Council Policy CP009 Significant Accounting Policy			
Officer	Manager Financial Services	**Owner**	Director of Corporate Services
Review Frequency	Annually	**Next Review**	June 2012
Council Resolution number and date			

OBJECTIVE

The significant accounting policy will be used in the preparation of financial reports including annual budgets, monthly financial reports and the annual financial statements.

SCOPE

This policy applies to all practices carried out within the operations of the City of Greater Geraldton.

POLICY PRINCIPLES

1. The significant accounting policies which will be used in the preparation of financial reporting at the City of Greater Geraldton are:

1.1 Basis of Preparation
All the financial reports are general purpose financial statements which will be prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act 1995 and accompanying regulations.

Where appropriate, the City has elected to apply options and exemptions within the Australian Accounting Standards that are applicable to not-for-profit entities.

All reporting will be prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the selected non-current assets, financial assets and liabilities.

1.2 Critical Accounting Estimates
The preparation of financial reports in conformity with Australian Accounting Standards will require management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

1.3 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 will be excluded from the financial statements, but a separate statement of those monies will appear as a Note to the financial reports.

1.4 Goods and Services Tax
In accordance with recommended practice, revenues, expenses and assets capitalised will be stated net of any GST recoverable. Receivables and payables in the statement of financial position will be stated inclusive of applicable GST.

1.5 Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities 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 and bank overdrafts.

Bank overdrafts will be shown as short term borrowings in current liabilities on the statement of financial position.

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

1.7 Inventories
General
Inventories are to be measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land Held for Resale
Land purchased for development and/or resale will be valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until finance costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property will be recognised in the statement of comprehensive income as at the time of signing an unconditional contract of sale.

Land held for resale will be classified as current except where it is held as non-current based on Council's intention to release for sale.

1.8 Fixed Assets
Each class of fixed assets is to be carried at cost or fair value as indicated less, where applicable, any accumulated depreciation or impairment losses.

Initial Recognition
All assets will be initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. 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.

Revaluation
Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be 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.

Increases in the carrying amount arising on revaluation of assets will be credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset will be charged against fair value reserves directly in equity; all other decreases will be charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation will be eliminated against the gross carrying amount of the asset and the net amount will be restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, will be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

Land under Roads
In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Land under roads will be excluded from infrastructure in accordance with the transitional arrangements available under AASB 1045 and in accordance with legislative requirements.

Depreciation of Non-Current Assets
All non-current assets having a limited useful life will be separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets will be 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.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period.

Depreciation rates will be based on the useful life detailed in Appendix 6 of the Western Australian Local Government Accounting Manual. Major depreciation periods are:

Land	Infinite
Land (Leasehold Interest)	99 years
Airport - Runway, Apron and Car Park	20 to 40 years
Buildings	35 to 55 years
Furniture and Equipment	7 to 13 years
Plant and Major Equipment	5 to 10 years
Minor Plant	3 to 7 years
Sealed roads and streets	20 to 50 years
Bridges	60 to 90 years
Car Parks Sealed	20 to 40 years
Culverts	40 to 60 years
Cycleways	25 to 45 years
Dams, Reservoirs and Weirs	65 to 85 years
Footpaths - Slab	15 to 35 years
Footpaths - Concrete	25 to 45 years
Fountains	40 to 60 years
Kerb and Channels	40 to 60 years
Street Lights	20 to 30 years
Sewerage Piping	70 to 90 years
Water Reticulation/Irrigation	15 to 25 years

The assets residual values and useful lives will be reviewed and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses will be included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset will be transferred to retained earnings.

Capitalisation Threshold
All Land and Art purchases will be capitalised.

The remaining asset classes will be capitalised if the cost exceeds the following thresholds:

Buildings	$5,000
Plant, equipment and tools	$2,000
Furniture and Equipment	$2,000
Computer and electronic equipment	$2,000

1.9 Financial Instruments

Initial Recognition and Measurement
Financial assets and financial liabilities will be recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments will be initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Financial instruments will be subsequently measured at fair value, amortised cost using the effective interest rate method or at cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market will be used to determine fair value. In other circumstances, valuation techniques will be adopted.

Amortised cost will be calculated as:

(a) the amount in which the financial asset or financial liability is measured at initial recognition;
(b) less principal repayments;
(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
(d) less any reduction for impairment.

The effective interest rate method will be used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset will be classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables
Loans and receivables will be non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments and fixed maturities that the Council’s management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets will be included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

If the Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category is to be treated as tainted and reclassified as available-for-sale.

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets
Available-for-sale financial assets, are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable.

Available-for-sale financial assets will be included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) will be subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses will be recognised in the statement of comprehensive income.

1.10 Estimation of Fair Value
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 will be based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council will use a variety of methods and will make assumptions that are based on market conditions existing at each reporting date. These will include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and will rely as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments will be used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, will be used to determine fair value for the remaining financial instruments.

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

1.11 Impairment
In accordance with Australian Accounting Standards the Council's assets, other than inventories, will be assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an estimate of the recoverable amount of the asset will be made in accordance with AASB 136 *'Impairment of Assets'* and appropriate adjustments made.
An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses will be recognised in the statement of comprehensive income.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use will be represented by the depreciated replacement cost of the asset.

1.12 Trade and Other Payables
Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1.13 Employee Benefits
The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and will be calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employees services provided to reporting date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

The liability for long service leave will be recognised in the provision for employee benefits and measured 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 will be given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments will be discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where the Council does not have the unconditional right to defer settlement beyond 12 months, the liability will be recognised as a current liability.

(ii) Long Service Leave (Long-term Benefits)

1.14 Borrowing Costs

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 will be capitalised as part of the cost of the particular asset.

1.15 Provisions

Provisions are recognised when:

a) the Council has a present legal or constructive obligation as a result of past events;
b) for which it is probable that an outflow of economic benefits will result to settle the obligation; and
c) that outflow can be reliably measured.

Provisions will be measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions will not be recognised for future operating losses.

1.16 Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council, are classified as finance leases. Finance leases will be capitalised recording an asset and a liability equal to the present. Finance leases will be capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments will be allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets will be depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, will be charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases will be recognised as a liability and amortised on a straight line basis over the life of the lease term.

1.17 Joint Venture

The Council's interest in a joint venture will be recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture will be set out in the notes to the report.

1.18 Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions will be 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 are 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 will be disclosed in the notes to the report. That note will also disclose 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.

1.19 Superannuation

The Council will contribute to a number of superannuation funds on behalf of employees.

1.20 Current and Non-Current Classification

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 will be classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council 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 will be classified as current even if not expected to be realised in the next 12 months except for land held for resale where it will be held as non-current based on Council's intentions to release for sale.

1.21 Rounding Off Figures

All figures shown in all annual financial reports, other than a rate in the dollar, will be rounded to the nearest dollar.

1.22 Comparative Figures

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

1.23 Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in the annual financial report will relate to the original budget estimate for the relevant item of disclosure.

WORKPLACE INFORMATION

Local Government Act 1995

ROLES AND RESPONSIBILITIES

The Manager of Financial Services is responsible for implementing this Policy.