

	LG508 Accounting
Key Focus Area Leadership and Governance	Relevant Council Delegation Nil

Purpose

To provide a Framework for the financial management that ensures accuracy and reliability of accounting data, financial reporting and budgeting and ensures that all statutory obligations and Australian Accounting Standards are met by the Town of Claremont (**Town**).

Policy

1. Basis of Accounting

The financial report is a general purpose financial report and has been prepared to comply with applicable Australian Accounting Standards (as they apply to local governments and not for profit entities) and disclosure requirements of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*. The financial report has been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets.

1.1 Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

2. Local Government Reporting Entity

In accordance with Australian Accounting Standards, for the purposes of budgets and financial reports, the reporting entity includes all activities of the Council and any other entities controlled by the Council. All internal transactions and balances of the reporting entity have been eliminated to enable the reporting of the Council as a single unit. Money or other assets over which the Council has custody but not control are held in Trust and are reported in a separate note to the accounts.

3. Non-Current Assets

Assets will be recognised and reported at fair values in accordance with Regulation 17A of The Regulations and AASB 5, 13, 116 and 136 of The Standards.

3.1 Capitalisation of Non-Current Assets

Generally expenditure of a capital nature is recognised as an asset if the threshold value exceeds the following levels:

• Plant and Equipment	\$5,000
• Furniture and Equipment	\$5,000
• Electronic Equipment	\$5,000
• Software	\$5,000
• Buildings	\$5,000
• Land	ALL
• Infrastructure	\$5,000
• All Other Assets	\$5,000

Expenditure items below these thresholds are generally expensed.

3.2 Categories of Non-Current Assets

- Plant and Equipment
- Furniture and Equipment
- Electronic Equipment
- Software
- Buildings
- Land
- Infrastructure.

3.3 Revaluation of Non-Current Assets

The Council's physical non-current assets will be revalued to fair value within a period of no more than five years in accordance with regulation 17A of the Financial Management Regulations. However, fair value of each asset will be assessed annually in accordance with AASB 13 and 116

3.4 Depreciation of Non-Current Assets

In accordance with AASB 116 a non-current asset begins to be depreciated when it becomes available for use. Depreciation is calculated based on the remaining useful life of an asset; the remaining useful life of an asset is a function of the expected useful life of the asset and the condition rating of the asset.

Assets are depreciated from the date of acquisition, or in respect of internally constructed assets, from the time that they are completed and held ready for use.

The useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. The current expected useful lives are

Asset Class		Expected Useful Life (Years)	Residual Value
Buildings:			
	Buildings	40-80	0%
	Buildings fixtures/fittings	10-15	0%
Furniture and Equipment:			
	Furniture	10	0%
Plant and Equipment:			
	Motor Vehicle	5-8	20%
	Construction vehicles (e.g water trucks)	7-10	20%
	Other Plant & Equipment	3-10	0%
Electronic Equipment:			
	Computers & peripherals	3-5	0%
	Other electronic equipment	3-10	0%
Software			
	Website	4-5	0%
	Other Software	4-5	0%
Infrastructure:			
	Road/ Car Park Formation	Unlimited	1000%
	Roads Surface – Distributor A	15	0%
	Roads Surface – Distributor B	20	0%
	Roads Surface - Local Distributor	25	0%
	Roads Surface – Access Road	30	0%
	ROWS Surface	30	0%
	Car Parks Surface	25	0%
	Roads Pavement – Distributor A	45	0%
	Roads Pavement – Distributor B	60	0%
	Roads Pavement - Local Distributor	75	0%
	Roads Pavement – Access Road	90	0%
	ROWS Pavement	90	0%
	Car Parks Pavement	50	0%
	Footpaths	15-50	0%
	Drainage	90-100	0%
	Parks & Reserves	7-100	0%
	Street Furniture	10-20	0%
	Street Lights	10-40	0%
	Public Art Collection	40-50	0%
	Reticulation	10-40	0%

3.5 Land Held for Re-Sale

Land purchased for development and/or resale is valued in accordance with AASB 102 of The Standards.

3.6. Land under Roads

Land under roads is excluded from being recorded as an asset under Regulation 16 of the *Financial Management Regulations*.

3.7. Disposal of Assets

Disposal of assets will be treated in accordance with the provisions of AASB 116 of The Standards.

3.8. Inventories

Accounting for Inventories will be undertaken in accordance with AASB 102 of The Standards.

4. Impairment of Assets

Impairment of assets other than inventories will be treated in accordance with the provisions of AASB 136 of The Standards.

5. Provisions

Provisions are recognised in line with AASB 137 when:

- the Council has a present legal or constructive obligation as a result of past events
- it is more likely than not that an outflow of resources will be required to settle the obligation
- the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

6. Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

7. Accounts Receivable

The collectability of debts is assessed at balance sheet date and specific provisions made for doubtful accounts. Any outstanding rates are secured by a charge upon the ratepayers' property and therefore no provision is made for bad or doubtful debts. Receivables are generally settled under the terms of the agreements and are carried at the amounts due.

8. Accounts Payable

Trade payables and other accounts payable are recognised when the Council becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within thirty days of recognition.

9. Financial Instruments

Financial instruments will be recognised, classified and measured in accordance with AASB 7 and AASB 139 of The Standards.

10. Employee Entitlements

Employee entitlements are accrued on a pro-rata basis in accordance with contractual agreements, awards and relevant Acts, in relation to annual leave, sick leave and long service leave, in respect of services provided by employees up to the reporting date.

Provisions made for long service leave, annual leave, and sick leave are based on current rates of pay.

The Council's liability for long service leave is recorded as a current liability for employees at seven or more years of consecutive service, and a non-current liability for employee at less than seven years of consecutive service. The liability represents the Council's legal and contractual obligations at termination of employment.

As long service leave entitlements are transferrable between WA Local Governments, when an employee has terminated from the Town, the portion of entitlement accrued at the Town is still carried as a liability on the Town's balance sheet, which is payable to the Local Government the employee has transferred to upon termination at that Local Government after seven years of consecutive service, or when the leave is taken.

For employees that have transferred to the Town from another Local Government, the Town will hold the full liability for that employee's entitlement, as well as a receivable for the portion that is due from the previous Local Government/s.

11. Superannuation

The Council meets the statutory requirements of the *Superannuation Guarantee Act* by contributing the minimum SCG percentage on behalf of employees.

Any additional contributions are as per the Enterprise Agreement excluding contracted officers. Contributions to defined contribution plans are recognised as an expense as they become payable.

12. Goods and Services Tax

In accordance with recommended practice, revenue, expenses and assets capitalized are stated net of any GST recoverable. Receivables and payables shown within this document are stated inclusive of applicable GST.

13. Rounding

All amounts are rounded to the nearest dollar and some minor variations between notes may occur as a result.

14. Reporting Revenue and Expenditure by Program, Sub Program and Nature and Type

Reporting, of all revenue and expenses by “nature and type” shall be classified in accordance with Schedule 1 Part 2 of The Regulations.

Document Control Box			
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