

# ASSET

ACCOUNTING POLICY | PUBLIC VERSION



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### 1 INTRODUCTION

This policy covers all activities associated with the purchasing of all goods, services and works by the Adelaide Hills Region Waste Management Authority.

### 2 DEFINITION OF AN ASSET

An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

**Capital Expenditure** – relatively large (material) expenditure, which has benefits expected to last more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade, the total project cost needs to be allocated accordingly.

**Capital Renewal** – expenditure on an existing asset or on replacing an existing asset, which returns the service potential or the life of the asset up to that which it had originally e.g. resurfacing or resheeting a road, replacing drainage pipes with pipes of the same capacity.

**Capital Upgrade** – expenditure which enhances an existing asset to provide a higher level of service or increases the life of the asset beyond which it had originally e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity.

**Capital Expansion** – expenditure which creates a new asset providing a new service/output that did not exist beforehand or expenditure that extends the capacity of an existing asset to a new group of users e.g. extending a drainage or road network.

**Maintenance** – all actions necessary for retaining an asset as near as practicable to its original condition, including regular ongoing day-to-day work necessary to keep assets operating e.g. road patching.

**Asset Management** – the combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner. Useful Life – (of an asset) is the period over which an asset is expected to be available for use by the Authority, or in the case of landfill cells the capacity of airspace (m<sup>3</sup>) available.

**Residual Value** – the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Impairment Loss** – the amount by which the carrying amount of an asset exceeds its recoverable amount.

### 3 RECOGNITION OF AN ASSET

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost that can be measured reliably.

### 4 MEASUREMENT AT RECOGNITION

An asset that qualifies for recognition, as an asset shall be measured at its cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition and all other costs incurred in getting the asset ready for use. Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

### 5 CAPITALISATION OF ASSETS

Assets should have a useful life of greater than one year to enable capitalisation of the expenditure and should also meet a materiality test. Materiality levels are set so as not to misstate financial statements and to provide

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a guide whether it is practical from an administrative perspective that expenditure is capitalised. Network/IT Assets are purchased collectively. No capitalisation threshold is applied to the acquisition of land or interests in land. Materiality levels for capitalisation are set as follows:

<b>OFFICE FURNITURE &amp; EQUIPMENT</b>	\$1,000
<b>NETWORK/IT ASSETS</b>	\$1,000
<b>OTHER PLANT &amp; EQUIPMENT</b>	\$1,000
<b>LANDFILL ASSETS</b>	\$1,000
<b>ROAD CONSTRUCTION &amp; RECONSTRUCTION</b>	\$10,000

### 6 DEPRECIATION OF NON-CURRENT ASSETS

All non-current assets have a limited useful life. The depreciable amount of all non-current assets, excluding freehold land and land improvements, are systematically depreciated over their useful lives which reflects the consumption of the service potential embodied in those assets.

Depreciation of an asset begins when it is available for use i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management and ends when it is classified as held for sale or when derecognised.

Depreciation of the Authority's assets is calculated on a straight-line basis using the following standard estimates for useful lives. The actual useful life and therefore depreciation rates.

<b>PLANT &amp; EQUIPMENT</b>	
<b>OFFICE EQUIPMENT</b>	3 - 5 years
<b>PLANT &amp; EQUIPMENT</b>	3 - 10 years
<b>INFRASTRUCTURE</b>	
<b>UNSEALED ROADS</b>	15 years
<b>FENCING</b>	15 years
<b>WATER TANKS</b>	30 years
<b>PUMPS</b>	5 years
<b>MONITOR BOAR</b>	10 years
<b>BUILDINGS</b>	20 years
<b>ROADS</b>	25 years

### 7 REVALUATION OF NON-CURRENT ASSETS

AASB 116 requires revaluations to be undertaken with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from that which would be determined using fair value at the reporting date. Determining the frequency of valuations depends on striking a balance between having relevant, timely information and the cost of obtaining such information. Annually, landfill rehabilitation and landfill cell capping is reviewed internally. The review is supported by reports provided by external consultants. Residual values for assets are incorporated where appropriate.

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### **8 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 value exceeds its recoverable amount in accordance with AASB 136.

### **9 DISPOSAL OR SALE OF ASSETS**

The disposal or sale of the Authority's assets must be made in accordance with the Authority's Disposal Assets Policy.

### **10 ASSET MANAGEMENT**

The goal of infrastructure management is to meet a required level of service, in the most cost effective manner, through the management of assets for present and future customers.

To ensure long-term sustainability, the Authority has a responsibility for planning, developing and maintaining infrastructure.

An Asset Management Plan has been prepared and is maintained by the Authority.

### **11 REVIEW**

This Policy shall be reviewed and approved by the Board every five years or more frequently if required.