



Asset Accounting Policy

Strategic Reference	Provide leadership, good governance, and efficient, effective and responsive Council services
File Reference / Record No	18/067/229/3
Responsibility	Director Corporate Services
Version Number	2.0
Effective Date	April 2023
Last Revised Date	October 2024
Minute Book Reference	C24249
Next Review Date	November 2028
Applicable Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations (2011) Australian Accounting Standards – No.116 Property, Plant and Equipment Australian Accounting Standards – No.13 Fair Value Measurement Australian Accounting Standards – No.136 Impairment of Assets Australian Accounting Standards – No.138 Intangible Assets Australian Accounting Standards – No.16 Leases
Related Policies	Asset Management Policy Annual Business Plan and Budget Policy Procurement Policy Sale and Disposal of Council Land and Other Assets Policy
Related Procedures/Documents	Strategic Management Plan Long-Term Financial Plan Infrastructure and Asset Management Plan

1. Objective

- 1.1. This policy provides guidance, clarity and consistency regarding the treatment of capital expenditure, which will provide for greater understanding and accuracy of Council's capital requirements and depreciation expenses.

Asset Accounting Policy <i>The electronic version held on ERDMS is the controlled version of this document.</i>				Version 2.0
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			



**District Council
of Yankalilla**

- 1.2. The existence of this policy will assist to ensure there is a distinction made between expenditure on long-lived assets and expenditure on goods and services for immediate consumption. This is critically important in determining the cost of providing services.

2. Scope

- 2.1. This policy applies to the acquisition and accounting treatment of Council's non-current assets, to ensure they are managed in an efficient and financially responsible manner, and that financial information related to non-current assets are presented consistently.
- 2.2. The scope of this policy is to ensure:
- **Asset Life** - That Council makes a distinction between costs incurred on long-lived assets and costs incurred on goods and services for immediate consumption;
 - **Depreciation** - All depreciation estimates are prepared and maintained in accordance with the Standards and reviewed annually; and
 - **Revaluations** - Are performed at a sufficient frequency to ensure that the carrying amount does not differ materially from the fair value at the reporting date for asset classes that have been revalued.
- 2.3. This Policy is applicable to all Council owned assets.
- 2.4. The scope of this policy includes 'right-of-use assets' as defined in AASB 16 Leases.

3. Definitions

- 3.1. For the purposes of this policy:

'*Asset Class*' means a group of assets having a similar nature or function in the operations and for purpose.

'*Asset Consumption Ratio*' means the value of infrastructure assets/gross current replacement cost of infrastructure assets.

'*Asset Management*' means 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.

'*Asset Renewal Funding Ratio*' means capital expenditure on renewal or replacement of existing assets as a percentage of asset management plans allocation. Capital expenditure on renewal or replacement of existing assets / Asset Management Plan.

'*Asset Register*' means a register for reliably recording inventory type details of an asset and may incorporate other information such as condition, valuation and location.

'*Capital Expenditure*' Capital expenditure can be broken down into two categories:

- i. Costs incurred in the creation of a new asset – including design costs, planning and development compliance costs, construction costs.

Asset Accounting Policy				Version 2.0 /
The electronic version held on ERDMS is the controlled version of this document.				
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			



- ii. 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.

'Carrying Value' The carrying value of an asset is the value of the asset held on Council's balance sheet. It can be based on the cost of installation of a new asset or can be based on an independently revalued replacement cost for an existing asset.

'Componentisation' means the process of breaking down physical or non-physical asset into its individual components or parts for the purposes of accounting, valuation, and management.

'Cost' means the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

'Cost Model' After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

'Depreciation' Depreciation is the mechanism by which the carrying value of an asset is expensed over its useful life. It represents the amount by which Council's asset stock is being consumed annually.

'Depreciable Amount' means the cost of an asset or any other amount substituted for cost, less its residual value.

'Fair Value' means The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

'Gifted Assets' Is an asset constructed or purchased by a party other than a Council (typically a developer) and transferred to Council to maintain.

'Impairment Loss' Is the amount by which the carrying amount of an asset exceeds its recoverable amount.

'Intangible Assets' Are identified as non-monetary assets without physical substance. Some examples of intangible assets include: licences, intellectual property and computer software (software as a service).

'Maintenance' Maintenance of an asset is periodic expenditure required to ensure that the asset lasts as long as it is expected to last and that it provides and continues to provide future economic benefits or expenditure on non- current assets that do not meet the capitalisation criteria. Maintenance costs are expensed annually as they are incurred.

'Materiality' Information is material if its omission, mis-statement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or elected representatives of the Council.

Asset Accounting Policy				Version 2.0
The electronic version held on ERDMS is the controlled version of this document.				
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			



District Council of Yankalilla

'New/Upgraded Assets' A new asset is additional to Council's previous assets held. An upgraded asset replaces a previously existing asset with enhanced capability or functionality, where an option existed for replacement without any enhanced capability or functionality.

'Renewal/Replacement Assets' Renewal or replacement of an asset occurs where a previously existing asset is replaced, giving a new asset with a new useful life, without enhancement of the service capability.

'Residual Value' The residual value of an asset is the estimated amount that an entity would currently obtain from the disposal of an 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.

'Revaluation Model' After initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

'Right of Use Asset' A right of use asset, or ROU, is a lessee's right to use an asset over the course of a lease

'Useful Life' 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.

4. Policy Statement

- 4.1. Assets shall be recognised and accounted for in accordance with Australian Accounting Standards and the details contained in this policy.
- 4.2. This Policy applies the provisions of the Local Government Act 1999 (the Act) Section 124 (Accounting Records to be Kept) regarding Council's Fixed Assets and how financial information pertaining to Fixed Asset transactions and reconciliations are undertaken across all Council operations.
- 4.3. This Policy underpins how Council treats various categories of transactions recorded on its fixed asset register and fixed asset transactions, culminating in their publication in the annual financial statements required under Section 127 (Financial Statements) of the Act.

5. Policy

5.1. Assets Definition:

- 5.1.1. 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.

Asset Accounting Policy				Version 2.0 /
The electronic version held on ERDMS is the controlled version of this document.				
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			



5.1.2. There are three specific elements that define an asset:

- i. **Future economic benefits** – in the case of public sector entities, future economic benefits (or service potential) are the goods and services to be provided by the asset, whether or not the entity receives a net cash inflow for their provision.
- ii. **Control by the entity** - control means the ability of the entity to benefit from the future economic benefits or to restrict the access of others to those benefits.
- iii. **Occurrence of past event** – the asset must be in existence. A contract to purchase an asset does not give rise to an asset, nor does the intent to acquire an asset.

5.2. Recognition of an Asset:

- 5.2.1. 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 or value that can be measured reliably.
- 5.2.2. An asset that qualifies for recognition will be initially recorded at cost at the date of acquisition, including costs directly attributable to bringing the asset to the location and condition ready for operation by the Council.
- 5.2.3. An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.
- 5.2.4. 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.
- 5.2.5. Assets with an economic life in excess of one year will be capitalised where the cost of acquisition exceeds materiality thresholds set by Council for each type of asset.
- 5.2.6. Land under roads is not recognised as it not possible to attribute a sufficiently reliable value.

5.3. Valuation of Assets:

- 5.3.1. **Fair Value** - The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.
- 5.3.2. **Fair Value Hierarchy** - AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:
 - **Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
 - **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Asset Accounting Policy				Version 2.0 /
The electronic version held on ERDMS is the controlled version of this document.				
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			



- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5.4. Recognition and Capitalisation Thresholds:

5.4.1. An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

5.4.2. AASB 116 states:

'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.'

5.4.3. Council recognises the capital cost of an asset comprises of:

- **Purchase Price** - Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- **Directly Attributable Costs** - Any costs directly attributable to bringing the asset to the location and condition necessary (for example costs of site preparation, installation and assembly) for it to be capable of operating in the manner intended by Council;
- **Employee Costs** - Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant equipment e.g. project management costs;
- **Testing** - Costs of testing whether the asset is functioning properly, after deducting net proceeds from selling any items needed to bring the asset to that location and/or condition;
- **Demolition/Removal** - Costs associated with the dismantling and/or removal of the asset and restoration or rehabilitation of the site on which it was located prior to construction of a new asset; and
- **Gifted Assets** - AASB 116 provides for a specific example relating to Local Government entities where an asset may be gifted to Council at no or nominal measurable cost. When this occurs, Council's administration is obliged to recognise the asset at fair value.

5.4.4. Council will classify all capital expenditure into the following categories:

- New / Upgrade; and
- Renewal.

5.4.5. The following table provides guidance when determining whether expenditure is both capital and material in nature. Where a group of assets are materially the same, they can be capitalised based on the total value.

Asset Accounting Policy				Version 2.0 /
The electronic version held on ERDMS is the controlled version of this document.				
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			



Asset Category	Maintenance (Operating)	Capital
Fleet & Plant Assets	Expenditure <\$3,000 for individual items or items that cannot be easily grouped.	Expenditure >\$3,000 for individual assets, or assets that can be easily grouped*.
Sealed Roads and Car Parks	Minor road patching Shoulder grading Line marking Road cleaning & sweeping General kerb maintenance Guide posts Signage	Road patching other than minor works >\$10,000 New road construction. Resealing >\$10,000 or full segment Reconstruction >\$10,000 Repairs to kerb & channel >\$5,000 New kerb construction
Unsealed Roads	Grading Pot Holing Clearing Drain Clearing Guide posts Signage Ripping and Compacting	Other Treatments >\$10,000 or full segment Resheeting where treatment exceeds 3000m ²
IT Equipment	Expenditure <\$3,000 for individual assets or assets that cannot be easily grouped.	Expenditure >\$3,000 for individual assets, or assets that can be easily grouped*.
Stormwater	Minor repairs.	Pipe and structure replacement >\$5,000 New pipes and structures New wetlands Purchase or replacement of pump and bore equipment >\$5,000
Office Furniture & Equipment	Purchases <\$3,000	Expenditure >\$3,000 for individual item or items which can be grouped*
Bridges	Minor bridge repairs <\$10,000	Bridge structure replacement >\$10,000 New bridges Major Repairs >\$10,000
Signs	Repairs to existing individual signs & posts	Not capitalised
Footpaths	Footpath maintenance (pothole repair, joint grinding, segment paving resetting) <\$5,000	Footpath replacement New footpath construction



Asset Category	Maintenance (Operating)	Capital
Research, Design & Project Management Costs	All research, design & project management costs incurred on projects which have not proceeded.	Subject to the tests of AASB 136 Impairment of assets
Traffic Control Devices	All line marking. Any maintenance to existing devices <\$3,000	Any new or complete replacement of kerb, fence and component of the device New traffic islands
Land and Reserves	Maintenance of landscaping structures Renewal of mulch and garden beds Plants and Trees Maintenance to existing park furniture Maintenance to existing irrigation equipment <\$3,000	New pavers and concrete paths >\$3,000 New irrigation >\$3,000 New park furniture > \$3,000 Replacement of existing park furniture > \$3,000 New irrigation equipment Major repairs/replacement of irrigation equipment >\$3,000
Sporting Ovals and Playing Courts	Line Marking Lawn mowing Light tower bulb replacements	Court construction and resurfacing Light tower construction and replacement
Playground Equipment	Maintenance to existing playground equipment	New playground equipment Replacement of playground equipment >\$2,000
Buildings	All maintenance of building components.	Any structural addition to the buildings >\$5,000 Renewal of building components
Software (Software as a Service)	Ongoing licence fees	As per AASB 138 – including implementation, software purchase costs, configuration.

5.5. Depreciation

- 5.5.1. 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.



5.5.2. Recognition of Depreciation Expense:

- **Commencement** - Depreciation expense commences from the time the asset is first put into use or held ready for use. Work-in-progress will not be depreciated until the asset is first put into use or held available for use.
- **Cessation** - Depreciation of an asset ceases when the asset is fully depreciated, or if the asset is determined to be held for sale. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.
- **Calculation** - In calculating depreciation on assets, each component of the asset which has a cost that is significant in relation to the total cost of the asset and has a materially different useful life, is to be depreciated separately.
- **Leasehold Improvements** - Where improvements are made to a leasehold property, these improvements will be allocated progressively over the unexpired portion of the lease or the useful lives of the improvements, whichever is the shorter. The unexpired period of the lease should include any options to extend the lease term when the exercise of the option is reasonably certain.
- **Non-Recognition of Depreciation** - Council does not recognise depreciation on the following:
 - **Inventories** – as they are current assets; and
 - **Non-current assets held for sale** – whilst classified as held for sale.

5.6. Depreciation Methodology:

- 5.6.1. **Asset Lives** - All assets with a useful life of more than one year (with the exception of the asset classes shown in the Non-Recognition of Depreciation section above), including intangible assets are depreciated over the useful life of the asset in accordance with Accounting Standards.

Road Infrastructure	Useful Lives (years)
Spray Seal	18-22
Asphalt	25-65
Recycled	65
Sheeted	13-57
Pavement - Base	60-100
Pavement - Sub-Base	180-400
Kerb and Gutter	70
Spoon Drain	70
Kerb and Gutter Base	210
Footpath - Concrete	50 - 100
Footpath - Pavers	50 - 100



Footpath - Asphalt	25 - 50
Footpath - Spray Seal	20 - 40
Footpath - Gravel	15
Retaining Wall	50
Offroad Car Park Surface – Spray Seal	20
Offroad Car Park Surface – Asphalt	25
Offroad Car Park Surface – Pavement	100-400
Offroad Car Park Surface – Kerb and Gutter	70
Bridges	80
Plant, Furniture & Equipment	Useful Lives (years)
Office Equipment and Furniture	3-10
Fleet and Plant Equipment	2-10
Building & Other Structures	Useful Lives (years)
Buildings - Masonry	50-100
Buildings - Other Constructions	20 - 40
Buildings - Water Supply Pumps & Meters	7 - 30
Stormwater	Useful Lives (years)
Stormwater - Pipes	80-100
Stormwater - Pits	80
Stormwater - Other	70
Recreation	Useful Lives (years)
Recreation Assets	15-80
Software	Useful Lives (years)
Software as a Service	3-5

5.6.2. **Depreciation** - Are calculated on a “straight line basis” i.e. the depreciable amount divided by the useful life of the asset.

5.6.3. **Asset Additions** - Any expenditure that increases the value of the asset, are depreciated over the remaining useful life of the asset to which it relates.

5.6.4. **Useful Life** - The useful life of an asset will be reviewed as required. Including at capitalisation of renewal of an asset where it is reasonable to expect that the renewal will increase the useful life of the asset in the interim period to a periodic revaluation.



5.7. Revaluations:

5.7.1. Revaluation Methodology:

- When an asset is recognised, its value can be recognised either by the cost model or by the revaluation model. The cost model recognises the original cost of an asset less any accumulated depreciation and impairment losses.
- The revaluation model recognises assets at their fair value only if that can be measured reliably. If an asset is revalued, its value is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
- Assets not subject to revaluation include the following that are recognised at actual cost less accumulated depreciation and any accumulated impairment:
 - Furniture & Fittings
 - Plant & Equipment
 - Software as a Service
 - Right of Use Assets
- **Asset Valuation** - Council treat the valuation of assets in two ways:
 - Firstly, where an asset is carried at cost and has some useful life after it has been fully depreciated, revaluation of the asset will not occur.
 - Secondly, assets that are carried at fair value will be revalued to ensure assets are not fully depreciated before the end of their useful life.
- **Current Replacement Costs** - Are calculated using Council's own current contract unit rates, industry benchmarks and information supplied by other Councils where available. These costs are independently assessed by an appropriately qualified professional.
- **Condition Audits** - Are undertaken to determine the consumption of the asset and hence its fair value in respect to the replacement cost.

5.7.2. Frequency of Revaluation:

Asset Category	Valuer	Frequency	Incremental Revaluation
Road Infrastructure	External	5 Years	Indexed annually excluding year of valuation.
Buildings and Other Structures	External	5 Years	Indexed annually excluding year of valuation.
Stormwater	External	5 Years	Indexed annually excluding year of valuation.



Asset Category	Valuer	Frequency	Incremental Revaluation
			valuation.
Recreation	External	5 Years	Indexed annually excluding year of valuation.

5.7.3. It should be noted that revaluations may occur more frequently as required to incorporate changes to unit rates to ensure that the financial impact of valuations is minimised

5.8. Intangible Assets

Intangible assets, such as software, will be recognised subject to AASB138.

5.9. Impairment

In accordance with AASB 136, Council will assess annually whether assets under its control may be impaired.

Impairment loss shall be recognised as a depreciation expense when the recoverable amount of an asset is less than its carrying amount. If, however, the asset is carried at a revalued amount the impairment loss is treated as a revaluation decrease.

5.10. Leases

In accordance with AASB16, all leases will be capitalised by recognising a Right of Use asset together with a liability for the present value of the lease obligation.

Depreciation will be calculated on the Right of Use asset and interest will be calculated on the lease liability.

The value of the Right to Use asset and the lease liability will include non-cancellable lease payments and payments for option periods with Council is reasonably certain to exercise.

Exceptions to the capitalisation rule are short term leases with a period of 12 months or less, and leases for which the value of the asset is less than \$10,000.

Asset Accounting Policy <i>The electronic version held on ERDMS is the controlled version of this document.</i>				Version 2.0
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			



6. Further Information

This policy will be available for inspection at the Council office listed below during ordinary business hours and provided to interested parties as per Council's Fees and Charges Register. Copies are available to be downloaded, free of charge, from Council's website: www.yankalilla.sa.gov.au/policies

District Council of Yankalilla
1 Charles Street
Yankalilla 5203

Phone: (08) 8558 0200

Fax: (08) 8558 2022

Email: council@yankalilla.sa.gov.au

Office hours: Monday to Friday, 9.00am to 5.00pm (except public holidays)

5 Grievances

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.

6 Review Cycle

This document is subject to review in four (4) years from the date of adoption or more frequently if legislation or Council requires.

7 Document History

Date	Version	Council Resolution No.	Description of changes
April 2023	1.0	C23067	Adoption of Policy
19 November 2024	2.0	C24249	Review of Policy Updated impact on useful asset lives of asset revaluations. Inclusion of additional information to provide further clarity following benchmarking against other South Australian Councils. Minor formatting and template updates.

Asset Accounting Policy <i>The electronic version held on ERDMS is the controlled version of this document.</i>				Version 2.0 /
Effective Date:	April 2023	Review Date:	November 2028	
Warning:	This document is uncontrolled when printed.			