


POLICY		Responsible Department	Corporate Services Finance
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ASSET ACCOUNTING	
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Applicable Legislation

<p><i>Local Government Act 1999</i> <i>Local Government (Financial Management) Regulations 2011</i></p>
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Related Policies

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Related Procedures

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Reference Documents

<p>Applicable Australian Accounting Standards Model Financial Statements CPA Australia – Guide to Valuation and Depreciation for public sector and not-for-profit sectors under AASB Accounting Standards</p>

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1. PURPOSE

The purpose of this policy is to ensure that all Council owned assets are accounted for in accordance with relevant Australian Accounting Standards (“the Standards”) pursuant to *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

2. DEFINITIONS

Capital Expenditure	<p>Capital expenditure can be broken down into two categories:</p> <ul style="list-style-type: none"> • Costs incurred in the creation of a new asset – including design costs, planning and development/compliance costs, construction costs. • Costs incurred for replacement and repair of an existing asset – these costs can be considered capital when the replacement or repair results in an extension of the useful life of the asset. <p>Costs incurred in upgrading an existing asset – this may include increasing the life, capacity, or quality of the asset</p>
Carrying amount	<p>Is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.</p> <p>“cost” – is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.</p>
Depreciation	<p>Is the systematic allocation of the depreciable amount of an asset over its useful life.</p>
Maintenance	<p>Maintenance of an asset is expenditure required to ensure that the asset achieves its expected useful life. Maintenance costs are expensed as they are incurred.</p>
Residual Value	<p>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.</p>
Useful Life	<p>The useful life is, the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.</p>

3. RECOGNITION

An asset is recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Assets should have a useful life of greater than one year to enable capitalisation of the expenditure and should also meet a materiality test.

A capitalisation recognition threshold is applied to each asset type using the concept of materiality. Costs below these thresholds are accordingly treated as an operating expense. No capitalisation threshold will be applied to the acquisition of land or interest in land.

An item that qualifies for recognition as an asset shall be measured at its cost on the date of recognition unless it is a gifted asset in which case it will be recognised at Fair Value. The following years after asset recognition the asset will be valued at Fair value according to the revaluation program described in section 9 of this policy.

Group assets – Expenditure can still be capitalised on items that fall below the capitalisation thresholds individually but operate together as a cohesive whole to form a significant total value above the capitalisation thresholds for the relevant category of assets. This will include the following types of assets:

- Furniture and fittings
- Information Technology equipment

4. MATERIALITY

The relevance of information is affected by its nature and materiality. Information is material if its omission or misstatement could influence the decisions of users or assessments made based on the financial statements. Materiality depends on the nature or size of the item or error judged in the circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.

5. CAPITALISATION

The following table provides guidance when determining whether expenditure is both capital and material in nature.

The monetary value attached to the classification of expenditure as maintenance relates to expenditure on a single event/item.

Category	Maintenance	Capital
Land		No threshold, all land is capitalised
Buildings and Other Structures	All maintenance of building components.	Any structural addition to the buildings, replacement/renewal of building components and Electrical, mechanical and hydraulic components >\$10,000
Infrastructure - Roads	Minor road patching.Shoulder grading. Road cleaning & sweeping.Grading. All line marking.	Road patching other than minor works, new road construction, resealing, reconstruction >\$10,000
Infrastructure - Footpaths	Footpath maintenance (pothole repair, joint grinding, segment paving resetting) <\$5,000	New footpath construction, footpath replacement >\$5,000
Infrastructure – Kerb & Guttering	General kerb maintenance Sweeping	New kerb construction, repairs to kerb & channel >\$5,000
Infrastructure - Carparks	Minor patching. Road cleaning & sweeping. All line marking.	New car park road construction, patching other than minor works, resealing, reconstruction >\$5,000
Infrastructure - Parks & Gardens	Maintenance to existing irrigation equipment <\$5,000 Maintenance of landscaping structures Renewal of mulch and garden beds Plants and Trees Maintenance to existing park furniture Lawn mowing Light tower bulb replacements Maintenance to existing playground equipment	New irrigation equipment Major repairs/replacement of irrigation equipment New pavers and concrete paths New park furniture Replacement of existing park furniture Major Earthworks Court construction and resurfacing Light tower construction and replacement New playground equipment Repairs/replacement of playground equipment. >\$5,000

Category	Maintenance	Capital
Infrastructure - Power	Minor repairs.	New electrical reticulate component, minor repairs >\$5,000
Infrastructure - Water	Minor repairs.	Pipe and structure replacement, new pipes and structures, new wetlands, purchase or replacement of pump and bore equipment >\$5,000
Infrastructure - Sewerage	Minor repairs.	Pipe and structure replacement, new pipes and structures, new wetlands, purchase or replacement of pump and bore equipment >\$5,000

6. DEPRECIATION

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 economic benefits provided by those assets. Land is not a depreciable asset. The depreciation method applied shall be the straight-line basis. Depreciation rates shall be reviewed each year.

7. USEFUL LIVES

Depreciation expense is calculated using the cost of an asset (or its revalued amount) its residual value and its life expectancy. The following table provides a guide to the life expectancy and residual value of Councils classes of assets. The residual value for Plant and Equipment assets are assessed on an individual basis.

Asset Group	Asset Class	Life Expectancy
Buildings and Other Structures	Plant and Equipment	12–40 years
	Structural	10- 80 years
	Structure	30 years
Infrastructure - Roads	Road Pavement – High use, higher speeds	50 years
	Road Pavement – High use local	60 years
	Road Pavement – Medium use	80 years
	Road Pavement – Low use	100 years
	Road Seal Township – High use	20-80 years
	Road Seal Township – Medium use	20-80 years
	Road Seal Township – Low use	20-80 years
	Road Seal Township – Roundabouts	20-80 years
	Road Seal Township – Crossover	20-80 years
	Rural Seal – High use	20-80 years
	Rural Seal – Low use	20-80 years
	Unsealed	20-50 years
Infrastructure - Footpaths	Footpaths – Concrete	50–90 years
	Footpaths – Bitumen	50-90 years
	Footpaths – Paved	50-90 years
	Footpaths – Unsealed	10 years
Infrastructure – Kerb & Guttering	Kerb & Water table	50-90 years

Asset Group	Asset Class	Life Expectancy
Infrastructure - Carparks	Carpark surface spray seals	21 years
	Carpark surface unmade	8 years
	Carpark pavements	60-80 years
	Carpark Parking Bays	70 years
Infrastructure - Parks & Gardens	Footpath	10 years
	Leisure and Sport Facilities	25-40 years
	LV Distribution Boards	35 years
	LV Street Lights	35 years
	LV Underground Cables	80 years
	Other/Special Items	25 years
	Playground Equipment	10 years
	Structural	25-75 years
	Structure	10-20 years
Infrastructure - Power	HV Circuit Breakers	40 years
	HV Fused Isolators	40 years
	HV Ring Mains	40 years
	HV Transformers	40 years
	Cables and Cable joints	50- 80 years
	LV Pillars	30 years
	LV Street Lights	35 years
Infrastructure - Water	Potable Water Fire Plugs	80 years
	Potable Water Valves	30 years
	Potable Water Mains	80 years
	Other/General	30 years
	Town Water Supply	15-50 years
	Potable Water Connections	80 years
Infrastructure - Sewerage	Sewer Flushing Points	80 years
	Pipes & Mains	50-80 years
	Sewer Inspection Openings	80 years
	Sewer Maintenance Holes	80 years
	Sewer Maintenance Shafts	80 years
	Other/General	30 years
	Sewer Isolation Valves	50 years
	Sewer Pump Motors	12 years
	Sewer Pump Station	6 – 50 years
	Sewer Pump Station / Treatment Plant Miscellaneous Assets	15 years
	Sewer Pump Station / Treatment Plant Tanks	50 years
	Sewer Pump Sumps	50 years
	Sewer Pump Valve/Flow Meter Chambers	25-50 years
	Sewer Vents	100 years
Sewer Lagoons	30-70 years	

Asset Group	Asset Class	Life Expectancy
Infrastructure-Stormwater	Stormwater Pipes	70- 80 years
	Stormwater Grated Inlet Pits	50 years
	Stormwater Headwalls & Box Culverts	70 years
	Stormwater Junction Boxes	50 years
	Stormwater Maintenance Holes	70 years
	Stormwater Scour Protections	70 years
	Stormwater Side Entry Pits	50 years
	Other/General	30 years
	Stormwater Pump Stations	10–50 years

8. RESIDUAL VALUES

The residual values of buildings, plant, equipment and furniture and fitting assets are based on market evidence and advice provided by Council's independent valuations of these assets. Residual values are not recognised for infrastructure assets.

9. REVALUATIONS

Revaluation of assets will be undertaken with sufficient regularity to ensure the carrying value of the asset does not differ materially from its fair value. Revaluations of a whole asset class are scheduled to occur at an interval of no more than 5 years, but dependant on the asset class more frequent revaluations may be required.

Assets classified as Plant & equipment, Furniture and fittings shall not be revalued and valued at cost.

Buildings for which market prices are observable, either directly or indirectly, (i.e. Level 2 inputs as described in AASB13, Fair Value Hierarchy) will be valued using a Market Approach. The buildings identified as being in this category are the Council office building and Council owned houses. These assets are revalued at an interval of no more than 5 years, and subject to desktop revaluation on an annual basis.

Buildings and Infrastructure assets valued on a Cost Approach will be revalued annually by applying a suitable price escalator with a more rigorous review of asset valuations (conducted on a 'fair value' accounting basis) occurring at an interval of no more than 5 years.

10. IMPAIRMENT

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment.

Irrespective of how the asset is valued (whether at historical cost or fair value) an assessment is undertaken at the end of the financial year as to whether there are any signs of impairment by comparing an asset's carrying amount with its recoverable amount and where relevant an adjustment is made.

11. VALUATION TO THE RECOVERABLE AMOUNT - LAND HELD FOR RESALE

Land held for development and/or resale is valued at the lower of cost and net realisable value. Costs include:

- The cost of acquisition, development and interest incurred on financing of that land during its development
- Interest and other holding charges incurred after development is complete are recognised immediately as expenses
- Land held for development as community facilities is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition and development

12. LAND UNDER ROADS

For reporting periods commencing on or after 1 July 2008, "AASB1051 – Land under roads" came into effect. In accordance with this Standard, Council has elected not to recognise values for land under roads held as at 30 June 2008 as it has determined that there is no reliable measurement; an essential criterion for asset recognition.

13. LEASES

Council recognises any lease commitments of terms exceeding 12 months and of material value as per the requirements of AASB 16 – Leases and any corresponding Right-of-Use Assets.

14. CONTACT DETAILS FOR FURTHER INFORMATION

Chief Executive Officer

Phone: 08 8671 0010

Email: roxby@roxbycouncil.com.au

15. REVIEW & EVALUATION

The content and effectiveness of this Policy will be reviewed and evaluated no less than every 3 (three) years.

16. AVAILABILITY OF THE POLICY

This policy will be available for inspection at Council Office located at 6 Richardson Place during ordinary business hours and published on the Council's website www.roxbydowns.sa.gov.au. Copies will be provided to interested parties upon request.