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Asset Revaluation Policy

1. Introduction
The Australian Accounting Standards require that Council report it's assets at fair value.

1.1 Objectives
The purpose of this policy is to ensure asset values are reviewed annually in accordance with Australian Accounting Standard AASB 116.

1.2 Legislative Requirement

1.3 The Local Government (Financial Management) Regulations 1999 require the following;

" Part 3 – Accounting principles
8 – Accounting standards

(1) Unless otherwise specified by these regulations, a Council, Council subsidiary or regional subsidiary must ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards ……….

9 – Revaluation of assets

(1) A Council, Council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirements of Australian Accounting Standard AASB 116."

2 The Accounting Standard Requirements

2.1 Recognition of Assets
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.

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

Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value at the date of acquisition.

Where the future economic benefits of an asset for Council are not primarily Dependent on the asset's ability to generate net cash inflows and where the Council would, if deprived of the asset, replace its remaining future economic benefits, fair value shall be determined as the depreciated replacement cost of the asset.

Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

If the Council does not intend to replace the asset the fair value is an estimate of the likely cash inflow from disposal.

After 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.

If the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase shall be credited directly to equity under the heading of revaluation reserve. However, the net revaluation increase shall be recognised in the Income Statement to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the Income Statement.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment shall be offset against one another within that class but shall not be offset in respect of assets in different classes.

2.3 Revaluation Frequency

Land and Buildings – five years

Infrastructure – The unit rates and lives shall be considered annually. A condition assessment of infrastructure assets to be undertaken every five years.

Other Assets – Parks and Gardens infrastructure – five years.

3 Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The useful life and depreciation method applied to an asset shall be reviewed at least at the end of each annual reporting period and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the life or method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in the accounting estimate in accordance with AASB 108.

4 Reporting

4.1 Annual Financial Statements

The audited annual financial statements that is prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities and relevant South Australian legislation.