

1. RATIONALE

The Asset Accounting Policy exists to ensure there is a distinction made between expenditure on long lived assets and expenditure on goods and services for immediate consumption. This is critically important in determining the cost of providing services.

2. POLICY STATEMENT

Assets shall be recognised and accounted for in accordance with Australian Accounting Standards and the details contained in this policy.

3. OBJECTIVES

The objective of this policy is to provide guidance, clarity and consistency regarding the treatment of capital expenditure, which will provide for greater understanding and accuracy of Council's capital requirements and depreciation expenses.

4. POLICY SCOPE AND IMPLEMENTATION

Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred in getting the assets ready for use.

Capitalisation

Assets should have a useful life of greater than one year in order for the expenditure to be capitalised and have a value above the Materiality Thresholds described below.

Any expenditure considered to be Capital must also pass a materiality test. Materiality levels are set so as not to misstate financial statements and to provide a guide whether it is practical from an administrative perspective that expenditure is capitalised.

Materiality Levels are;

Infrastructure	\$10,000
Land	\$5,000
Buildings – New/Replacement	\$5,000
Buildings – Part Renewal	\$10,000
Furniture & Fittings	\$5,000
Equipment	\$5,000
Other	\$5,000

Networked/Aggregate Assets - Expenditure can still be capitalised on items that fall below materiality thresholds individually but operate together as a cohesive whole to form a substantial/significant total value. Examples include the computer network and reserve furniture.

Maintenance or Capital Expenditure

Maintenance

Expenditure on a non-current asset that does not meet capitalisation criteria is considered maintenance expenditure and must be expensed as incurred. In general, maintenance expenditure will allow the asset to realise its expected service levels and estimated life.

Capital

Capital expenditure can relate to new or existing assets. Capital expenditure shall be recognised (taking into consideration materiality levels) where:

- Expenditure results in an effective increase in future economic benefits
- Expenditure results in an increase in the quality of services provided by the asset beyond that previously determined; or
- Expenditure results in an effective extension to the asset's useful life

Asset Stocktake

A stocktake of current Inventory items will be conducted at least annually.

Revaluations of Non-current Assets

Infrastructure assets are revalued annually. Land, Buildings and Other assets are revalued with sufficient regularity to ensure the carrying amount does not differ materially from the fair value that would otherwise be determined at the reporting date.

Revaluations of Non-Current Assets are carried out by an independent professionally qualified valuer. Comprehensive independent valuations are performed every 5 years with desktop valuations performed annually between comprehensive valuations for Infrastructure Assets.

Plant, Equipment, Furniture and Fittings are recognised at cost, less accumulated depreciation and any accumulated impairment and are not subject to revaluation.

Non-monetary assets received without charge are recognised as assets and revenues at their fair value at the date of receipt, except for land under roads. Land under roads and trees are not recognised because there is currently no reliable method of valuation.

Depreciation of Non-current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the economic benefits provided by those assets. Land is not a depreciable asset. The Depreciation method applied shall be the straight-line basis, except for infrastructure assets where the "Advanced Straight Line Asset Management" consumption based depreciation methodology is employed. Depreciation rates shall be reviewed each year.

5. DEFINITIONS

<i>Term</i>	<i>Definition</i>
<i>Fair Value</i>	Is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.
<i>Materiality</i>	In relation to information, that information which if omitted, misstated or not disclosed has the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by the management or governing body of the entity
<i>Consideration</i>	In the context of this policy, shall be recognised in "monetary terms" e.g. purchase cost.

6. ROLES AND RESPONSIBILITIES

<i>Role</i>	<i>Responsibility</i>
Finance and Asset Systems	Reviewing Councils capitalisation thresholds and overseeing the Revaluation process

7. REFERENCES

- Asset Management Policy
- AASB Standard AASB113 Fair Value Measurement

8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget.