

# THE RURAL MUNICIPALITY OF PINEY

## “Capitalization Policy”

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**Subject:** Capitalization

**Effective Date:** August 15, 2018

**Replaces Policy:** New

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

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### **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:

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

The total cost of the capital asset is the cash outlay or its equivalent that is necessary to acquire the asset and put it in operating condition. These costs include contract price, freight, sales tax, licensing fees, handling and assembling, installation and testing, direct labour and material, indirect labour and materials, benefit and overhead allocations as well as any construction period interest cost.

### **TANGIBLE CAPITAL ASSETS BREAKDOWN:**

The attached “Schedule A” is a table including the guidelines that are to be used in setting estimated useful lives for asset reporting including the estimated life in years.