ACCOUNTING FOR ASSETS

1. INTRODUCTION:

The Australian Accounting Standards require that Council report it assets at fair value.

2. OBJECTIVES:

The Accounting for Assets Policy seeks to ensure that:

- all accounting records, accounts and financial statements are prepared and maintained with respect to all relevant Australian Accounting Standards;
- revaluation of all material non-current assets are in accordance with the requirements of Australian Accounting Standard AASB 116 and AASB 13; and
- any significant change in the expected pattern of consumption of the future economic benefits embodied in an asset shall be accounted for as a change in an accounting estimate in accordance with AASB 108.

3. RECOGNITION OF ASSETS:

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

In accordance with AASB 116 and AASB 13, reliable measurement is an essential component for the recognition of an asset and in the absence of the ability to reliably measure the value of an asset, that asset cannot be recognised. Council has the opinion that it is not possible to reliably measure the fair value of land under roads and therefore, in accordance with the provisions of AASB 1051 of the Australian Accounting Standards, elects not to recognise land under roads acquired before 30 June 2008.

Land subsequently acquired for road purposes should initially be recognised at cost in accordance with AASB 116 but thereafter is to be carried using the fair value model, effectively requiring the amount to be written off as a revaluation decrement at the end of the reporting period.

Assets with an economic life in excess of one (1) year are only recognised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining such thresholds, regard is given to the nature of the asset and its estimated service life.

Capitalisation thresholds are as follows:

• Road construction, reconstruction and reseal	$10,000
• Paving and footpaths, kerbing and gutters	$ 5,000
• Stormwater drains and culverts	$ 5,000
• Reticulation extensions	$ 5,000
• Community Wastewater Management Scheme (CWMS) components	$ 5,000
• Buildings - new construction / extensions	$10,000
• Parks and playground furniture and equipment	$ 5,000
• Office furniture and equipment	$ 5,000
• Plant and equipment	$ 5,000
• Software	$ 5,000

No capitalisation threshold is applied to the acquisition of land or interests in land.

4. ASSET VALUE:

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired at no cost or for a nominated cost, the cost is its fair value as at the date of acquisition.

Where the future economic benefits of an asset for Council are not primarily dependent on the asset's ability to generate net cash inflows and where the Council would, if deprived of the asset, replace its remaining future economic benefits, fair value shall be determined as the depreciated replacement cost of the asset.

Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such to reflect the already consumed or expired future economic benefits of the asset.

The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

If the Council does not intend to replace the asset the fair value is an estimate of the likely inflow from disposal.

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If the carrying amount of the class of asset is increased as a result of a revaluation, the net revaluation increment shall be credited directly to equity under the heading of Asset Revaluation Reserve. Revaluation increments and decrements relating to individual assets within a class of assets shall be offset against one another within that class but shall not be offset in respect of assets in different classes.

5. REVALUATION FREQUENCY:

The following revaluation periods shall apply for each respective asset class:

- Land – at least every five (5) years;
- Buildings and structures - at least every five (5) years;
- Community Waste Management Systems – at least every five (5) years;
- Furniture and Equipment – at lease every five (5) years;
- Plant and Equipment – at least every five (5) years; and
- Roads, Footpaths and Stormwater – unit rates and lives shall be considered in-house annually and shall be reviewed independently at least every four years. A full condition assessment in the field will be undertaken at least once in every five (5) years.

6. DEPRECIATION:

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets. Each item within a class of assets that is significant shall be depreciated separately.

The useful life and depreciation method applied to an asset shall be reviewed at least at the end of each annual reporting period and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the life of method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with AASB 108.

Depreciation is recognised on a straight-line basis and the useful lives for each class of asset are shown below. On revaluation the Valuer will review the useful life of each asset.

Furniture and Equipment	
Office Equipment	3 to 15 years
Office Furniture	4 to 15 years
Software	3 to 15 years
Plant and Equipment	
Major Plant and Equip	2 to 15 years
Other Plant and Equipment	3 to 25 years
Building and Other Structures	
Buildings – Masonry	50 to 100 years
Buildings – Historical Superstructure (component)	up to 175 years
Buildings – Other construction	20 to 75 years
Park Structures – Masonry	50 to 100 years
Park Structures – Other construction	7 to 25 years
Playground equipment	25 years
Infrastructure	
Sealed Roads – Surface	20 to 25 years
Sealed Roads – Pavement	50 to 60 years
Sealed Roads – Formation (component)	up to 120 years
Unsealed Roads	10 to 30 years
Bridges	100 years
Footpaths	30 to 80 years
Kerbing and Water table	up to 80 years
Culverts, Stormwater Drainage	50 to 100 years
Community Wastewater Management Schemes (CWMS)	
CWMS – PVC piping	70 years
CWMS – Pumps and Telemetry	15 to 50 years
CWMS – Lagoons	80 years
Other CWMS	10 to 70 years
Refuse Sites	
Landfill and Post Closure Costs	Amortised over remaining useful life

Asset impairment will be considered on an annual basis (i.e. assets that have a reduced economic value to Council thereby reducing their fair value) and in accordance with AASB 136: Impairment of Assets.

7. REPORTING:

Reporting of assets within the Annual Financial Statements shall be in accordance with all relevant Australian Accounting Standards and South Australian Legislation.

8. RESPONSIBILITIES:

The Director Finance & Administration is accountable for ensuring the proper operation of this Policy.

9. LEGISLATION:

Local Government Act 1999
Local Government (Financial Management) Regulations 1999
Australian Accounting Standards

10. REFERENCES:

Council's Long Term Financial Plan, Budget & Annual Business Plan
Council's Infrastructure and Asset Management Plans
FRC Policy G1.19 Asset Management

11. RELATED DOCUMENTS:

Nil

12. REVIEW:

To be reviewed by Council's Audit & Risk Committee on an annual basis as part of its Work Program; and

To be formally reviewed by Council within twelve (12) months after a General Election, in line with legislation and any legislative changes or by resolution of Council.

13. DOCUMENT HISTORY:

Adopted by Council 14 August 2012
Resolution 164/2012

Review Date	Version Number	Description of Change(s)	Resolution
13/08/2013	1	Nil	180/2013
15/03/2016	2	Update Review Clause, Update ASB standards	102/2016
20/06/2017	3	Review of Thresholds & Useful Lives by Auditors & Valuer, inclusion of AASB 13, change of responsibility to FAM	099/2017
16/04/2019	3.1	The date for the next review of this Governance Policy has changed from June 2019 to March 2020. Updated Policy Review Schedule Policy Review Committee 27/03/2019 Council 16/04/2019).	085/2019
20/06/2023	4.0	Update to Revaluation Frequency in line with current accounting practices and FY Reporting; Change made to Responsible Officer title; Minor changes to useful life ranges; Minor formatting changes Audit & Risk Committee 09/06/2023 Policy Review Committee 15/06/2023 Council 20/06/2023	149/2023

14. SCHEDULES:

Nil

15. APPENDICES:

Nil

16. ANNEXURES & ATTACHMENTS:

Nil