

F10. Accounting Policy

Policy Objective

To provide a framework for good financial management and proper accounting practices for the Shire of Dundas financial resources.

Policy Statement

This policy is to ensure accounting within the Shire is clear, transparent and complies with statutory requirements.

1.1 Accounting Framework

Accounting within the Shire of Dundas is based on a framework of programs and sub programs. The Shire's budget is allocated corporate overhead costs and expenses to the sub programs. This format reflects the direction of the Strategic and Forward Capital Works Plans.

1.2 Financial Reporting

Financial reporting is carried out in accordance with section 6.4 of the Local Government Act 1995 and Regulation 34 of the Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards (as they apply to local governments and not-for-profit entities).

The annual financial report will not be presented before Council until it has been audited by the Shire's external auditor.

1.3 Reporting Revenue and Expenditure by Nature and Type

For the purpose of reporting all revenue and expenses on "nature and type" as required by the Australian Accounting Standards, and the Local Government (Financial Management) Regulations 1996, the following categories have been adopted as the reporting policy of the Shire of Dundas:

1.3.1 Revenue

- (a) Rates.
- (b) Grants and Subsidies.
- (c) Contributions, Reimbursements and Donations.
- (d) Profit on Asset Disposal.
- (e) Service Charges.
- (f) Fees and Charges.
- (g) Interest on Investment.
- (h) Other Revenue.

1.3.2 Expenses

- (a) Employee Costs.

F10. Accounting Policy

- (b) Materials and Contracts.
- (c) Utilities (Gas, Electricity, Water etc.)
- (d) Insurance Expenses.
- (e) Depreciation of Non-Current Assets.
- (f) Interest Expenses.
- (g) Other Expenditure.

1.4 Assets

1.4.1 Categories of Assets

- (a) Land.
- (b) Buildings.
- (c) Valuable Items.
- (d) Furniture & Equipment.
- (e) Plant & Equipment.
- (f) Road Infrastructure.
- (g) Airport Infrastructure.
- (h) Parks & Ovals Infrastructure.
- (i) Drainage Infrastructure.
- (j) Other Infrastructure

1.4.2 Capitalisation of Assets

Expenditure of a capital nature is recognised as an asset if the threshold value exceeds the values as outlined in the following table:

Asset Classification	Capitalisation Threshold
<u>Property, Plant and Equipment</u>	
Land	All
Buildings	\$5,000
Valuable Items	\$2,500
Furniture & Equipment	\$5,000
Computer Hardware	\$5,000
Computer Software	\$5,000
Plant & Equipment	\$5,000
Light Vehicles – Motor Vehicles	All
Heavy Vehicles	All
<u>Infrastructure</u>	

F10. Accounting Policy

Roads Sealed:	\$5,000
Clearing and Earthworks	\$5,000
Construction/road base	\$5,000
Original surfacing and major re-surfacing:	\$5,000
- bituminous seals	\$5,000
- asphalt surfaces	\$5,000
Roads Unsealed (Gravel):	\$5,000
Clearing and Earthworks	\$5,000
Construction/road base	\$5,000
Gravel Sheet	\$5,000
Roads Unsealed (Formed):	\$5,000
Clearing and Earthworks	\$5,000
Construction/road base	\$5,000
Footpaths Cement/Concrete)	\$5,000
Airport Infrastructure	\$5,000
Parks & Ovals Infrastructure	\$5,000
Reserves/Parks Playgrounds and Leisure Equipment	\$5,000
Drainage Infrastructure	\$5,000
Other Infrastructure	\$5,000

Note:

1. With relation to Building, Plant & Equipment, Furniture and Fittings, where a group of assets (such as bins) exceed this value they must also be capitalised.
2. Any capital expenditure under the above thresholds is expensed during the current year.

Management will manually maintain a register of assets that are under the above capitalisation thresholds and are classified as 'Portable Equipment and Desirable Items'. This register will be separate from the Asset Register which is reportable under the Statement of Financial Position. The purpose of maintaining this register is to ensure that assets such as computers, small plant and the like which are under the capitalisation threshold are still monitored and accountable.

1.4.3 Depreciation of Assets

Depreciation of assets in the general ledger will be charged to the appropriate program and sub program for Statutory and Management Accounting purposes as outlined in the following table:

F10. Accounting Policy

Depreciation rates and residual values are assessed annually as a part of the year-end accounting and adjusted, if required, to take into account changes to asset consumption pattern and market conditions.

All depreciable amounts of assets excluding freehold and vested lands are depreciated on a straight-line basis over their individual economic life spans.

Asset Classification	Useful Life	Depreciation Rate
<u>Property, Plant and Equipment</u>		
Land	Not Depreciated	N/A
Buildings	30 - 50	2% - 3.33%
Furniture & Equipment	5 - 10	10% - 20%
Computer Hardware	4	25%
Computer Software	5	20%
Plant & Equipment	5 - 20	5% - 20%
Light Vehicles – Motor Vehicles	4	25%
Heavy Vehicles	8 - 10	10% - 12.5%
<u>Infrastructure</u>		
Roads Sealed:	15-80	1.25% – 6.7%
Clearing and Earthworks	Not depreciated	N/A
Construction/road base	60-80	1.25% - 1.67%
Original surfacing and major re-surfacing:		
- bituminous seals	15 – 20	5% - 6.7%
- asphalt surfaces	20	5%
Roads Unsealed (Gravel):	5 – 80	1.25% - 20%
Clearing and Earthworks	Not depreciated	N/A
Construction/road base	60-80	1.25% - 1.67%
Gravel Sheet	5 – 15	6.7% - 20%
Roads Unsealed (Formed):	60-80	1.25% - 1.67%%
Clearing and Earthworks	Not depreciated	N/A
Construction/road base	60-80	1.25% - 1.67%

F10. Accounting Policy

Footpaths (Cement/Concrete)	80	1.25%
Airport Infrastructure	10-80	1.25% - 10%
Parks & Ovals Infrastructure	10-50	2% - 10%
Drainage Infrastructure	60- 80	1.25% - 1.67%
Other Infrastructure	10 - 50	2% - 10%

1.4.4 All fixed assets below the above thresholds will be expensed as operating expenditure in the year of acquisition.

1.4.5 *Measurement of Non-Current Assets*

Initial Recognition

Assets will be recognised and reported at fair value in accordance with Regulation 17A of the Financial Management Regulations and AASB 13 and AASB 116.

Revaluation of Non-current Assets

in accordance with regulation 17A of the Financial Management Regulations. The fair value of each asset will be determined in accordance with AASB 13.

In accordance with regulation 17A of the Financial Management Regulations, the Council's physical non-current assets are revalued to fair value at least triennially but in no more than five years after the date of last revaluation.

If the Council is of opinion that the carrying value of the asset is likely to be materially different from their fair values, such asset must be revalued immediately.

1.5 *Interest Earned on Reserve Investments*

Interest earned from investing monies held in reserves is to be classified as operating revenue and then transferred to the Reserve Account.

1.6 *Provision for Leave*

The Shire's liability for annual leave and long service leave entitlements is expended annually to the provision accounts and is calculated in accordance with AASB 119.

1.7 *Write Offs*

When a debt, with the exception of a rates debt, is classified as unrecoverable, the debt is to be reported to the Council and written off in accordance with the provisions of section 5.42(1) and 6.12(1)(c) of the Local Government Act 1995. The cost is to be expended against the appropriate program or sub program.

F10. Accounting Policy

1.8 *National Competition Policy*

National Competition Policy principals are to be implemented by the Shire, where appropriate.

1.9 *Signatories to Accounts*

The following staff are signatories to the Shire's accounts, in accordance with the terms of the Delegations Register:

- Shire President.
- Chief Executive Officer.
- Manager Finance & Administration.
- Senior Finance & Administration Officer.

Policy Reviewed October 2020