



Asset Recognition Policy

Category: Operational

Adoption: Council Date: July 2019

Review Period: 2 years

Responsible Manager: Manager Infrastructure

Signed by CEO: *Nobby*

Date: 12.8.2019

1. Purpose

To provide guidance in accordance with Australian Accounting Standards regarding financial thresholds that are to be applied when recognising assets. Differing thresholds can be set for different classes of assets.

2. Scope

This policy only applies to non-current physical assets. This policy directs those Council Officers who are charged with accounting for Council's Assets and related purposes.

3. Policy

3.1 Policy Details

In order to include all capital projects within the Asset Recognition and Measurement Policy, the following categories and thresholds will be used. The categories listed are consistent with the categories used to present financial information in the notes in the Annual Financial Report.

Expenditure may still be capitalised on items that are individually immaterial, however are significant when considered as a group of assets, such as signs or reserve furniture.

Category	Recognition Threshold (\$)
Land	2,000
Buildings	5,000
Plant and machinery	2,000
Furniture, equipment and computers	2,000

Infrastructure	10,000
Road pavements and seals	20,000
Road formation and earthworks	20,000
Bridges deck and substructure	20,000
Drainage	5,000
Footpaths and cycle ways	5,000
Road kerb, channel and minor culverts	5,000
Waste management	20,000
Recreational, leisure and community facilities	2,000
Parks, open space and streetscapes	5,000
Off street car parks	2,000
Art Works	1
Waste Water	10,000
Library Collection	1

When capitalising an asset, a determination must be made between renewing, upgrading, expanding or purchasing a new asset.

3.2 Valuation at Asset Recognition

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

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

In accordance with AASB 116:

- a) An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.
- b) Notwithstanding this, where an asset is acquired at no cost, or for a nominal cost (as is the case with developer and other contributed assets), the cost is its modern equivalent value as at the date of acquisition. Refer to the Asset Valuation Policy for details.

Existing assets identified as not being reported in the financial statements for the preceding financial reporting period (found assets), will be treated in accordance with b) above.

Recognition Cost

AASB 116 defines the cost of an item of property, plant and equipment as comprising:

- a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- b) Any costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management;
- c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.
- d) Land Under Roads (LUR) after 1/07/2008 will be recognised at the average property value (square metre) of built up area of the locality in which it is located. An appropriate discounting factor shall be applied to best estimate a reasonable value for LUR in particular road localities for financial reporting purposes.

4. Definitions

- **Renewal:** Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally.
- **Upgrading:** Expenditure which enhances an existing asset to provide a higher level of service.
- **Expansion:** Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users.
- **New:** Expenditure which creates a new asset providing a new service/output that does not currently exist.

5. Roles and Responsibilities

Person/s Responsible	Accountability
Manager Finance	<ul style="list-style-type: none"> • Confirm asset capitalisation
Coordinator Assets	<ul style="list-style-type: none"> • Ensure infrastructure asset capitalisation is completed effectively and allocated correctly
Manager Infrastructure	<ul style="list-style-type: none"> • Provide support for the above

6. Human Rights Statement

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights Act (2007). Central Goldfields Shire Council is committed to consultation and cooperation between management and employees.

7. Related Policies and Procedures

- Asset management Policy
- Asset Valuation and revaluation Policy
- Asset Management Strategy

8. Relevant Legislation and Guidelines

- Australian Accounting Standards Board Guideline 116
- Local Government Asset Management - Better Practice Guide.