Asset Accounting Policy

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Responsible Officer(s):	*General Manager Corporate and Community Services & General Manager Infrastructure, Environment & Regulatory Services*
Council File Reference:	*Policies*
Applicable Legislation:	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011* *Australian Accounting Standards and Regulations*
Relevant Policies:	*Asset Management Policy,* *Disposal of Council Land and other Assets* *Procurement Policy*
Related Procedures:	*(In accordance with relevant Legislative Acts)*
Delegations:	*Chief Executive Officer / General Manager Corporate and Community Services / General Manager Infrastructure, Environment and Regulatory Services / Finance Manager*

1. Purpose

This policy is to provide staff involved in budgeting and expenditure decisions clear guidance when classifying expenditure in the accounting system. It establishes the criteria at the point of recognition of an asset, the rate of depreciation to be applied, the method of revaluation and impairment of assets and the accounting process for non-current assets.

2. Scope:

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.

This Policy is applicable to all Council owned assets.

The scope of this policy includes "right-of-use assets" as defined in Accounting Standard AASB 16 Leases, which determines that all leases of greater than 12 months are required to be recognised as assets and liabilities. Examples of "right of use assets" are leases on property for terms greater than 12 months.

Specific exclusions from this Policy:

- Library Books have been treated as an operating expense.
- Road signs under Infrastructure are also not considered to be a capital expense.
- Assets not considered under Council control.

3. Definitions:

Term/Acronym	Definition
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	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 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.
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.

Term/Acronym	Definition
Capital Renewal	Expenditure on an existing asset or on replacing 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 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.
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 eg extending a drainage or new network
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	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.
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.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.
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 Loss	The amount by which the carrying amount of an asset or cash-generating unit exceeded its recoverable amount.

Term/Acronym	Definition
Intangible Assets	Are identified as non-monetary assets without physical substance. Some examples of intangible assets include; licences, intellectual property and computer software.
Maintenance	All actions necessary for retaining an asset as near as practicable to its original condition, including regular ongoing day to day work necessary to keep assets operating eg road patching.
Materiality	Information is material if its omission, misstatement 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.
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.
Residual Value	The estimated amount that an entity would currently obtain from 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	Is defined as the period over which an asset is expected to be available for use by the entity.

4. Principles

Accounting standards require a distinction to be made between expenditure that is consumed immediately in operations and expenditure on physical assets that will provide service over more than one financial year. Assets for the Berri Barmera Council shall be recognised and accounted for in accordance with the Australian Accounting Standards and this policy.

Expenditure that is consumed immediately in operations will be recognised as an expense at the time the expense is incurred. Any expense that relates to the purchase of a physical

asset needs to be recognised over a period of years that represents the period of time that the asset will continue to generate income for the entity.

5. Policy Statement

Recognition of an Asset

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. This is called capitalising an asset.

Work In Progress - Capital works still in progress at balance date are recognised as other non-current assets and recognised as infrastructure, property, plant and equipment when completed and ready for use.

Non-Depreciable Assets - Council has elected not to capitalise Library Book Stock. Council also does not capitalise road signs under infrastructure.

Software - Software capitalisation involves the recognition of purchased or internally developed software as an asset. Any costs relating to training or administration and overheads are expensed as incurred.

Crown Land - It is noted that there are several buildings and structures situated on land belonging to the Crown that is in the care and control of council and are assets neither maintained nor operated by Council but rather, by other community groups and/or sporting bodies. Arrangements are in place via operating lease agreements for the community groups to be entirely responsible for the renewal of these assets.

In addition, there are several buildings and structures situated on land belonging to the Crown that are in the care and control of council, yet are assets considered to be non-replaceable assets and as such are not maintained by Council.

Such assets are not included within the Council's accounts based on the following legal advice:

- *where the lease provides that the improvements vest in the lessee, it is for the lessee to depreciate those assets. However, if the improvements remain after the expiration or termination of the lease;*
- *in the case of Crown land, they become the property of the Crown and from that point, depreciation is the Crown's responsibility; or*
- *in the case of land owned by the Council, they become Council property, and depreciation is the Council's responsibility.*
- *if the lease is silent regarding ownership of lessee improvements constructed during the term of the lease, any improvements that constitute a fixture (such as a building) become part of the land. In the case of Crown land, the improvements will be taken to be owned by the Crown and the Crown will be responsible for depreciating them.*

Council may still conduct insurance valuations as per terms of lease agreements currently in place. All leases pertaining to properties on land either belonging to the Crown or on land belonging to Council are classified as operating leases for accounting purposes.

Measurement at Recognition
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 of the Berri Barmera Council.

As per Accounting Standard AASB116 Property Plant & Equipment, the cost of an asset comprises:

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Costs are allocated where there is a direct link to the capital project through associated supplier invoices and labour. Inhouse labour on capital projects is allocated through timesheets processed from relevant staff. Administration and other general overhead costs as per AASB116 are not capitalised.

Accounting Standard AASB13 Fair Value Measurement requires the use of a Fair Value hierarchy where assets are reported as level 1, level 2 or level 3 inputs. This refers to how the value of the asset has been determined. The following table outlines the Fair Value Hierarchy Disclosure Classification by asset class for Berri Barmera Council.

Hierarchy	Description
Level 1 Inputs	**Quoted Prices – active markets**
Financial Assets	A level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (e.g. on different exchanges)
Level 2 Inputs	**Observable Inputs**
Land, Council Buildings on Non Community Land that are able to be used commercially (e.g. offices, libraries and shops), Plant, Furniture & Equipment	Level 2 inputs include the following: a) quoted prices for similar assets or liabilities in active markets b) quoted prices for identical or similar assets or liabilities in markets that are not active c) inputs other than quoted prices that is observable for the asset or liability.
Level 3 Inputs	**Unobservable Inputs**
Buildings on Community Land, Community Land, All Infrastructure Assets, Software Assets	An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorised within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs such as the entity's own forecasts. An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data and shall adjust that data if reasonably available information indicates that other market participants would use different data.

Classification of Assets
A register of all assets shall be maintained, recording assets in sufficient detail as to permit identification and control. The register shall be used for the purpose of recording the acquisition, depreciation, revaluation and disposal of assets and where required, a stocktake.

The classes of assets fall into the following categories:

- Land
- Buildings
- Structures
- CWMS
- Stormwater
- Roads
- Footpaths
- Kerbs
- Furniture
- Plant, Fleet Motor Vehicles and Equipment
- Open Space and Recreation

Examples of assets that can be classified into the above categories are as follows:

- **Land** – any part of the earth's surface not covered by water.
- **Buildings** – a type of structure that includes a roof and walls and is fixed at one location. Examples are Sports Stadiums, institutes, soldiers memorial halls, sheds and public toilets.
- **Structures** – assets that don't come under the Buildings classification. Examples are playground equipment, BBQ shelters, boat ramp shelters, benches and seats, lighting and monuments.
- **CWMS** – Community Wastewater Management System (CWMS) is the pump system set up in the district to remove liquid effluent from properties and transfer it to a centralised treatment and recycled water facility.
- **Stormwater** - Stormwater is the drainage system set up in the district to capture rainwater runoff and divert it to our natural water bodies. It includes a maze of pipes and culverts.
- **Roads/Footpaths/Kerbs** – this category captures Council's infrastructure and is self explanatory.
- **Office Furniture and Equipment** – furniture and equipment necessary to carry out Council's operations. Examples are desks, chairs, computers and computer hardware, monitors, filing cabinets, storage cabinets and software.
- **Non-costed Plant & Machinery/Fleet Motor Vehicles** – non-costed plant is equipment that is used by staff where the cost of the use of the item does not need to be captured on time-sheets. Examples are trailers, push mowers, pumps and workshop equipment. Fleet Motor Vehicles are vehicles within council's fleet of vehicles that don't require their usage to be captured on time-sheets, like managers vehicles.
- **Minor Plant & Machinery** – equipment items that can't be classified as costed or non-costed plant. Examples are attachments, concrete equipment, compactors, generators, workshop equipment and compressors.
- **Costed Plant & Machinery** - equipment that is used by staff where the cost of the use of the item needs to be captured on time-sheets, like the number of kilometres travelled or the number of hours used. Examples are water trucks, graders, ride on lawn mowers, rollers, chippers and cherry pickers.

Determination of materiality

Materiality Definition - Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In the context of materiality, it is not necessary to recognise every non-current asset in the balance sheet. For example, a calculator may have a useful life greater than 12 months but its value is small and does not warrant the cost of recording in the asset register, so it is treated as an expense at the time it is purchased.

Threshold Level Establishment - Setting the threshold levels is to provide the greatest balance between efficiency in administrative effort associated with maintaining records and the need to 'expense' items, through depreciation, against more than one financial year so that revenues and expenses are matched appropriately.

Aggregation - Expenditure can still be capitalised on items that fall below the materiality thresholds individually but operate together as a cohesive whole to form a significant total value, for example computer equipment, a table and chair set, CWMS pumps or stormwater pumps.

The following thresholds are linked to Council's Asset Management Plans:

Asset Class	Capital Threshold
Office Furniture and Equipment	$3,000
Plant and Machinery	$3,000
Buildings	$10,000
Structures	$5,000
Road Construction and Reconstruction	$10,000
Paving, Footpaths, Kerb and Gutter	$5,000
Drains and Culverts	$5,000
Reticulation extensions	$5,000
Sidelines & household connections	$5,000
Artworks	$5,000
Right of Use Asset	$10,000

Excluded Classes - No capitalisation threshold is applied to the acquisition of land.

Depreciation and disposal of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of the asset. Land is not a depreciable asset. Therefore, Council does not depreciate Land Under Roads.

Commencement - Infrastructure assets are recognised and depreciated from the first full accounting period after capitalisation. All other assets i.e., furniture and fittings, plant and equipment, are depreciated from the date of purchase.

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.

Annual Review - The depreciation rate and method for each class of asset must be reviewed, at least annually, to ensure that there has been no change in the expected pattern of the asset's consumption which would warrant the application of an alternative depreciation method.

Asset Additions - The depreciable amount of any addition or extension to an existing depreciable asset which becomes an integral part of that asset must be allocated over the remaining useful life of that asset.

Straight Line Depreciation - Council uses straight line depreciation for all its non-current assets on the basis that the economic benefits, being the service provided by the asset, are generally used in a uniform manner throughout the assets useful life. Straight line depreciation, it is the simplest way to work out the loss of value of an asset over time. Straight line basis is calculated by dividing the difference between an asset's cost and its expected salvage value by the number of years it is expected to be used. Major depreciation periods for each class of asset are shown below:

Asset Class	Useful Life (Years)
Plant, Furniture and Equipment:	
Electronic equipment	4 years
Office Furniture	10 years
Construction and Road Maintenance machinery	10 years or 10,000 hours
Trucks (Heavy Vehicles)	10 years or 150,000 kms
Fleet Motor Vehicles	7 years or *120,000 kms
Other plant and equipment	3 to 5 years
Software	10 years
Buildings and Structures:	
Buildings, structure	5 to 100 years
Buildings, roof cladding	5 to 50 years
Buildings, external fabric	5 to 66 years
Buildings, internal fabric	5 to 34 years
Buildings, services	5 to 50 years
Playground equipment and associated structural assets	5 to 20 years
Other Structures	20 to 150 years

Asset Class	Useful Life (Years)
Infrastructure:	
Road surfaces, sealed	15 to 30 years
Road Pavements, under sealed surfaces	60 to 90 years
Unsealed Roads	40 years
Bridges – Concrete	80 to 90 years
Kerb and Gutter	80 years
Footpaths	20-80 years
Drains	80 to 100 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years
Reticulation Pipes – PVC	25 to 75 years
Pumps and Telemetry	15 to 25 years
Other Assets:	
Right-of-Use Assets	Life of lease

***Denotes Optimum Replacement Timing (ORT)**

Asset Replacement Purpose
This section establishes the standards for replacing assets to ensure safety, cost-effectiveness, and operational efficiency. Replacement decisions are based on useful life, condition, and benchmark values for changeover.

General Principles
Assets should be replaced, disposed of, or traded in when they reach the end of their useful life, when maintenance is no longer cost-effective, or when a trade-in offers optimal value.

Replacement may occur earlier if:

- Safety or compliance risks arise
- Maintenance costs exceed 50% of replacement cost
- Performance or reliability impacts service delivery
- Condition-based triggers apply: Replace when asset condition falls below acceptable thresholds (e.g., Condition 4 or 5 on a 1–5 scale)
- Obsolescence and operational efficiency are key considerations

Vehicle Changeover Benchmarks
To optimise lifecycle costs and resale value, the following benchmarks apply when repurchasing vehicles:

- Fleet Vehicles: Changeover at approximately 120,000 km or 7 years, whichever occurs first.
- Benchmark resale value target: 40–50% of original purchase price at changeover.
- Procurement should consider whole-of-life cost analysis, including fuel efficiency, maintenance, and residual value.

Council will adopt a standard replacement benchmark for fleet vehicles of 7 years or 120,000 km, whichever occurs first. For Construction and Road maintenance machinery 10 years or 10,000 hours and for Trucks (Heavy Vehicles) 10 years or 150,000 km.

These benchmarks serve as the basis for depreciation and Long-Term Financial Planning.

Optimum Replacement Timing (ORT)
To ensure financial sustainability, the Fleet Manager is authorised to trigger an earlier replacement based on Optimum Replacement Timing. This is used when a vehicle's whole-of-life cost analysis indicates that the expense of continued maintenance, safety gaps, or declining residual value exceeds the cost of renewal.

Condition & Economic Review Replacement may be accelerated or deferred based on a formal review (triggered at 5 years / 100,000 km) assessing:

- Operating Costs: Annual maintenance spend exceeding 25% of the asset's current market value.
- Safety/Risk: Failure to meet current ANCAP or Council WHS standards.
- Market Opportunity: Favourable resale conditions that reduce the Total Cost of Ownership (targeting a residual value of 40–50% of original purchase price where market conditions allow).
- Procurement: Selection must consider whole-of-life cost analysis, including fuel efficiency, maintenance intervals, and projected residual value.

Replacement can be deferred on a case by case basis with the approval by the Chief Executive Officer.

Revaluation of Non-Current Assets

Periodic External Revaluation - Non-current assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at reporting date in accordance with Australian Accounting Standards and Regulations under the Local Government Act 1999.

Frequency of Revaluation - As per the standard, revaluations at the Berri Barmera Council are undertaken by a qualified valuer at a minimum of every 4 ~~5~~ years noting that revaluations may occur more frequently as required to incorporate changes to unit rates to ensure that the financial impact of valuations is minimised.

Revaluation Scheduling - Revaluations for asset classes are done in different years to ensure that Council has the capacity to deliver this significant piece of work and that they are aligned with statutory timescales.

Fair Value Assets - All assets carried at fair value are reviewed annually. To achieve this Council review replacement costs and apply incremental adjustments where material and appropriate for each asset class.

Condition Audits - Are performed as per the asset management plans or where there is a material movement between the carrying value and fair value of the assets.

Annual Indexation - When an external revaluation has not been undertaken in the current year, a review will be undertaken, and Local Government Price Indexation will be applied to ensure that the change in asset values reflects the estimated fair value.

Exclusions from Indexation and Revaluation - The following asset classes will remain at cost and will not be revalued:

- Non-costed plant/Motor Vehicles
- Minor Plant
- Costed Plant
- Office Furniture and Equipment

Market evidence should be used for determining valuations wherever such evidence exists. Where market evidence does not exist, fair value may need to be estimated by

an income or depreciated replacement cost approach. AASB13 specifies a "fair value hierarchy" and is to be applied where market evidence does not exist.

Residual Values of Non-Current Assets

The residual value of buildings, vehicles, plant and furniture and fittings that are traded at the end of their useful life, can be calculated via AASB 13 Fair Value Measurement. The residual value of the asset is what is expected to be obtained at trade in. 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.

Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in accordance with Accounting Standard ASB136 Impairment of Assets.

Disposal or Sale of Assets

Gain Or Loss - The difference between any net proceeds from disposal (after deducting selling costs) and the remaining carrying value of an asset will be treated as either a gain or loss in the year the asset is retired or disposed of.

Renewal - Where existing assets are renewed, the value of the component of the asset that has been renewed is to be disposed and a new asset created. If the part of the asset disposed of has been retained, its value needs to be recognised in the new asset or separated into a new asset component if its useful life differs materially to the new asset.

Further Guidance - Further guidance and controls over the disposal of assets is provided under the relevant section of the Berri Barmera Council's *Procurement Policy.*

6. Reporting

Compliance with this policy will be reported annually to the Audit and Risk Committee, with the meeting minutes subsequently provided within the next Ordinary Council meeting agenda.