EASTERN KINGS
WHERE THE SUN RISES AND THE TIDES MEET

Rural Municipality of Eastern Kings

Capitalization Policy # 2022-01

BE IT ENACTED by the Council of the Rural Municipality of Eastern Kings as follows:

1. Title

1.1 This Policy shall be known as, and may be cited as, the "Capital Asset Policy."

2. Policy Objective

2.1 The purpose of this policy is to establish the parameters for recognizing, recording and reporting on Tangible and Intangible Capital Assets on a consistent basis and in accordance with Public Sector Accounting Standards.

3. Policy Scope

3.1 This policy applies to all departments, organizations and entities controlled by, and included on the consolidated financial statements of the Rural Municipality of Eastern Kings. All accounts and budgets are to be prepared in compliance with this capitalization policy.

4. Tangible Capital Asset Definition

4.1 Tangible Capital Assets are non-financial assets having a physical substance that:

i. Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;

ii. Have useful economic lives extending beyond an accounting period;

iii. Are to be used on a continuing basis; and

iv. Are not for sale in the ordinary course of operations.

5. Tangible Capital Assets Thresholds

5.1 Tangible Capital Assets meeting the criteria established in section 4, should be capitalized, in accordance with Schedule "A" of this policy, when they have a value of more than $200.00 (two hundred dollars).

5.2 Donations of land or other tangible capital assets will be assigned a cost equal to the fair value at the date of contribution using market or appraised values. If a value cannot be determined, a nominal value of $1.00 will be assigned.

5.3 Assets that individually do not meet the threshold, but which are purchased in large quantities and together meet the capitalization threshold, will be recognized as a pooled asset.

6. Tangible Capital Asset Depreciation

6.1 Capital Assets must be capitalized and depreciated over their useful lives for financial statements and/or bookkeeping purposes.

6.2 Capital Assets are depreciated on a straight-line basis as Schedule "A", "Estimated Useful Life of Assets."

6.3 Land is deemed to have an unlimited life and as such is not subject to depreciation.

7. Tangible Capitalization Method and Procedure

7.1 Tangible Capital Assets are recorded at cost.

7.2 Cost in accordance with section 4, is the gross amount of consideration given to acquire, construct, develop, or better a tangible capital asset, including all costs directly attributable to the acquisition, construction, development, or betterment of the tangible capital asset including costs to install the asset at its final location in the condition required for its use, interest and other applicable costs.

7.3 Cost, in accordance with section 3 above, does not include taxes paid in regard to the asset that is recoverable through other levels of government by the Rural Municipality of Eastern Kings.

8. Intangible Capital Asset Definition

8.1 Intangible Capital Assets are an identifiable non-monetary asset without physical substance. Identifiability criteria:

i. Is separate (i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability); or

ii. Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights or obligations.

9. Intangible Capital Assets Thresholds

9.1 Intangible Capital Assets meeting the identifiability criteria in section 8, should be capitalized, in accordance with Schedule "A" of this policy, when they have a value of more than $1000.00 (one thousand dollars).

10. Intangible Capital Asset Depreciation

10.1 The Official Plan is stated at cost and will be amortized on a straight-line basis over the estimated useful life of ten years upon completion.

11. Intangible Capitalization Method and Procedure

11.1 Intangible Capital Assets are stated at cost.
11.2 Cost in accordance with section 8.
11.3 Cost, in accordance with section 3, does not include taxes paid in regard to the asset that is recoverable through other levels of government by the Rural Municipality of Eastern Kings.

12. Records Retention

12.1 Invoices substantiating the acquisition cost of each unit of property must be filed and destroyed according to the RMEK Records Retention Bylaw #2021-02 adopted October 12, 2021.

13. Asset Disposal | Transfer of an Asset to a Not-for-Profit

13.1 Any tangible capital asset that is disposed of, by sale, destruction, or otherwise, shall be reflected in the Municipality's accounts. The gain or loss on disposal will be calculated as the difference between the proceeds received and the net book value at the time of disposal.

14. Policy Review

14.1 This policy is subject to any change in Public Sector Accounting Standards pertaining to Tangible and Intangible Capital Assets and the direction of the Rural Municipality of Eastern Kings auditors as may be necessary from time to time.

15. Effective Date

15.1 This Policy # 2022-01 was approved by the Rural Municipality of Eastern Kings Council on the **9th day of August, 2022**.

SCHEDULE "A"

CAPITAL ASSET POLICY # 2022-01

Tangible ~ Asset	Estimated Useful Life
Computer Hardware	5 years
Computer Software	5 years
Municipal Signage	10 years
John Deere Utility Vehicle	10 years
Office furniture & Equipment	10 years
Intangible ~ Asset	
Official Plan	10 years