

Accounting for Assets Policy



District Council of Cooper Pedy

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Applicable Legislation: <i>Local Government Act 1999</i> <i>Local Government (Finance Management) Regulations 2011</i> Australian Accounting Standards		
Related Policies: Annual Budget Preparation Policy Council's Asset Management Policy Disposal of Land and Assets Policy Procurement Policy		
Supporting Procedures and Similar Documents: Infrastructure and Asset Management Plans		

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1. DEFINITIONS

TERM	DEFINITION
Accumulated Depreciation	Accumulated depreciation is means the aggregate, at a given point of time, of the depreciation expenses made in respect of a particular depreciable asset or class of depreciable assets.
Aggregation	Where a number of the same assets for the same purpose are purchased at the same time and the cumulative value is greater than the threshold, the cumulative value can be capitalised.
Amortisation	The systematic allocation of the depreciable amount of an asset over its useful life (e.g. for an asset valued at \$500,000 with a 5 year useful life the annual amount amortised would be \$100,000 per annum).
Asset	An Asset is a resource controlled by the Council as a result of past events and from which future economic benefits are expected to flow to the Council. The three elements defining an asset are: • Future economic benefits (goods and services provided by the asset); • Control by the Council (ability of Council to benefit from future economic benefits); and • Occurrence of a past event (asset must be in existence).
Asset Class	A group of assets having a similar nature or function in the operations and for purpose.
Asset Consumption Ratio	Value of infrastructure assets/gross current replacement cost of infrastructure assets.
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.
Asset Renewal Funding Ratio	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	A register for reliably recording inventory type details of an asset and may incorporate other information such as condition, valuation and location.

TERM	DEFINITION
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 Expansion (new)	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 new network.
Capital Renewal	Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it has originally e.g. resurfacing or re-sheeting a road, replacing drainage pipes with pipes of the same capacity.
Capital Replacement	Expenditure on replacing an existing asset, or the service life is extended, without enhancement of the service capability except where this is incidental and unavoidable. e.g. gravel re-sheeting, reseal, etc.
Capital Upgrade	Expenditure which enhances an existing asset to provide a higher level of service or increased 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 quantity.
Carrying Amount	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	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	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.

TERM	DEFINITION
Current Asset	Are assets that have an estimated life of no greater than one year. They also include some financial assets that are expected to be recovered within a year of the reporting date and any inventory held.
Depreciation	The monetary value of an asset decreases over time (useful life) due to use, wear and tear or obsolescence. This decrease is measured as depreciation. Depreciation is the measure of 'using up' or consumption of the asset, in providing that asset to the community and is measured on an annual basis.
Depreciable Amount	Depreciable Amount is the cost of an asset or other amount substituted for cost, less its residual value.
Fair Value	Fair Value is the amount which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Gifted Asset	Is an asset constructed or purchased by a party other than a Council (typically a developer) and transferred to Council to maintain.
Impairment	Is the decline in the future economic benefits or service potential of an asset, over and above the use reflected through depreciation.
Impairment Loss	The amount by which the carrying amount of an asset or cash generating unit exceeded its recoverable amount.
Maintenance	Regular ongoing day-to-day work, expenditure such as repairs, fuel, power, materials, labour, overheads and general services, necessary to keep assets operating, and does not extend the asset's useful life e.g. road patching. This is an operating expense as this does not increase the value of the asset. It includes both reactive maintenance and planned maintenance programs and non-capitalised minor equipment purchases.
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.

TERM	DEFINITION
New Asset	Is the creation of a new asset to meet additional service level requirements, e.g. a new building.
Non-current assets	Are assets that have an estimated life of greater than one year. They also include some financial assets that are not expected to be recovered within a year of the reporting date.
Operations	Regular activities of the council e.g. street sweeping, grass mowing, street lighting.
Residual Value	Residual Value of an asset is the estimated amount that a Council would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age 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-Assets	Right-of-Use-Assets are assets that Council has acquired through a long-term financial lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
Useful Life	Useful Life is the period for which an asset is expected to be available for use by a Council.
Upgrade	Is the enhancement of an existing asset to provide a higher level of service, e.g. sealing an unsealed road.

2. PURPOSE

- 2.1 The Council recognises that assets exist to provide services to the benefit of the community and this recognition underpins the Council's Asset Management Policy and its practices.
- 2.2 Council will only acquire assets after due consideration of the service needs of the community and the operating needs of the Council. Service levels will be determined in consideration of the community needs and in line with the Council's 'duty of care' to the community.

3. OBJECTIVE

- 3.1 Council is committed to ensuring
- All infrastructure assets are accounted for with respect to applicable Australian Accounting Standards;
 - Financial information is relevant to users of the financial statement;
 - Physical assets, such as infrastructure and buildings are measured and presented at their fair value.

4. SCOPE

- 4.1 The scope of this Policy is to ensure:
- **Asset Life** – That Council makes a distinction between costs incurred on long-lived assets and cost 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.
- 4.2 This Policy will apply to all assets owned or controlled by the District Council of Coober Pedy and contained within Council's Asset Register.
- 4.3 The scope of this Policy also includes 'right-of-use assets' as defined in AASB16 Leases.

5. POLICY STATEMENTS

- 5.1 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.
- 5.2 This Policy underpins how Council treats various categories of transactions recorded on its fixed asset register, culminating in their publications in the annual financial statements required under section 127 (Financial Statements) of the Act.

6. ROLES AND RESPONSIBILITIES

- 6.1 Council is responsible for adopting the Policy, allocating budget and providing high level oversight of the delivery of the Councils Asset Accounting Policy. The Council is also responsible for ensuring that organisation resources are appropriately funded to guarantee adherence with this Policy
- 6.2 The Chief Executive Officer is responsible for resourcing the implementation and application of for the Asset Accounting Policy and supporting Guidelines.

7. RECOGNITION OF AN ASSET

- 7.1 An asset is recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to the Council and the asset has a cost or value that can be measure 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. 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.'*
- 7.2 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.
- 7.3 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.
- 7.4 Council recognises the capital cost of an asset comprises:
- a) Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - b) Costs of employee benefits arising directly from the construction or acquisition
 - c) Initial delivery and handling costs;
 - d) Installation costs and assembly costs,
 - e) Costs of site preparation,
 - f) Costs of testing whether the asset is functioning properly;
 - g) Professional fees;
- And excludes:
- a) Administration and other general overhead costs;
 - b) Costs of introducing a new product or service;
 - c) Costs of opening a new facility.
- 7.5 Aggregation or 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

8. MATERIALITY

8.1 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.

8.2 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.

9. CAPITALISATION

9.1 Capitalisation Threshold – Summarised Table

The following table sets out the various Capitalisation Thresholds for Council's Assets by the various Asset Categories.

ASSET GROUP	CAPITALISATION THRESHOLDS
Land	\$ALL
Buildings	\$15k
Other Structures	\$15k
Infrastructure Transportation Assets - Roads	\$10k
Infrastructure Transportation Assets - Footpaths	\$10k
Infrastructure Transportation Assets – Kerb & Guttering	\$10k
Infrastructure Transportation Assets - Carparks	\$10k
Infrastructure Electricity Distribution	\$5k
Infrastructure Water Assets	\$5k
Infrastructure Community Wastewater Management System (CWMS)	\$15k
Infrastructure Stormwater	\$15k
Plant & Equipment	\$5k
Furniture & Fittings	\$5k

10. DEPRECIATION

10.1 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.

10.2 Land is not a depreciable asset.

10.3 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.

11. USEFUL LIVES

11.1 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.

Asset Group	Asset Sub Group	Life Expectancy
Buildings		10 – 145 years
Other Structures		4 – 50 years
Infrastructure Transportation Assets - Roads	Sealed Roads - Surface	15 - 40 years
	Sealed Roads - Basecourse	30 - 80 years
	Sealed Roads - Subbase	75 - 200 years
	Unsealed Roads - Basecourse	20 - 50 years
Infrastructure Transportation Assets - Footpaths		25 – 80 years
Infrastructure Transportation Assets – Kerb & Guttering		25 – 80 years
Infrastructure Transportation Assets -		15 - 60 years

Asset Group	Asset Sub Group	Life Expectancy
Carparks		
Infrastructure Electricity Distribution		15 - 80 years
Infrastructure Water Assets		10 - 100 years
Infrastructure Community Wastewater Management System (CWMS)		15 - 150 years
Infrastructure - Stormwater		65 - 95 years
Plant and Equipment		8 – 20 years
Furniture & Fittings		8 – 20 years

11.2 Depreciation – is Calculated on a “straight line basis” i.e. the depreciable amount divided by the useful life of the asset.

11.3 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.

11.4 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.

12. RESIDUAL VALUE

12.1 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.

12.2 Residual values are not recognised for infrastructure assets.

13. REVALUATIONS

13.1 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 five (5) years, but dependant on the asset class more frequent revolutions may be required.

13.2 Assets classified as Plant and Equipment, Furniture and Fittings shall not be revalued and valued at cost.

13.3 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 five(5) years and subject to desktop revaluation on an annual basis.

13.4 Assets that are initially valued on a cost basis 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 five (5) years.

14. IMPAIRMENT

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

14.2 Irrespective of how the asset is value (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.

15. VALUATION TO THE RECOVERABLE AMOUNT – LAND HELD FOR RESALE

15.1 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.

16. LAND UNDER ROADS

16.1 For reporting periods commencing on or after 1 July 2008, "AASB1051 – Land under roads" came into effect.

16.2 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 criteria for asset recognition. In most instances the land under a formed road will never be sold as it provides access to properties, has other infrastructure underneath it and in many cases provides important through access for vehicular and pedestrian movements.

17. LEASES

17.1 Council recognises any lease commitments of terms exceeding twelve (12) months and of material value as per the requirements of AASB16 - Leases and any corresponding Right-of-Use Assets.

18. TRAINING/EDUCATION

18.1 All key staff will be provided with training in regards to this Policy and any associated Guidelines.

19. REVIEW

19.1 This Policy will be reviewed every two (2) years for content and effectiveness, or earlier in the event of changes to legislation or related policies and procedures; or if deemed necessary by the Chief Executive Officer.

19.2 This Policy will be aligned with any asset revaluations as required.

20. ACCESS TO THE POLICY

The Policy is available for public inspection at the Council office located at Hutchison Street, Coober Pedy South Australia and on the Council's website

www.cooberpedy.sa.gov.au

21. FURTHER INFORMATION

For further information on this Policy, please contact:

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22. DOCUMENT CONTROL

9.1 Version Control

Version #	Date Adopted	Resolution #	File # Document #	Description of Change
1	22/11/2023			New Document
2	26/11/2025	838	18.63.1/1 NPO202566	Document Review – Capitalisation limits updated, definitions expanded and other minor adjustments
3	22/07/2026	938	18.63.1/1 NPO202566	Document Review - Capitalisation limits updated following asset revaluation of select asset classes