
4.1 Accounting Policy

Policy Owner	Administration and Financial Services
Person Responsible	Deputy Chief Executive Officer
Date of Adoption	June 2009 – Resolution 060609
Date of Last Review	25 March 2026 – Resolution 110326
Date of Next Review	(3 years / or earlier if required)

OBJECTIVE

To ensure that all Financial Reports and Budgets are prepared in accordance with the relevant statutory requirements.

POLICY

This policy will apply to the presentation of the Shire's:

Management Accounts
Monthly Financial Reports
Annual Financial Reports
Annual Budgets
Annual Budget Reviews
Long Term Financial Plan

The significant accounting policies are detailed below.

1. Basis of preparation

All financial reports will be prepared in accordance with the Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying regulations take precedence over Australian Accounting Standards where they are inconsistent.

2. The Local Government Reporting Entity

All funds through which the Council controls resources to carry on its functions will be included in the financial statements.

In the process of reporting on the Local Government as a single unit, all transactions and balances between those Funds (for example loans and transfers between funds) will be eliminated.

All monies held in the Trust Fund are to be excluded from the Financial Statements, but a separate statement of those monies should appear as a Note to the Statements.

3. Actual Balances

The year-to-date actual balances that are presented in the annual budget are figures based on the accounts as at the time of budget preparation, they will include forecasts where appropriate, but are subject to change between time of budget adoption and the production of the Annual Financial Report.

4. Rounding Off Figures

All figures shown in the financial reports (other than the rates in the dollar), are to be rounded to the nearest whole dollar.

5. Comparative Figures

Where required, comparative figures are adjusted to conform to changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period is disclosed.

Unless otherwise stated, the budget comparative figures shown in the financial statements is the original budget for the relevant item of disclosure.

6. Critical Accounting Estimates

The preparation of financial reports 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, liabilities, income 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 result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

7. Goods and Services Tax ("GST")

Revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated as inclusive of applicable GST.

8. Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

9. Trade and Other Receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the debt will not be collectible.

10. Inventories

(i) Raw materials and stores (fuel stock), work in progress and finished goods

Raw materials and stores (fuel stock), work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the established selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

11. Land held for resale/capitalisation of borrowing costs

(i) Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time when the conditions of a binding contract of sale are met. Land held for resale is

classified as current except where it is held as non-current based on the Shire's intentions to release for sale.

12. Non-Current Assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

13. Low Value Assets

Expenditure on items of equipment under \$5,000 are not capitalised but, where applicable, are placed on the "Minor Assets Register" for reference and maintenance.

14. Revaluation

(i) Mandatory requirement to revalue certain non-current assets

Each asset class is revalued in accordance with the Regulations and the Australian Accounting Standards. The Shire applies a process of rolling revaluations by asset class, providing all assets in a class are valued within the same financial year before the reporting date.

The following is the Shire's non-current asset revaluation cycle:

Financial Year	Asset Group/Class
2026/27	Land, Buildings and Other Infrastructure
2027/28	Infrastructure – Roads, footpaths, drainage, parks & ovals, signage
2028/29	Nil
2029/30	Nil
2030/31	Nil
2031/32	5-year cycle recommences

The *Local Government (Financial Management) Regulations 1996* state that the maximum period of time between revaluations of non-current assets is five (5) years. All plant and equipment type assets are to be held at cost.

Relevant disclosures, in accordance with the requirements of the Australian Accounting Standards, are made in the financial statements as necessary.

(ii) Accounting for revaluations

The fair value of land, buildings, infrastructure and investment properties (including vested improvements) is determined at least every five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is in accordance with *Local Government (Financial Management) Regulation 17A (2)(a)* which requires land, buildings, infrastructure, investment properties and invested improvements to be shown at fair value.

Individual assets that are plant and equipment type assets and right-of-use assets are

measured using the cost model in accordance with *Local Government (Financial Management) Regulation 17A (2)(b)* and *17A (2)(c)*.

Increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation reserve. Decreases in the carrying amount that offset previous increases of the same asset classes are recognised against revaluation reserve, all other decreases are recognised in the Statement of Comprehensive Income.

15. Depreciation of Non-Current Assets

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 future economic benefits embodied in those assets. Assets are depreciated from the date of acquisition, or in respect of internally constructed assets, from the time the asset is completed and held ready for use. Assets are written off when they fall below the capitalisation threshold in the Asset Register.

Depreciation is recognised on a straight-line basis, using rates which are calculated based on useful life and residual values; these are illustrated below and reviewed each reporting period.

Asset Class	Useful life
Buildings – non-specialised	20 – 80 years
Buildings – Specialised	20 – 80 years
Furniture and equipment	5 – 10 years
Plant and equipment	4 – 8 years
Motor Vehicles	3 – 5 years
Infrastructure – Roads – Surface (sealed)	27 years
Infrastructure – Roads – Surface (unsealed)	10 years
Infrastructure – Roads – Pavement	55 years
Infrastructure – Roads (Subgrade)	Not depreciated
Infrastructure – Footpaths	30 years
Infrastructure - Drainage	70 years
Infrastructure – Parks and ovals	18 – 63 years
Infrastructure – Signs	125 years
Infrastructure - Other	8 – 100 years

16. Land under Control and Land under Roads

As a result of amendments to the Regulations, effective from 1 July 2019, vested land, including land under roads, is treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

17. Vested improvements

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulations 1996 17A (2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related right-of-use asset at zero cost.

18. Gains and losses on disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount (written-down value). These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

19. Financial Instruments

(i) Recognition and derecognition

Financial Instruments, financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Shire's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

(iii) Subsequent measurement of financial assets Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Shire's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are accounted for at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to collect the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in Other Comprehensive Income are reclassified upon recognition of the asset. This category includes listed securities and debentures.

20. Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Shire designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

21. Impairment of financial assets

The Shire considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

22. Fair Value Estimation of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets is determined using various valuation techniques. The Shire uses valuation methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Shire for similar financial instruments.

23. Provisions

Provisions are recognised when the Shire has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. 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.

24. Leases

All Leases, excluding Peppercorn Leases (concessionary leases), are recognised in the Balance Sheet as a liability by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments are recognised as depreciation on the 'right-of-use' asset, and interest is charged on the lease liability.

Right-of-use assets are measured using the cost model in accordance with *Local Government*

(Financial Management) Regulation 17A (2)(c). This means that all right-of-use assets (other than vested improvements) under zero-cost concessionary leases are measured at zero cost.

25. Impairment

The Shire's assets, other than inventories, are tested annually for impairment. Where impairment exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 Impairment of Assets and appropriate adjustments made. Assets that are subject to amortisation 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets such as roads, drains and public buildings value in use is represented by the asset's written down replacement cost.

26. Trade and Other Payables

Trade and other payables reflect obligations to make future payments in respect of the purchase of goods and services and are carried at amortised cost. The amounts are unsecured and are usually paid within 30 days from the date of receipt of the invoice unless otherwise agreed.

27. Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid for the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Shire has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Borrowing costs are recognised as an expense when incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

28. Employee Benefits

Provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, time in lieu owing and rostered days off and are calculated as follows:

Annual Leave, Long Service Leave, Time in Lieu and Rostered Days off (Short-term benefits)

The provision for employees' benefits including; annual leave, long service leave, time in lieu and rostered days off expected to be settled within 12 months represents the amount the Shire has a present obligation to pay resulting from employees' services provided to balance date. The provision is calculated at nominal amounts based on remuneration rates the Shire expects to pay and includes related on-costs.

Long Service Leave (Long-term benefits)

The liability for long service leave is recognised as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on state government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Where the Shire does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

29. Superannuation

Contributions to employee defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

30. Interests in Joint Arrangements/Joint Ventures

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements

31. Rates, Grants, Donations and Other Contributions

Revenue recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract or in the case of Rates, when the relevant rateable year commences.

AASB 1058 Income of Not-for-Profit Entities is considered where AASB 15 does not apply to a transaction. The timing of income recognition will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners.

32. Contract Liabilities (Prepaid Income)

When an amount of consideration is received from a customer / fund provider prior to the Shire transferring a good or service to the customer, the Shire presents the funds which exceed revenue recognised as a contract liability. The contract liability remains until the Shire's obligations have been met.

33. Contract Assets

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, the Shire presents this as a contract asset, unless the rights to that amounts of consideration are conditional, in which case the Shire recognises a receivable.

34. Current and non-current classifications

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operation cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months. An exception exists for land held for resale, where it is held as non-current based on the Shire's intentions to release for sale.

35. Intangible assets

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Shire are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured
- Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

- Capitalised development costs are recorded as intangible assets and amortised from the point which the asset is ready for use.

36. Materiality

The Shire has adopted the definition of materiality in accordance with AASB 101. 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

REVIEW

Reviews of this policy are to be undertaken every 3 years or earlier if required.

RESPONSIBILITY FOR IMPLEMENTATION

The Deputy Chief Executive Officer is responsible for the implementation and operation of this Policy.