

**THE RURAL MUNICIPALITY OF PINEY**

**“Capitalization Policy”**

\*\*\*\*\*

**Subject:** Capitalization

**Effective Date:** August 15, 2018

**Replaces Policy:** New

**Resolution No.:** 226                   **Resolution Date:** August 14, 2018

\*\*\*\*\*

**PURPOSE:**

To establish standard procedures for capitalizing assets to facilitate the identification, reporting and safeguarding of the Rural Municipality of Piney assets in compliance with generally accepted financial reporting requirements.

**POLICY STATEMENT:**

The municipality feels it is important to set a capitalization rate on all individual assets with a set cost and an estimated useful life on type of depreciation method.

**POLICY:**

All assets will be capitalized by the RM of Piney with a cost of \$3,000.00 or more and that has an estimated useful life (period of time over which an asset’s cost will be depreciated) of three (3) years or more.

Capitalized assets are depreciated using a straight-line method. Straight-Line Depreciation Method is determined by the following formula:

$$(\text{Cost-Salvage value}) / \text{Estimated useful life} = \text{Depreciation per period}$$

“Schedule A”

TANGIBLE CAPITAL ASSETS BREAKDOWN:

TANGIBLE CAPITAL ASSETS			
Asset Class	Description	Capitalization Threshold	Amortization Rate (Straight-Line)
Office	Office furniture and equipment	\$3,000	3 years
Computer hardware/software	Purchase of computers Updates to software	\$3,000	4 years
Building/Improvements	Landscaping and any improvements needed to building	\$10,000	15 years
Land	Includes the purchase price and all closing costs for the land Excludes land held for resale	\$0	n/a
Land Improvements	Fencing	\$5,000	10 years
	Outdoor lighting	\$5,000	20 years
	Landscaping	\$5,000	20 years
	Sidewalks (concrete)	\$5,000	30 years
	Parking lots: i) gravel	\$5,000	10 years
	ii) asphalt	\$5,000	20 years
	iii) concrete	\$5,000	30 years
	Signage	\$3,000	5 years
Buildings – Brick, Mortar & Steel	Includes office buildings, recreation facilities, maintenance shops, storage sheds, and trailer buildings	\$10,000	40 years