District Council of
Loxton Waikerie

Asset Accounting Policy

Responsible Officer/s	Chief Finance Officer Director of Infrastructure
Relevant Legislation / Documents	Local Government Act Local Government (Financial Management) Regulations 2011 Australian Accounting Standards and Regulations Disposal of Land and Asset Policy Full Cost Attribution Policy Procurement Policy Water Management Policy
Adopted	September 2023
Reviewed	June 2026
Next Review	August 2029

A. Purpose

The purpose of this policy is to provide clear and consistent guidance to staff involved in budgeting and expenditure decisions on the classification and treatment of capital expenditure, depreciation, revaluations, and the accounting for non-current assets. It establishes the criteria for recognising assets, determining depreciation rates, revaluation and impairment methods, and ensures all assets are recognised and accounted for in accordance with Australian Accounting Standards and the requirements of this policy.

B. Objectives

The objectives of this Policy are to ensure:
Asset Life – Council distinguishes between costs incurred on long-lived assets and those incurred on goods and services for immediate consumption;
Depreciation – Depreciation estimates are prepared and maintained in accordance with relevant Accounting Standards and reviewed annually; and
Revaluations – Assets are revalued at a frequency sufficient to ensure that the carrying amount does not materially differ from fair value at the reporting date.

C. Policy

1. Scope

This Policy applies to all Council-owned and controlled assets.
The scope of this Policy includes right-of-use assets as defined under AASB 16 *Leases*, where leases with a term greater than 12 months are recognised as assets and liabilities.
This Policy applies to all Council officers responsible for the acquisition, management, accounting, reporting, and disposal of assets.

Exclusions

The following are excluded from this Policy:

- Library books, which are treated as an operating expense;
- Road signs classified under infrastructure, which are not capitalised; and
- Assets not considered to be under Council control.

2. Definitions

Term / Acronym	Definition
Amortisation	The systematic allocation of the depreciable amount of an asset over its useful life.
Asset	A resource controlled by Council as a result of past events and from which future economic benefits are expected to flow.
Asset Class	A group of assets having a similar nature or function in operations.
Asset Consumption Ratio	The written down value of infrastructure assets as a percentage of their gross current replacement cost.
Asset Management	The combination of management, financial, economic, engineering and other practices applied to assets to provide 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 the allocation in the Asset Management Plan.
Asset Register	A register used to record detailed information about assets, including condition, valuation and location.
Capital Expenditure	Material expenditure that provides benefits over more than 12 months, including renewal, expansion and upgrade works.
Capital Renewal	Expenditure on an existing asset that restores its service potential or useful life to its original condition.
Capital Upgrade	Expenditure that enhances an existing asset to provide a higher level of service or extends its useful life beyond its original condition.
Capital Expansion	Expenditure that creates a new asset or extends an existing asset to provide services to a new group of users.
Carrying Value	The value of an asset recorded in Council's financial statements.
Componentisation	The process of breaking an asset into its individual components for accounting, valuation and management purposes.
Cost	The amount of cash or fair value of consideration paid to acquire an asset at the time of acquisition or construction.
Cost Model	A method where an asset is carried at cost less accumulated depreciation and impairment losses.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life, reflecting consumption of its service potential.

Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date.
Gifted Asset	An asset transferred to Council by another party (e.g. a developer) for Council to maintain.
Impairment Loss	The amount by which an asset's carrying amount exceeds its recoverable amount.
Intangible Assets	Non-monetary assets without physical substance, such as licenses, intellectual property and software.
Maintenance	Activities required to maintain an asset in a condition that enables it to perform its intended function.
Materiality	Information is material if its omission or misstatement could influence decisions made by users of financial statements.
New Asset	The creation of an asset that provides a new service or additional service capacity.
Non-current Assets	Assets with a useful life greater than 12 months or not expected to be realised within one year.
Residual Value	The estimated amount Council would receive from disposal of an asset at the end of its useful life, less disposal costs.
Revaluation Model	A method where an asset is carried at fair value at the date of revaluation, less subsequent depreciation and impairment losses.
Right-of-Use Asset (ROU)	An asset representing the right to use an underlying asset over the term of a lease.
Useful Life	The period over which an asset is expected to be available for use by the Council.

3. Principles

Accounting Standards require a distinction to be made between expenditure that is consumed immediately in operations and expenditure on physical assets that provide service potential over more than one financial year.

Expenditure that is consumed immediately in operations will be recognised as an expense in the period in which it is incurred.

Expenditure that meets the definition of an asset will be recognised and capitalised, and expensed over its useful life through depreciation, in accordance with Australian Accounting Standards and this Policy

4. Recognition of an Asset

An asset is recognised in the Statement of Financial Position where it is probable that future economic benefits or service potential will flow to Council and the cost or value of the asset can be measured reliably.
Assets that meet these criteria are capitalised in accordance with Australian Accounting Standards and this Policy.

Work in Progress (WIP)

Capital works in progress at balance date are recognised as other non-current assets.
Upon completion and when the asset is ready for its intended use, the asset is transferred to Infrastructure, Property, Plant and Equipment and depreciated accordingly.

Non-Capitalised / Non-Depreciable Items

The following items are not capitalised and are expensed as incurred:

- Library book stock; and
- Road signs classified under infrastructure.

Software

Software is capitalised where it meets the asset recognition criteria.
Costs associated with training, administration and general overheads are not capitalised and are expensed as incurred.

Crown Land and Leasehold Assets

Council manages a number of assets located on Crown land that are not recognised in Council's financial statements.

Where buildings and structures are situated on Crown land and:

- are not maintained or operated by Council; and/or
- are controlled and maintained by community groups or sporting bodies under ground lease arrangements,

these assets are not recognised by Council.

In determining ownership and accounting responsibility:

- Where lease agreements provide that improvements vest in the lessee, the lessee is responsible for recognising and depreciating those assets;
- Upon expiry or termination of a lease on Crown land, ownership of improvements typically reverts to the Crown, and depreciation becomes the responsibility of the Crown;
- Where improvements are situated on Council-owned land, Council recognises and depreciates those assets; and
- Where lease agreements are silent on ownership, improvements that constitute fixtures are deemed to form part of the land. For Crown land, such assets are considered to be owned by the Crown.

Council may undertake insurance valuations of these assets in accordance with lease agreements.

All lease arrangements relating to these assets are classified as operating leases for accounting purposes.

Land under Roads

Council has not recognised land under roads as an asset in its financial records, as it is of the opinion that a sufficiently reliable value cannot be attributed to these assets to satisfy the recognition and measurement requirements of the applicable accounting standards.

5. Measurement at Recognition

Assets are initially recognised at cost at the date of acquisition, unless acquired at no or nominal cost, in which case they are recognised at fair value.

Subsequent to initial recognition, assets are measured at fair value in accordance with Council's revaluation program and the requirements of Australian Accounting Standards.

Cost of an Asset

In accordance with AASB 116 *Property, Plant and Equipment*, the cost of an asset comprises:

- the purchase price, including import duties and non-refundable purchase taxes, less any trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended; and
- the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, where such an obligation exists.

Capitalisation of Costs

Costs are capitalised where they are directly attributable to a capital project.
This includes:

- supplier costs that can be directly linked to the asset acquisition or construction; and
- internal labour costs attributable to the projects
- Full cost attribution allocation

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 Loxton Waikerie Council

Hierarchy	Description
Level 1 Inputs Financial assets where observable market prices exist.	Quoted prices in active markets for identical assets or liabilities.
Level 2 Inputs Land; Council buildings on non-community land capable of commercial use (e.g. offices, libraries, shops); Plant, furniture and equipment.	Observable inputs other than quoted prices included within Level 1, including: • quoted prices for similar assets in active markets; • quoted prices for identical or similar assets in inactive markets; or • other observable inputs relevant to the asset.
Level 3 Inputs Buildings on community land; Community land; Infrastructure assets; Software	Unobservable inputs used where market data is not available. These inputs reflect Council's assumptions about the assumptions market participants would use.

6. Materiality

Assets are capitalised where they have a useful life greater than 12 months and the cost exceeds the materiality thresholds established by Council for each asset class.

Materiality thresholds are set to ensure that financial statements are not materially misstated and to provide a practical balance between the administrative effort required to maintain asset records and the appropriate recognition of expenditure over multiple financial periods.

Expenditure on individual items below the materiality threshold may still be capitalised where those items:

- are part of a group of assets; and
- collectively form a material value or function as a single operational unit.

Examples include computer equipment, table and chair sets, CWMS pumps, and stormwater pumping systems

Council's Materiality Levels are as follows;

Asset Class	Threshold ($)
Land	$0
Office Furniture & Equipment	$5,000
Other Plant & Equipment	$5,000
Buildings – new construction/extensions	$20,000
Park & Playground Furniture & Equipment	$10,000
Road construction & reconstruction	$20,000
Paving & Footpaths, Kerb & Gutter	$5,000
Drains & Culverts	$5,000

7. Deprecation and Disposal of Non-current Asset

All non-current assets with a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of the asset's service potential.

Land is not a depreciable asset. Accordingly, Council does not depreciate land, including land under roads.

Commencement of Depreciation

Depreciation expense commences from the date an asset is first put into use or is held ready for use. Assets classified as work-in-progress are not depreciated until they are completed and either put into use or available for use.

Cessation of Depreciation

Depreciation of an asset ceases when the asset is fully depreciated or when it is classified as held for sale. Depreciation does not cease when an asset becomes idle or is retired from active use unless it is fully depreciated.

Calculation of Depreciation

Where an asset comprises components with a cost that is significant in relation to the total cost of the asset, and those components have materially different useful lives, each component is depreciated separately.

Leasehold Improvements

Leasehold improvements are depreciated over the shorter of the asset's useful life or the unexpired portion of the lease term.
The lease term includes any extension options where the exercise of the option is reasonably certain.

Annual Review of Depreciation

The depreciation method, useful life, and residual value for each asset class are reviewed at least annually to ensure they reflect the expected pattern of consumption of the asset.

Asset Additions

Additions or extensions to an existing asset that form an integral part of that asset are depreciated over the remaining useful life of the asset.

Depreciation Method

Council applies the straight-line method of depreciation for all non-current assets, on the basis that the service potential of these assets is consumed uniformly over their useful lives. Under the straight-line method, depreciation is calculated by allocating the difference between an asset's cost and its residual value over its useful life. Deprecation periods for each asset are shown below

Asset Type	Useful Life (Years)
Plant, Furniture & Equipment	
Office Equipment	4 – 10 years
Office Furniture	10 – 20 years
Vehicles and Roadmaking Equipment	5 – 8 years
Other Plant & Equipment	5 – 15 years
Buildings & Other Structures	
Buildings – masonry	50 – 100 years
Buildings – other construction	20 – 40 years
Park Structures – masonry	50 – 100 years
Park Structures – other construction	20 – 40 years
Playground Equipment	5 – 15 years
Benches, Seats, etc.	10 – 20 years
Infrastructure	
Sealed Roads – Surface	15 – 30 years
Sealed Roads – Structure	15 – 50 years

Unsealed Roads	15 – 45 years
Bridges – Concrete	80 – 100 years
Paving & Footpaths, Kerb & Gutter	30 – 100 years
Drains	80 – 100 years
Culverts	50 – 75 years
Flood Control Structures	80 – 100 years
Dams and Reservoirs	80 – 100 years
Bores	20 – 40 years
Reticulation Pipes – PVC	70 – 80 years
Reticulation Pipes – Other	25 – 75 years
Pumps & Telemetry	15 – 25 years

Asset Replacement

This section establishes the principles for replacing Council assets to ensure safety, cost-effectiveness, and operational efficiency.

General Principles

Assets are replaced, disposed of, or traded when they:

- reach the end of their useful life;
- are no longer cost-effective to maintain; or
- present an opportunity to optimise value through disposal.

Assets may be replaced earlier where:

- safety or compliance risks arise;
- maintenance costs are excessive relative to replacement value;
- performance or reliability adversely impacts service delivery;
- condition falls below acceptable thresholds (e.g. Condition 4 or 5 on a 1–5 scale); or
- obsolescence or operational efficiency considerations apply.

Vehicle and Plant Replacement Benchmarks

Council adopts the following indicative replacement benchmarks:

Plant, Machinery, and Fleet Items	Changeover Cycle
Graders, Loaders, & Self-propelled Rollers	10 years or 10,000 hours
Street Sweeper	Based on existing condition and useful life
Jet Patcher	Based on existing condition and useful life
Small Truck	15 years or 100,000 kms
Large Truck	350,000 kms
Tractors & Backhoes	15 years or 10,000 hours
Mowers	7 years or 2,500 hours
Utilities/Light Commercial Vehicles	4 years or 140,000 kms

Sedan/Passenger Vehicles	4 years or 100,000 kms
Small Plant and Equipment	As needed basis

These benchmarks support depreciation assumptions and long-term financial planning.

Lifecycle Cost Considerations

Replacement decisions are based on whole-of-life cost analysis, including:

- acquisition cost;
- maintenance and operating costs;
- fuel efficiency;
- reliability; and
- residual value.

Residual values should be estimated with reference to current market conditions.

Optimum Replacement Timing (ORT)

Council may replace assets earlier than benchmark thresholds where analysis indicates it is financially or operationally beneficial.

This may occur where:

- maintenance costs exceed acceptable thresholds;
- safety or compliance risks arise; or
- declining residual value increases whole-of-life costs.

Review and Approval

Replacement timing may be accelerated or deferred based on periodic condition and economic reviews.

Any variations to standard replacement benchmarks require approval in accordance with Council's delegated authority (e.g. Chief Executive Officer approval).

8. Revaluation of Non-Current Asset

Non-current assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the reporting date, in accordance with Australian Accounting Standards and the Local Government Act 1999.

Infrastructure assets, land, buildings and other assets carried at fair value are subject to a revaluation program.

Frequency of Revaluation

Comprehensive revaluations of non-current assets are performed by an independent, professionally qualified valuer at least every 5 years.
In intervening years:

- desktop valuations and reviews are undertaken to assess changes in asset values; and

- appropriate adjustments, including indexation, are applied where material to ensure carrying values reflect fair value.

Annual Review and Indexation

Assets measured at fair value are reviewed annually.
Where a full valuation has not been undertaken in the current year, Council applies appropriate indices and market data (e.g. Local Government Price Indexation) to reflect movements in asset values.

Revaluation Approach

Market evidence is used wherever available to determine asset values.
Where market evidence is not available, fair value is determined using appropriate valuation techniques, including:

- depreciated replacement cost; or
- income-based approaches (where applicable),

in accordance with AASB 13 *Fair Value Measurement*.

Revaluation Scheduling

Revaluations are scheduled across asset classes in different years to manage resourcing and ensure compliance with statutory reporting obligations.

Condition Assessments

Condition assessments are undertaken in accordance with Council's condition assessment cycle, or where significant changes in asset condition or value are identified.

Assets Not Subject to Revaluation

Plant, equipment, furniture and fittings are measured at cost less accumulated depreciation and impairment and are not subject to revaluation.

9. Impairment

Assets with an indefinite useful life are not depreciated and are reviewed annually for impairment. Where the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. This reduction is recognised as an impairment loss in accordance with AASB 136 Impairment of Assets.

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where those benefits would be replaced if Council were deprived of the asset, value in use is determined as the depreciated replacement cost.

10. Residual Values of Non-current Assets

Residual values for buildings, vehicles, plant, furniture and fittings represent the estimated proceeds expected to be obtained from disposal of the asset at the end of its useful life.
Residual values are determined based on market evidence and independent valuation advice in accordance with AASB 13 Fair Value Measurement.

Residual values are not recognised for infrastructure assets

11. Disposal of Asset

Gain or Loss on Disposal

The difference between the net proceeds from disposal (after deducting selling costs) and the carrying amount of an asset is recognised as a gain or loss in the Statement of Comprehensive Income in the period the asset is disposed of

Renewal of Assets

Where an existing asset or component is renewed or replaced, the carrying value of the replaced component is derecognised.

The cost of the new or renewed component is recognised as a new asset or component. Where any part of the original asset is retained, its value is either incorporated into the new asset or recognised as a separate component where useful lives differ materially.

D. Availability

This Policy will be available for inspection at the Council Offices at Loxton or Waikerie during ordinary business hours at no charge.

Copies of this Policy will also be available from Councils website: www.loxtonwaikerie.sa.gov.au or postal copies may be obtained from the Council Office free of charge.

E. Document history and version control

Date	Version	Authorisation	Amendment Details
20/09/2023	1	Council Meeting	New Policy
17/06/2026	2	Council Meeting	Update Policy, including recognition of an asset, update materiality levels, impairment, disposal and inclusion of council's plant replacement policy