FINANCE POLICY No 1

Capitalisation and Depreciation of Non-Current Assets Policy

1. Policy Purpose

The purpose of this policy is to provide appropriate accounting guidelines for the capitalisation and depreciation of Council assets.

2. Policy Objectives

- To provide consist approach in the capitalisation and depreciation of assets.
- To comply with Local Government Act Financial Management Regulations and provide clear guidelines for depreciation rates used to calculate figures in Council's annual and monthly financial reports.

3. Policy

It is Council policy that the following accounting policies shall apply for the capitalisation and depreciation of non-current assets.

Depreciation:

Property, plant and equipment will be carried at cost until such a time as fair values are determined and implemented. When fair values for assets are implemented these fair values will formulate the basis of determining the value of Council's asset holdings. All asset items, property, plant and equipment, including buildings but excluding freehold land, are depreciated over their estimated useful life on a straight line basis according to the following table:

Land	Not Depreciated
Buildings	50 Years
Furniture and (Internal) Equipment	6 Years
Computers, printers etc	3 Years
Light vehicles, if replacement is due	
every year	8 Years
every two years	10 Years
more than two years	10 Years
Light Plant and (External) Equipment	10 Years
Heavy Plant and (External) Equipment	15 Years
Freehold Land for Sale	Not Depreciated
Infrastructure	
Sealed Roads and Streets:	
Clearing & Earthworks	Not Depreciated
Pavement	50 Years
-Seal	20 Years
-Kerb	30 Years
Unsealed Roads and Streets:	
-Clearing & Earthworks	Not Depreciated
-Pavement	30 Years
Footpaths	50 Years
Drainage, Sewerage fixtures etc	50 Years
Other Infrastructure	50 Years

Assets are depreciated from the date of acquisition or in respect to internally constructed assets, from the time the asset is complete and held ready for use.

Depreciation on each asset is charged to the program to which the asset principally relates or, where possible, to the job which the asset was actually used.

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 service potential embodied in those assets.

Asset Capitalisation Thresholds:

For reasons of practicality, the following materiality thresholds have been applied, below which any expenditure on assets need not be capitalised:

Land: all purchases are capitalised but land resumed for public works need not be capitalised if the resumption costs is less than $2,000.

Buildings: improvement expenses totaling less than $2,000 on any one building in any year need not be capitalised.

Furniture and (internal) Equipment: expenses totaling less than $1,500 on any one item in any year need not be capitalised. Software is not capitalised.

Plant and (External) Equipment: expenses totaling less than $2,000 on any one item in any year need not be capitalised.

Tools: expenses totaling less than $1,500 on any one item in any year need not be capitalised.

Freehold Land for Sale: all expenses are capitalised.

Asset Revaluation and Fair Value:

Council have adopted a policy of re-valuing roads with sufficient regularity to ensure that a reasonable total asset value is carried year to year. From July 1st 2012 in line with amendments to the Local Government (Financial Management) Regulations, Council will implement fair value asset accounting principles.