NORTHERN AREAS COUNCIL	ASSET ACCOUNTING POLICY	Version No:	1
		Last Adopted:	21 June 2022
		To be Reviewed	June 2024

Type	Governance
Category	Corporate
Responsible Officer	Manager Corporate Services
First Issued / Adopted	21 June 2011
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Applicable Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations 2011 Australian Accounting Standards AASB 13, 16, 102, 108, and 116
Related Documents	
Public Consultation Required	No
File Reference	145.2.5

1. PURPOSE

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

2. OBJECTIVES

The Asset Accounting 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's AASB 13 & 116;
- 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. INVENTORIES

Inventories held in respect of stores will be valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings will be valued at the lower of cost and net realisable value.

3.1 REAL ESTATE ASSETS DEVELOPMENTS

Real Estate Assets developments will be classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

4. INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

4.1 INITIAL RECOGNITION

All assets are initially recognised at cost.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held “ready for use”. 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. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to *infrastructure, property, plant & equipment* when completed ready for use.

For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

4.2 MATERIALITY

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are as follows. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	$1,000
Other Plant & Equipment	$1,000
Buildings - new construction/extensions	$10,000

4.2 MATERIALITY (Cont'd)

Park & Playground Furniture & Equipment	$2,000
Road construction & reconstruction	$10,000
Paving & footpaths, Kerb & Gutter	$2,000
Drains & Culverts	$5,000
Reticulation extensions	$5,000
Sidelines & household connections	$5,000
Artworks	$5,000

4.3 SUBSEQUENT RECOGNITION

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Further detail of existing valuations, methods and valuers are provided at Note 7 of the annual financial statements.

4.4 DEPRECIATION OF NON-CURRENT ASSETS

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.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are shown below. Depreciation periods for infrastructure assets will be estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment	
Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years
Building & Other Structures	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc.	10 to 20 years
Infrastructure	
Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	80 to 100 years
Paving & Footpaths, Kerb & Gutter	80 to 100 years

4.4 DEPRECIATION OF NON-CURRENT ASSETS (Cont'd)

Drains	80 to 100 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years
Dams and Reservoirs	80 to 100 years
Bores	20 to 40 years
Reticulation Pipes – PVC	70 to 80 years
Reticulation Pipes – other	25 to 75 years
Pumps & Telemetry	15 to 25 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite

4.5 IMPAIRMENT

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

5. LEASES

Lease arrangements will be accounted for in accordance with Australian Accounting Standard AASB 16.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset class, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

6. REPORTING

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

7. FURTHER INFORMATION

This policy will be available for inspection at the Council office, 94 Ayr Street, Jamestown (Ph. 8664 1139) during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: www.nacouncil.sa.gov.au

Copies will be provided to interested parties upon request.
Email admin@nacouncil.sa.gov.au