

## **ACCOUNTING FOR ASSETS**

### **POLICY OBJECTIVES:**

Council is committed to ensuring

- all infrastructure assets are accounted for with respect to applicable Australian Accounting Standards;
- financial information is relevant to users of the financial statements, physical assets, such as infrastructure and buildings are measured and presented at their fair value.

### **POLICY STATEMENT:**

#### **1. Introduction**

The Local Government (Financial Management) Regulations 2011 require that Council ensures that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards.

Non-current assets shall be valued, revalued and tested for impairment in accordance with the requirements of Australian Accounting Standards, AASB 116 – Property, Plant and Equipment, AASB 13 – Fair Value Measurement and AASB 136 – Impairment. Non-current assets are those with economic life of more than 12 months (one year).

#### **2. Initial 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, 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.

Non-current assets 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.

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|---|----------|
| • road construction, reconstruction & reseal  | \$10,000 |
| • paving & footpaths, kerbing & gutters   | \$5,000  |
| • stormwater drains & culverts  | \$5,000  |
| • reticulation extensions   | \$5,000  |
| • Community Wastewater Maintenance Scheme - Pumps   | \$3,000  |
| • Community Wastewater Maintenance Scheme - Other components  | \$5,000  |
| • Buildings - plant (air conditioning, hot water systems etc)   | \$10,000 |
| • buildings - other   | \$10,000 |
| • parks & playground furniture & equipment  | \$5,000  |
| • office furniture & equipment  | \$5,000  |
| • plant & equipment   | \$5,000  |
| • software (except where software is purchased and an annual maintenance agreement is entered into, in which case the original software cost and the annual maintenance fee will be treated as an operating expense.) | \$5,000  |

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

### 3. Asset Value

The valuation of assets will be in line with the Australian Accounting Standard AASB 13 Fair Value Measurement.

Where the value of individual asset falls below the asset threshold for capitalisation, but the assets form part of a network or asset group such as for park furniture on a reserve, consideration will be given to capitalising the individual asset based on whether the aggregate value of those assets exceeds the capitalisation threshold.

All capitalised expenditure is to be recorded in Council's asset register and shall be properly identified, recorded and classified. For each asset, a determination shall be made of its total life, remaining useful life, cost for accounting purposes and method of depreciation.

### 4. Revaluation Frequency

- Land – at least every five years
- Buildings & structures - at least every five years
- Community Waste Management Systems – unit rates and lives shall be reviewed independently at least every three years. A condition assessment in the field will be undertaken at least every five years
- Roads, Footpaths, Bridges – unit rates and lives shall be reviewed independently at least every three years. A full condition assessment in the field will be undertaken at least once in every five years.
- Stormwater - unit rates and lives shall be reviewed independently at least every three years. A full condition assessment in the field will be undertaken at least once in every 10 years.
- Plant & Equipment and Furniture & Fittings – not revalued, due to being valued using "At Cost" model as defined by AASB 116 – Property, Plant and Equipment

The revaluation will be provided by a person or organisation possessing the relevant qualifications, skills and knowledge to undertake the exercise and are able to supply audit with the necessary evidence and documentation. The selection will be in accordance with the Council's Procurement Policy as applicable.

### 5. Depreciation

Assets 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

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

#### **FURNITURE & EQUIPMENT**

Office Equipment	3 to 7 years
Office Furniture	5 to 7 years
Software	3 to 5 years

#### **PLANT & EQUIPMENT**

Construction/maintenance plant (earthmoving equipment 25%residual)	7 to 10 years
Other Plant & Equipment	3 to 25 years

## **BUILDING & OTHER STRUCTURES**

Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 60 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 30 years
Sealed Roads – Pavement	40 to 80 years
Unsealed Roads	10 to 45 years
Bridges	100 years
Footpaths	30 to 50 years
Kerbing	70 years
Culverts, Stormwater Drainage	50 to 100 years

## **COMMUNITY WASTEWATER MANAGEMENT SCHEMES (CWMS)**

CWMS – PVC piping	70 years
CWMS – Pumps & Telemetry	15 to 50 years
Other CWMS	10 to 70 Years

## **REFUSE SITES**

Landfill & Post Closure Costs	Amortised over remaining useful life
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## **6. Impairment Considerations**

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. Infrastructure team will identify impairment of assets every year and inform external asset consultants so fixed assets register can be updated accordingly.

## **7. Reporting**

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

## **RESPONSIBILITIES:**

The Manager Finance and Manager Strategic Asset Planning are accountable for ensuring the proper operation of this Policy.

## **LEGISLATION:**

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Australian Accounting Standards AASB 13, 108, 116, 136 and 1051

## **REFERENCES:**

Council's Asset Management Policy

Infrastructure and Asset Management Plans

## **REVIEW:**

This Policy shall be reviewed at least every 4 years or more frequently if legislation or Council needs changes to the content.

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Document History;

Version	Adopted	Description of Change
1.0	Aug 2008 - Min 43	New Document
2.0	Jun 2010 - Min 283	New title and major rewrite to incorporate matters from Policies 'Asset Revaluation' & 'Valuation of Land under Roads'.
	Apr 2012 - Min 215	Removal of dollar amounts for non-current assets.
3.0	Mar 2014 - Min 213	review of capitalisation thresholds, variations in useful life ranges, minor wording changes in para's 4, 5, and 6 along with the addition of a new Appendix1.
	November 2014	Policy Numbering System Changed and inclusion of this Document History Table.
4.0	June 2016 - Min 276	Policy Objectives heading inserted
5.0	June 2017 – Min	Alter policy as per AASB13 Fair Value Measurement requirements.
6.0	September 2021	<ol style="list-style-type: none"> <li>1. Policy Objectives: deleted 2<sup>nd</sup> bullet point and added new bullet point.</li> <li>2. Introduction: transferred deleted bullet point in policy objective as 2<sup>nd</sup> paragraph to introduction and included definition of non-current asset.</li> <li>3. Initial recognition of assets: changed capitalisation threshold level for Plant &amp; Equipment, from \$500 to \$5,000, Office Equipment &amp; Furniture from \$1,000 to \$5,000 and Playground equipment &amp; Furniture from \$2,000 to \$5,000.</li> <li>4. Revaluation Frequency: changed full condition assessment frequency for Stormwater from every five years to 10 years. Included statements as to who will conduct revaluation.</li> <li>5. Impairment considerations: identified as item 6 and minor change in wording and move "Reporting" as item 7 instead of item 6.</li> <li>6. Responsibilities: changed from Corporate Services Manager to Manager Finance &amp; Manager Strategic Asset Planning.</li> </ol>