PROCEDURES

Title	**Capital Assets**
Policy No.	B.1.11
Approval Body	President and Chief Executive Officer
Policy Sponsor	Executive Director, Finance & Chief Financial Officer
Last Revised/Replaces	
Effective Date	February 13, 2020

GENERAL

1. The Finance department is responsible for:
    a. managing the capital request process using best practices and the Capital Asset Reference Guide prepared by the Ministry of Advanced Education, Skills and Training (AEST),
    b. the accounting treatment of capital projects and capital leases, in accordance with Public Sector Accounting Board (PSAB) standards; and
    c. clarifying the treatment and responsibility for the disposal and redeployment of capital assets.
2. Budget Officers are responsible for:
    a. administering and monitoring their approved capital projects,
    b. the custody, safeguarding, and disposal of their capital assets, and
    c. educating employees on their responsibility in the use and care of capital assets.

CAPITAL REQUESTS

3. New requests for the funding of capital projects are submitted to a review body that will evaluate requests and submit recommendations for approval to the Executive Director, Finance & Chief Financial Officer. The Executive Director, Finance & Chief Financial Officer approves internally funded capital projects.
4. Capital budgets to be completed within the fiscal year will not be carried forward to the next fiscal year. If these projects are still necessary, a new capital request will be required.
5. Capital projects approved to take place over multiple years will have a budget for those years.
6. The Finance department will regularly review the status of capital projects.

CAPITAL VERSUS NON-CAPITAL ASSETS

7. The Finance department will determine which assets are to be capitalized in accordance with PSAB standards and as outlined in Appendix A.

8. Non-capital assets are fully expensed in the period in which they are received while capital assets are amortized over their useful life.
9. Determination Criteria in Building Improvements
    a. The expenditure significantly extends the original useful life of the building
    b. The expenditure materially improves the building beyond its original condition
    c. The expenditure lowers the operating costs of the building.
    d. The expenditure increases the original assessed physical output of the building.
    e. The expenditure improves the quality of the output from the building.
    f. The expenditure results in an increase in the building's service capacity.

VALUATION OF CAPITAL AND NON-CAPITAL ASSETS

10. **Purchased Assets.**
    a. The capitalized cost includes:
        i. Purchase or acquisition price and related freight, installation, customs charges, taxes (net of rebates) and other direct costs of getting the asset into condition necessary for its intended use.
        ii. Capital equipment purchased with add-on items that are not initially ordered as a single amount, should still be included as part of the original cost.
        iii. Other direct costs may include software, and warranty costs for the first year only.
    b. Purchases of similar items, that in aggregate are greater than the capitalization threshold will be considered a capital expense, for example a class set of tables and chairs.
    c. Costs that will not be capitalized include training and maintenance unless these costs cannot be separated from the acquisition cost.
11. **Computers.** Computer hardware is considered a capital asset and may include monitors, desktops, laptops, printers, network switches, routers, servers, in-wall cabling and other related capital assets.
12. **Software.** The development of software is considered a capital asset and may include labour, consulting and training related expenditures.
    a. Capital cost associated with acquiring software such as the configuration and customization to make the software meet the college's needs, includes the cost of hardware required to use the software, and cost of setup or acquiring access to the infrastructure needed to use the software.
    b. The operating cost associated with new system such as data migration and training are expensed in the period they are received. Other operating costs include annual software maintenance, annual license fees, and application software not purchased on an enterprise-wide basis.
13. **Books and Publications.**

a. Bound and loose leaf publications, periodicals and other printed materials that are owned by the College and are considered a capital expenditure.

b. Electronic library collections that are not bound or require an annual license fee to remain available are considered an operating expense.

14. **Constructed Assets.** Assets that are constructed are capitalized as work progresses. Construction costs include all direct costs associated with the project that are incurred during the period when planning for the construction begins, and ends when the construction is substantially performed.

15. **Whole Asset versus Component Approach.** For the purpose of capitalization, both whole asset and component approach are used at VCC. Both approaches are equally acceptable under PSAB standards.

    a. The whole asset approach considers an asset to be an assembly of connected parts. The total cost of all parts is capitalized and amortized as one asset. This is typically used for purchased information technology systems.

    b. The component approach considers different components of an asset individually. Costs are capitalized and amortized separately. This is typically used for internally developed information technology systems.

AMORTIZATION

16. The costs of the capital asset less residual value are amortized on a straight-line basis over their estimated useful life as indicated below. In the year of purchase, half the net additions made to the specific class will be depreciated (half-year rule). Land is not amortized as it is deemed to have a permanent value.

Asset	Basis
Buildings	30 - 50 years
Building improvements	15 years
Building under capital lease	30 years
Furniture and equipment	5 years
Leasehold improvements	remaining lease
Computer hardware and software	4 years
Leased computer and copier equipment	3 - 5 years

DISPOSITION OF CAPITAL ASSETS

17. Capital assets that have been completely amortized and are deemed to be at the end of their useful life are removed from the accounting records.

18. When capital assets are disposed of prior to the end of their useful life, the capital asset is removed from the accounting records at the time of disposition and the difference between the proceeds of disposition and the remaining unamortized cost of the capital asset is considered a gain or loss, as appropriate.

19. Proceeds from disposal of capital assets are considered miscellaneous revenues.

20. Assets that are surplus to the needs of VCC are to be disposed of at fair market value by Procurement Services who will determine the appropriate method for disposal of such assets.
21. Where an opportunity exists to replace an outdated asset with a similar asset, details of the potential trade-in must be forwarded to Procurement Services, who will conduct an analysis of the potential trade-in to determine the best overall value to VCC. Departments must only negotiate trade-in arrangement after consultation with Procurement Services.

CUSTODY AND SECURITY

22. Employees are responsible for the use and care of capital assets, including placing reasonable safeguarding measures, such as insurance, at all locations where these assets reside, to prevent damage to or loss of such assets.
23. Employees are responsible for verifying the location and condition of all capital assets in their custody.
24. Any stolen or damaged property must be reported to the Safety, Security and Risk Management Department.

RELATED POLICY

Refer to B.1.11 Capital Assets Policy.

Appendix A

Capital and Non-Capital Assets

Conditions	Capital Asset	Non-Capital Asset
Individual assets have a useful life > 1 year and cost > $5,000	X	
Individual assets have a useful life < 1 year or cost < $5,000		X
Bulk purchase: assets where useful life > 1 year and individual cost < $5,000 but when assessed in aggregate represent a material increase in business capacity (as determined by the Director of Finance)	X	
Intangible assets (e.g. curriculum development and program development costs, marketing, branding, etc.)		X
Works of art and historical treasures		X
Land	X	
Leasehold improvements that have a useful life > 1 year and cost > $5,000 or as determined by the Director of Finance	X	
Leasehold improvements have a useful life < 1 year or cost < $5,000		X
Repairs and maintenance to a capital asset. Cannot determine if a cost is a betterment or a repair.		X
Capital lease	X	
Non-capital lease (operating lease)		X
Building or infrastructure built on leased land	X	
Library collection items regardless of cost; Bound and loose leaf publications, periodicals and other printed materials.	X	
Electronic library collection material; i.e. DVD's, Databases		X
Computer software development and implementation where cost > $5,000 (including upfront cost such as setting up a new system, configuration and customization)	X	
Data migration from old system to new system		X
Enhancement or upgrade to software where cost > $5,000	X	
Software licenses		X
Software maintenance, minor fixes, patches		X
Warranty		X

Assets will be capitalized in accordance with PSAB standards.