

## **5.15 CAPITAL EXPENDITURE POLICY**

### **Policy**

Capital assets will be recorded at cost and depreciated over their estimated useful lives. Capital assets will be depreciated using the straight-line methods or declining balance, as appropriate.

Where capital purchases are made and capital budgets have not been provided, BACI will attempt to negotiate the appropriate depreciation costs into applicable program contracts.

### **Maintenance and Improvement**

Every maintenance and improvement project undertaken by BACI that involves capital budgets<sup>1</sup> will be evaluated to determine whether the project is an improvement or a repair. An improvement will be defined as that which enhances the service potential of an existing capital asset; a repair will be defined as that which maintains it.

If the project is an improvement, the cost of the project will be capitalized. Any funds received via capital grants, BCMHC, or elsewhere, will be recognized as deferred revenue and used to offset the depreciation of the applicable capital asset over its lifetime.

If the project is a repair, the cost of the project will be expensed to the period in which it occurs. Any funds received via capital grants, BCMHC, or elsewhere, will be recognized as revenue in the same period in which the expense was incurred.

All maintenance and improvement projects will be identified as assets or expenses according to the applicable federal or provincial sponsor guidelines.

### **Linking Policies**

- 1.11 Risk Management Policy
- 1.12 Corporate Responsibility Policy
- 5.1 Financial Governance Policy
- 5.2 Financial Records Policy
- 5.3 Financial Statements & Reporting Policy
- 5.4 Annual Budget Policy
- 5.5 Financial Authorization Policy
- 5.6 Program Financial Reporting Policy
- 5.14 Signing Authority Policy

<sup>1</sup> Such as funds/replacement reserves received from the BC Housing Management Commission (BCHMC) for maintenance and improvement projects, capital grants, and BC Gaming Commission funds.