Standard 15: Club Assets

All clubs must maintain an Asset Register that details all physical non-current assets owned and controlled by the club. The Asset Register also records and substantiates the existence and location of all club assets for financial and security purposes. For those clubs which may be subject to income tax, the Asset Register is used to calculate the tax deduction for depreciation of assets.

Clubs should also use their asset registry to assist them in conducting regular assessments of the condition of all club assets.

Finally, clubs should have a documented two year Asset Strategy that predicts the future needs of the club and details on how it plans to meet these needs.

The combined use of a detailed Asset Register, Condition Report and an Asset Strategy, will ensure your club has a comprehensive register of the assets it has, their condition and projections on when they will need to be replaced.

In working through the asset lifecycle, these documents will also be helpful, as they will provide planning tools to assist the club in undertaking routine maintenance tasks.

Templates

An Asset Register & Condition Report template is provided at **ATTACHMENT A**.

An Asset Strategy template is provided at **ATTACHMENT B**.

Tools and Assistance

The Australian Taxation Office 'Guide to Depreciating Assets' can be found at http://www.ato.gov.au/individuals/content.asp?doc=/content/00237833.htm.

What GRNSW Requires From Your Club

Clubs must maintain an Asset Register (including Condition Report) that, at a minimum, includes the headings and rankings outlined in **ATTACHMENT A**. Clubs must provide GRNSW with a copy of their Asset Register, including the Condition Report, annually. Clubs are encouraged to provide more detailed Asset Registers if they are available.

Clubs must have an Asset Strategy that, at a minimum, includes the headings and detail outlined in **ATTACHMENT B**. Clubs must provide GRNSW with a copy of their Asset Strategy annually. Clubs are encouraged to provide more detailed Asset Strategies if they are available.

Asset Register

An asset register is simply an inventory of all the physical non-current assets owned and controlled by your club. Non-current assets are assets that are not easily convertible to cash or are not expected to become cash within the next year, for example, buildings, land and equipment.

Each asset should be classified by location (e.g. kennel block) and category (e.g. air conditioners). It should also show the original purchase date and cost of each asset (or if this is not known, its approximate age and estimated original purchase cost). Finally the Asset Register should list a 'fair value' (see below) together with some other useful information (e.g. the depreciation rates for each asset class).

To avoid excessively large records, only assets with a minimum value of $300 are required to be listed on your Asset Register. This minimum of $300 is in line with the guidelines provided by the Australian Taxation Office as assets with an initial cost of less than $300 may be immediately expensed in the Profit and Loss Statement in the period in which they were purchased.

Whilst this minimum of $300 may seem convenient in most instances, it should be noted that some low cost assets (such as electronics) can experience high levels of theft. Therefore, the minimum of $300 is not a strict requirement and clubs may decide to retain high risk items with a value of less than $300 in their Asset Register even if they have been expensed and have nil value, because it allows the club to monitor the presence of the asset.

For those clubs who may be subject to income tax, the Asset Register is used to calculate the tax deduction for depreciation of assets. The calculation of a tax deduction for depreciation requires the amortisation of the asset's initial cost over the determined life of the asset.

Usually the life of an asset is determined by the Australian Taxation Office (ATO). These asset lives can vary, depending upon when the asset was purchased and also to some extent, the class of taxpayer. Clubs considering claiming a tax deduction for depreciation are encouraged to obtain professional tax advice.

Valuing the Assets for Tax Purposes

Where clubs are entitled to a tax deduction for the depreciation of the club's assets, the initial cost of the asset is the original cost (historic cost). Depreciation is calculated by amortising the asset's historical cost over the likely life of the asset. The ATO provides a list of likely asset lives for the assistance of taxpayers - *see 'Guide to Depreciating Assets' on* http://www.ato.gov.au/individuals/content.asp?doc=/content/00237833.htm.

Annual depreciation expenses that are claimed as tax deductions should be based on the depreciation rates derived from ATO tax rulings on the effective lives of assets. However, clubs may elect to vary these ATO asset lives if the club has a substantial reason. This reason should be capable of being explained to the ATO if the depreciation expense was ever challenged.

As a result, for taxation purposes, all physical non-current assets are valued at written down historical cost (i.e. original purchase price adjusted for the accumulated annual depreciation).

Valuing Assets for Budgeting and Accounting Statements

Physical non-current assets are to be valued at 'fair value' in accordance with the Australian Accounting Standard AASB1041 *Revaluation of Non-Current Assets.* 'Fair value' is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction".

Fair value estimates should be done at least once every five years. Valuations should be conducted internally or by external valuers depending on whether the club's own employees have the technical expertise required to value assets, and are sufficiently objective enough to undertake the job.

The principles to be followed in valuing non-current assets for an asset registry are explained in the NSW Treasury (Office of Financial Management) Policy and Guidelines Paper TPP 07- Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value, April 2007, which is available under 'Publications' on the NSW Treasury website www.treasury.nsw.gov.au.

In most cases the revaluation of an asset will result in an increase in the value of that asset. In these circumstances, the increase in value (called a revaluation increment) is to be credited to a revaluation reserve account. In those circumstances where the revaluation results in a decrement in value, then the decrement is to be offset against any previous revaluation reserve and if that revaluation reserve is insufficient, then the balance is to be written off against the Profit and Loss Statement for that year.

For simplicity some clubs may choose to use the ATO depreciation rates to depreciate the fair value of the asset in their accounts in order to match revenue with the decreasing service potential of the asset. In these cases the depreciation is often referred to as "accounting depreciation". Note however, that any deduction for taxation should still be calculated on the original historic cost and not the re-valued fair value. Clubs considering adopting this approach or where assets have been purchased second hand, are advised to obtain professional taxation advice.

It should be noted that where a club does not own the land on which assets are situated (or have a secure long term lease of the land) only the improvements to the land funded by the club or GRNSW (e.g. site preparations, buildings, infrastructure, fixtures and fittings) should be valued for inclusion in the Asset Register.

Valuing Assets for Trading Activity

This type of valuing refers to an independent group of assets that are primarily dependent on generating a positive net cash flow (e.g. kiosk, restaurant, poker-machines). For this requirement:

- 'Fair value' equals the current market selling prices or recent transaction prices available for assets that are similar in use, type and condition; and
- If such comparable assets do not exist, 'fair value' equals the lower of the:
    a) Sum of the current market buying prices of the individual assets that comprise the trading activity with an allowance for any degradation of their assets; or
    b) Present value of the expected future net cash inflows of the trading activity put to its highest and best use.

Valuing Assets for Non-Trading Activity

This type of valuing refers to all other assets that are in continued use, but are not deemed to belong to discrete trading activities (e.g. racetrack, grandstand, lure, etc).

Fair value equals the asset's buying price, the best indicator of which is the minimum replacement cost of a technologically modern equivalent asset, allowing for:

a) Any differences in service potential and operating costs between the actual asset and its hypothetical substitute; and

b) Any degradation that should be applied as a result of the actual asset having a shorter working life than a newly acquired substitute.

Relationship of Your Asset Register to Accounting Records

Assets in the Asset Register are termed capitalised, that is the value of the asset is recorded in the Balance Sheet as well as the Asset Register. If an asset is re-valued to "fair value", then the new value is the same in both the Asset Register and the Balance Sheet.
The sum of the value of all assets recorded in the Balance Sheet should equal the sum of the value in the Asset Register. It is not possible for assets to be in only one of the two reports (i.e. just the Balance Sheet or the Asset Register) or at different values, so any discrepancy should be reconciled.

Asset Lifecycle

Asset management covers the full lifecycle of an asset. The chart below illustrates the four most important stages of an asset's life.

1

Preparing and Maintaining an Asset Registry

Each club should use the table in **ATTACHMENT A** to itemise each of its known assets. For simplicity it is proposed that clubs use the depreciation rates based on Tax Rulings on the effective lives of assets not only for taxation purposes, but also for accounting purposes. Please see www.ato.gov.au for more details.

Undertaking Asset Condition Assessments

It is critical that all greyhound racing clubs have a clear knowledge of the condition of their physical assets. All management decisions regarding asset maintenance, rehabilitation and renewal rely on this knowledge.

Not knowing the current condition or performance level of an asset may lead to the premature failure of the asset, which leaves you with only one option, namely to replace the asset (generally the most expensive outcome).

By conducting regular assessments of an asset's condition, you can update and refine maintenance or rehabilitation plans, and determine when ultimate replacement will be necessary. If failure is imminent, you will at least have time to look at the options and reduce some of the adverse effects of equipment failure.

Condition assessment allows you to understand the remaining life of the club's assets. In making such an assessment you need to consider the age of the asset, environmental conditions, employee knowledge, maintenance and operating practices.

Dynamic and Passive Assets

When undertaking assessments of asset condition it is useful to distinguish between dynamic and passive assets.

Dynamic assets	***Passive assets***
Can become faulty if not properly operated or regularly serviced	Are subject to slow wear and tear
Lures	Grandstands
Cables	Roads
Electrical control systems	Pipelines
Mechanical equipment	Buildings

Condition assessments for dynamic assets should form part of a routine preventative monitoring and maintenance strategy, and should be done at least annually, if not more frequently.

For passive assets the extent and frequency of condition assessments will be influenced by how important the asset is, the type of asset, the age of the asset, the rate of deterioration of the asset and the financial impact on the club should the asset fail.

The older the asset, the more frequently its condition should be assessed. It is necessary to know whether failure is imminent and, if previous assessments have shown degradation, at what rate.

The condition assessment schedule shown below is a simple method to assess asset conditions.

Condition Ranking	Condition	Description
1	Excellent	Sound physical condition designed to meet current standards. Operable and well maintained. Asset likely to perform adequately with routine maintenance for 10 years or more. No work required.
2	Good	Acceptable physical condition, but not designed to current standards, or showing minor wear. Deterioration has minimal impact on asset's performance. Minimal short-term failure risk, but potential for deterioration or reduced performance in medium term (5-10 years). Only minor work required (if any).
3	Fair	Functionally sound, but showing some wear with minor failures and some diminished efficiency. Minor components or isolated sections of the asset need replacement or repair, but asset still functions safely at adequate level of service. Deterioration beginning to be reflected in performance and maintenance needs. Failure unlikely within two (2) years, but further deterioration likely and major replacement required within next five (5) years. Work required, but asset still serviceable.
4	Poor	Asset functions, but requires a high level of maintenance to remain operational. Likely need to replace most or all of asset within two (2) years. No immediate risk to health or safety, but work required within two (2) years to ensure asset remains safe. Substantial work required in short term, assets barely serviceable.
5	Bad	Failed or failure imminent. Asset life exceeded and excessive maintenance costs incurred. A high risk of breakdown with a serious impact on performance. No life expectancy. Health and safety hazards exist which present a possible risk to public safety, animal welfare, or asset cannot be serviced / operated without risk to personnel. Major work or replacement required urgently.

Importance Assessment

In addition to assessing the condition of the club's assets, it is also beneficial for clubs to assess the importance of each asset in relation to the ongoing operations of the club. Similar to the condition assessment above, clubs should look at each asset and give it a ranking on how vital it is for the club to continue operating efficiently.

The following schedule should be used when ranking the importance of club assets:

Importance Ranking	Description
1	Extremely Important - Club would not operate if asset failed and was not replaced immediately
2	Very Important - Club would need to replace asset within days of failure
3	Important - Club would need to replace asset within weeks of failure
4	Minimal Importance - Club could operate for months (but not years) without asset
5	No Importance - Club could operate without the asset indefinitely

In addition to effectively recording the individual assets of the club, you must also plan what assets should be given priority over a two year period.

To do this, you must prepare an overall Asset Strategy that predicts your future needs and identifies how you are going to meet these needs through replacing, maintaining or disposing of the club's assets.

Your committee should consider and approve an Asset Strategy on an annual basis by no later than 30 June each year.

This Asset Strategy will require your club to decide what it needs and determine what assets should be given priority, so these assets can be purchased or maintained within the financial capabilities of the club.

Not only will an Asset Strategy help set the direction for the clubs asset purchases and maintenance, it will also notify GRNSW of your potential future call on the Greyhound Industry Development Fund for capital funds and the Maintenance and Venue Improvement Allowance for routine maintenance items.

Your Asset Strategy should be consistent with your Business and Marketing Plan and your annual financial budget, to ensure that the assets you plan to prioritise are achievable within your budget and will assist the club in meeting its goals from the business plan.

Using the data collected in the Asset Register and Condition Assessment will greatly assist clubs in managing their assets effectively. Any assets on the Asset Register that have been given a condition rating of three, four or five, should be placed on the Asset Strategy as these assets will probably require attention within two years.

The Asset Strategy should provide the club with a list of assets that either need to be prioritised in terms of maintenance schedules, or assets that will require complete replacement. By completing the Asset Strategy table in **ATTACHMENT B**, the club should have a clear picture of the assets that require attention and be able to plan how to maintain or replace these items.

ATTACHMENT A

________________________ ASSET REGISTER & CONDITION ASSESSMENT 2010/11

Physical Condition							Financial Status			
Asset or serial number	Physical Location	Item description (make and model)	Warranty Remaining (years)	Service Life Remaining (years)	Asset Condition Ranking	Importance of Asset Ranking	Original Purchase Date	Original Purchase Cost	Depreciation	Asset Current Value
ASS1001	Workshop	John Deere Ride-on Lawn Mower	0	<1	5	3	3/01/2000	$7,600.00	$7,600.00	$0.00
ASS1002	Workshop	2007 Ford Ute (second hand)	0	3	3	2	19/08/2007	$12,500.00	$2,473.00	$10,027.00
WX552236	Office	Apple Computer Monitor	0.5	5	2	2	27/03/2008	$1,454.00	$201.00	$1,253.00
251-5444-25	Office	Samsung Printer	1	10	1	3	15/08/2010	$640.00	$0.00	$640.00

Condition Ranking	Condition	Description	Importance Ranking	Description
1	Excellent	Operable and well maintained. Asset likely to perform adequately with routine maintenance for 10 years or more. No work required.	1	Extremely Important - Club would not operate if asset failed and was not replaced immediately
2	Good	Acceptable physical condition, but showing minor wear. Deterioration has minimal impact on asset's performance. Potential for reduced performance in medium term (5-10 years). Only minor work required.	2	Very Important - Club would need to replace asset within days of failure
3	Fair	Asset showing wear with minor failures & diminished efficiency. Failure unlikely within two (2) years, but further deterioration likely & major replacement required within five (5) years. Work required, but still serviceable.	3	Important - Club would need to replace asset within weeks of failure
4	Poor	Asset functions, but requires a high level of maintenance. Likely need to replace most or all of asset within two (2) years. Substantial work required in short term, assets barely serviceable.	4	Minimal Importance - Club could operate for months (but not years) without asset
5	Bad	Failed or failure imminent. Excessive maintenance costs incurred. A high risk of breakdown. Major work or replacement required urgently.	5	No Importance - Club could operate without the asset indefinitely

ATTACHMENT B

____________________ ASSET STRATEGY 2010/11

Item description (make and model)	Asset Condition Ranking	Importance of Asset Ranking	How will the Asset be Treated		If Replacement is Required		If Maintenance is Required		How will Funding be Sourced?	Comments / Recommended Action
			Maintenance	Replacement	Replacement Year	Replacement Cost	Type of Maintenance	Maintenance Cost (estimate)		
John Deere Ride-on Lawn Mower	5	3		✓	2011	$8,500			MVIA	Complete replacement required
Display Fridge in Kitchen	3	2	✓				Overhaul motor	$500 - $700	MVIA	Overhaul of motor will prolong asset for 2 to 3 years
2007 Ford Ute (second hand)	3	2	✓				Regular servicing	$300 per year	Club Funds	Regular servicing will maintain asset for 5 years