2,000,000     | Over \$ 2,000,000 |
| Sign Approved Contracts  | Up to \$10,000  | Up to \$10,000  | Up to \$75,000   | All                |                        |                   |
| Approve Contract Extensions or Changes to Scope/Intent of Contract – no increase in upset  |   |   | All  |                    |                        |                   |
| Approve Contract Extensions or Changes to Scope/Intent of Contract – increase in upset     | Greater of 5% or \$5,000 to a maximum upset of \$25,000 | Greater of 5% or \$5,000 to a maximum upset of \$25,000 | Greater of 10% or \$50,000 to a maximum upset of \$100,000 | All                |                        |                   |
| Approve change of key staff  | All   | All   |  |                    |                        |                   |
| Approve Contract Payments  | All   | All   |  |                    |                        |                   |

## 11.0 Construction and Construction Services

### 11.1 Scope of Construction and Construction Services

Construction and Construction Services include the following:

11.1.1 Construction Management Services;

11.1.2 Performance of construction work;

11.1.3 Variations and combinations of various types of construction contracts, including design-build and public-private partnership contracts.

## 11.2 Construction and Construction Service Contracts

The following table establishes the, approval authority, and contract signing authority for various ranges of construction and service contracts:

| CAPITAL PROJECTS AND FACILITIES<br>OPERATIONS - Construction and Construction<br>Services Contracts     | Coordinator   | Manager   | Director  | Associate Vice-<br>President                                  | Vice<br>President     | President            | Board<br>Committee  |
|---|---|---|---|---|-----------------------|----------------------|---------------------|
| Approve issue of tender / request for quote /<br>request for proposal                                   |   | Up to \$30,000  | Up to \$50,000  | All   |                       |                      |                     |
| Approve rejection of non-compliant, apparent<br>low quote/bidder or highest compliant scoring           |   |   |   | All   |                       |                      |                     |
| Approve requests from quotes / bidders /<br>proponents to withdraw                                      |   |   |   | All   |                       |                      |                     |
| Approval to Award Contract to lowest compliant<br>quote/bidder or highest compliant scoring<br>proposal |   | Up to \$50,000  | Up to \$<br>100,000   | Up to \$<br>250,000   | Up to \$<br>2,000,000 | Up to<br>\$5,000,000 | Over<br>\$5,000,000 |
| Reject All quotes / bids / Proposals  |   |   |   | All   |                       |                      |                     |
| Approve Sole Source Contracts   |   | Up to \$10,000  | Up to \$10,000  | Up to \$<br>250,000   | Up to \$<br>2,000,000 | Up to<br>\$5,000,000 | Over<br>\$5,000,000 |
| Sign Approved Contracts   |   | Up to \$10,000  | Up to \$10,000  | Up to \$<br>250,000   | All                   |                      |                     |
| Approve Contract Extensions or Changes to<br>Scope/Intent of Contract                                   |   |   |   | All   |                       |                      |                     |
| Approve Extra Work /Change Orders<br>(cumulative total)   | Greater of 5%<br>or \$2,500 to a<br>maximum of<br>\$5,000 | Greater of 5%<br>or \$10,000 to a<br>maximum of<br>\$30,000 | Greater of 5%<br>or \$10,000 to a<br>maximum of<br>\$50,000 | Greater of 10%<br>or \$10,000 to a<br>maximum of<br>\$100,000 | All                   |                      |                     |
| Approve new unit prices or changes to existing<br>unit prices   |   |   |   | All   |                       |                      |                     |
| Approve Completion Date Extensions  |   |   |   | All   |                       |                      |                     |
| Approve Contract Overruns   |   | Greater of 5%<br>or \$10,000 to a<br>maximum of<br>\$30,000 | Greater of 5%<br>or \$10,000 to a<br>maximum of<br>\$50,000 | All   |                       |                      |                     |
| Approve Contract Payments   |   | All   | All   |   |                       |                      |                     |
| Approve Holdback/Security Releases  |   | All   | All   |   |                       |                      |                     |

### **11.3 Reporting**

Change orders shall be reported to the appropriate approving authority together with documentation and rationale for changes to the approved project budget.

## **12.0 Project Accounting**

### **12.1 Recording**

**12.1.1** Capital Projects and Facilities Operations will notify Financial Services of the completion of each project.

**12.1.2** Financial Services will refer to the designation of projects to be capitalized as determined in paragraph 7.2.5, and will establish a record in the Asset Management System for those projects meeting the criteria. Useful life and in-service date of the project will be determined in consultation with Capital Projects and Facilities Operations.

**12.1.3** Financial Services will, on a monthly basis, reconcile the Asset Management System to the General Ledger to ensure that all projects completed have been recorded in an accurate manner.

## **13.0 Disposal and Accounting for Proceeds on Disposal**

**13.1** The disposal of buildings, leasehold and site improvements will be recorded in the balance sheet, with the gain or loss on disposal being recorded in the revenue or expense accounts as appropriate.

**13.2** If the disposal of buildings, leasehold and site improvements involves the transfer or disposal of equipment, refer to Capital Equipment Guideline OA6.18, sections 10 and 11.

## **14.0 Financial Reporting**

**14.1** Reports will be generated as required for annual reporting purposes, the annual campus development budget process, and other special purposes as may be requested by various stakeholders within the Institute and by the Government.

**14.2** Financial Services will act as the central contact for campus development financial reporting requirements. Reports may be produced through nVision or the Asset Management System.

**14.3** Refer to the Asset Management Training Manual for a detailed listing of available reports.

**14.4** Financial reporting will be in accordance with Generally Accepted Accounting Principles.