

## ACCOUNTING POLICY

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Administered by:  
**General Manager of Business**

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**Financial Management**

**Strategic Plan link:**  
**A Council that is Actively Responsive to Community Needs and Delivers Financially Sustainable Governance and Leadership**

**References and related Policies, Procedures and Forms:**  
*Local Government Act 1999*  
Local Government (Financial Management) Regulations 2011  
Australian Accounting Standards Board

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## 1. Introduction

This policy provides direction to management, staff and Council in the preparation and presentation of the annual financial statements and is included in full in the annual statements.

## 2. Objectives

- Ensure that the appropriate accounting treatments are applied in a consistent manner;
- Provides accurate and reliable information to all users;
- Ensure that Council's recording of financial transactions is in accordance with its legislative and common law responsibilities.
- Ensure assets are managed efficiently, and therefore acquired, upgraded or renewed in a financially responsible manner.

## 3. Policy Statement

### 3.1 Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.2 Basis of Preparation

#### Compliance with Australian Accounting Standards

The general-purpose financial report is prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial statements are authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*

#### Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in relevant sections of these Notes.

#### Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

### 3.3 The Local Government Reporting Entity

District Council of Streaky Bay is incorporated under the *SA Local Government Act 1999* and has its principal place of business at 29 Alfred Terrace, Streaky Bay. The financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

### 3.4 Income Recognition

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Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes 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 amounts subject to those undischarged conditions are disclosed in the notes to the financial statements. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In recent years, the payment of untied financial assistance grants has varied from the annual allocation, and because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

In Note 15 of the Financial Statements, the Operating Surplus Ratio disclosed is also calculated after adjusting for the distortions resulting from the differences between actual grants received and the grants entitlements allocated.

### **3.5 Construction Contracts**

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred; and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as 'payments received in advance'.

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **3.6 Cash, Cash Equivalents and other Financial Instruments**

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the *Local Government Act 1999*. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13 to the Financial Statements.

### **3.7 Inventories**

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

### 3.7.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost and net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

### 3.7.2 Other Real Estate held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the *Local Government Act 1999* but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

## 3.8 Infrastructure, Property, Plant & Equipment

### Initial Recognition

All assets are recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held 'ready for use'. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architect's fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

### Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are as follows:

• Office Furniture and Equipment.....	\$ 2,000
• Other Plant and Equipment.....	\$ 2,000
• Buildings – new construction/extensions.....	\$10,000
• Parks Furniture and Equipment.....	\$ 3,000
• Roads Infrastructure.....	\$10,000
• Kerbs & Footpaths.....	\$ 5,000
• Stormwater, Pipes, Drains & Culverts.....	\$ 5,000
• Community Water & Effluent Infrastructure.....	\$ 5,000

No capitalisation threshold is applied to the acquisition of land or interests in land.

### Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further details of these uncertainties, and of existing valuations, methods and valuers are provided in Note 7 to the Financial Statements.

#### Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are shown below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates:

#### Plant, Furniture & Equipment

Office Furniture & Equipment	3 to 15 years
Vehicles and Road-making Equip	3 to 25 years
Other Plant & Equipment	3 to 20 years

#### Building & Other Structures

Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	15 to 20 years
Benches, seats, etc	10 to 25 years

#### Infrastructure

Sealed Roads – Surface	20 to 25 years
Sealed Roads – Structure	100 years
Unsealed Roads	12 to 33 years
Paving & Footpaths, Kerbs & Gutter	20 to 50 years
Drains & Culverts	50 to 100 years
Reticulation Pipes – PVC	70 to 80 years
Pumps & Telemetry	20 to 25 years

#### Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation 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 (which is the higher of the present value of future cash inflows or value in use).

#### Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 'Borrowing Costs'. The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3 to the Financial Statements, and the amount (if any) of interest revenue offset against borrowing costs in Note 2 to the Financial Statements.

### **3.9 Payables**

#### Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

#### Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

### **3.10 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of 'Payables'. Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

### **3.11 Employee Benefits**

#### Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on costs) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based on costs) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

## Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Hostplus Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in the Financial Statements.

### **3.12 Provisions for Reinstatement, Restoration and Rehabilitation**

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and the remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

### **3.13 Leases**

~~The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.~~

**As Council does not have any leases liabilities or right of use Assets.**

### **3.14 GST Implications**

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditure exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

### **3.15 New Accounting Standards**

**Effective for NFP annual reporting periods beginning on or after 1 January 2023**

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)

**Effective for NFP annual reporting periods beginning on or after 1 January 2025**

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7))

## **4. Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.



## 5. Records

All records shall be kept and disposed of in accordance with Councils Records Management Policy & procedure and the current General Disposal Schedule.

## 6. Further Information and Policy Availability

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's internet site:

[www.streakybay.sa.gov.au](http://www.streakybay.sa.gov.au)

District Council of Streaky Bay

29 Alfred Terrace

Streaky Bay SA 5680

Copies will be provided to interested parties upon request. Email [dcstreaky@streakybay.sa.gov.au](mailto:dcstreaky@streakybay.sa.gov.au)

## 7. Document History

Version No:	Description of Change:	Date Endorsed
7.00	Full Review	17 March 2021
8.00	Included: Estimate and assumptions Deleted: Lease Super Clause Deleted: Lease Liabilities Deleted: New Accounting Standards Included: Updated version of new Accounting Standards	22 February 2022
9.00	Amended: Covid Clause Amended: Impairment Clause Amended: New Accounting Standards	21 – February 2023
10.0	Removed: Covid Clause Amended: Footpath Captalisation Threshold Amended: Leases Clause Amended: Statewide Super to Hostplus Super Amended: Updated versions of Accounting Standards	