



Policy Title:	Tangible Capital Asset Capitalization and Amortization Policy	Policy Number:	01-1-103-19
Department:	Administration	Approval/Effective Date:	March 11, 2019

1. Purpose

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in the Town of Kensington’s financial statements.

2. Tangible Capital Asset Definition

A “Tangible Capital Asset” is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; and (2) was acquired or produced for a cost of \$1000.00 or more. Tangible capital assets must be capitalized and depreciated for financial statement purposes.

Tangible capital assets include all amounts that are directly attributable to the acquisition, construction, development and betterment of the asset. All costs associated with placing an asset in service, including freight, installation costs, site preparation costs, alterations and professional fees are included in the capitalized value.

3. Capitalization Thresholds

Town of Kensington establishes \$1000.00 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in the Town of Kensington’s financial statements.

4. Capitalization Method and Procedure

All tangible capital assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for Town of Kensington’s annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

5. Amortization Method

The cost of amortized tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost is amortized on a straight-line basis over the estimated useful life as follows:

Sewer system and lagoon 1.2%

Town of Kensington – Tangible Capital Asset Capitalization and Amortization Policy

Water system	1.2%
Sewer equipment	20%
Water equipment	20%
Buildings	2.5%
Fire Vehicles	6.67%
Vehicles	20%
Electronic Equipment	25%
Equipment	10%
Sidewalks	6.67%
Wind turbine	5%

Full amount of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

6. Record Keeping

The Chief Administrative Officer will maintain records of the complete inventory of the Town's tangible capital assets and the related amortization based on historical tangible capital assets acquisitions and disposals.

Date of Passage: March 11, 2019

I certify that this policy was adopted by Town Council as indicated above.



Chief Administrative Officer

March 12, 2019

Date

