POLICY NO	**CP/FIN-3201**	
POLICY	**Significant Accounting Policies**	
RESPONSIBLE DIRECTORATE	Corporate Services	
RESPONSIBLE OFFICER	Director Corporate Services	
COUNCIL ADOPTION	Date: 7 August 2012	Resolution No: 9846
REVIEWED/MODIFIED	Date: 1 August 2013	Resolution No: 10157
	Date: 2 September 2014	Resolution No: 10554
	Date: 25 August 2015	Resolution No: 11107
	Date: 15 September 2016	Resolution No: 11493
	Date: 18 July 2017	Resolution No: 11745
	Date: 26 June 2018	Resolution No: 115802
	Date: 28 August 2018	Resolution No: 115829
	Date: 25 June 2019	Resolution No: 118047
	Date: 26 May 2020	Resolution No: 118224
	Date: 29 June 2021	Resolution No: TBC
REVIEW DUE	Date: May 2022 or as required	
LEGISLATION	*Australian Accounting Standards* *Australian Accounting Interpretations* *Local Government Act 1995 and Regulations* *Local Government (Financial Management) Regulations 2006* *Regulation 5A Local governments to comply with AAS* *Subject to regulation 4, the annual budget, annual financial report and other financial reports of a local government must comply with the AAS*	
RELATED POLICIES	1. CP/FIN-3203 Investment Policy 2. CP/FIN-3204 Purchasing Policy 3. CP/FIN-3205 Non-Current Asset 4. CP/FIN-3211 Pricing Principles and Pricing Basis Policy for Fees and Charges 5. CP/FIN-3213 Corporate Credit Cards 6. CP/FIN-3216 Asset Management 7. CP/FIN-3217 Regional Price Preference 8. Council Delegations Registry 2017/18	
RELATED ORGANISATIONAL DIRECTIVES		

PURPOSE:

The purpose of this Policy is to provide the basis for Council's accounting concepts and annual reporting and budget preparation guidelines and to maintain accounting reporting procedures that complies with statutory requirements and demonstrates the Shire's financial position.

DEFINITIONS:

AAS means the Australian Accounting Standards made and amended from time to time by the Australian Accounting Standards Board.

Australian Accounting Standards Board means the body corporate of that name continued by the *Australian Securities and Investments Commission Act 2001* (Commonwealth).

Council means the council of the Shire of Wyndham East Kimberley.

Municipal Fund means all money and the value of all assets received or receivable by a local government are to be held and brought to account in its municipal fund unless required by the *Local Government Act 1995* or any other written law to be held in the trust fund.

Trust Fund means a local government is to hold in the trust fund all money or the value of assets that are required by the *Local Government Act 1995* or any other written law to be credited to that fund, and held by the local government in trust.

POLICY STATEMENTS:

(a) Basis of Preparation

The financial report comprises general purpose financial Statements which have been 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. Material accounting policies which have been adopted in the preparation of this budget are presented below and have been consistently applied unless stated otherwise.

Where the document being prepared is the budget then the above paragraph should read "The budget has been 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. Material accounting policies which have been adopted in the preparation of this budget are presented below and have been consistently applied unless stated otherwise."

Except for cash flow and rate setting information, the budget/report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

The preparation of a budget/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, 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 results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this budget/financial report.

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) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears in the Notes to this budget document/financial statements.

(b) 2020/21 Forecast
Balances shown in budget documents as "2020/21 Forecast" are best estimates made by Shire Officers at the time of budget preparation and are subject to final adjustments.

(c) Rounding Off Figures
All figures shown in this budget, other than a rate in the dollar, are rounded to the nearest dollar.

(d) Comparative figures
Where required, comparative figures have been adjusted to confirm with changes in preparation for the current budget year.

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(e) Current and non-current classification
The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational 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 or non-current based on the Shire's intentions to release for sale.

(f) Budget comparative figures
Unless otherwise stated, the budget comparative figures shown in this annual budget/ financial report relate to the original budget estimate for the relevant item of disclosure.

(g) Forecast fair value adjustments
All fair value adjustments relating to measurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the re-measurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

(h) 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.

For financial statement purposes 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 the Notes. 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 operations for the current reporting period.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a Gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(j) Superannuation

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short-term highly liquid investments 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 are shown as short term borrowings in Current Liabilities in the statement of financial position.

(l) 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.

Trade receivables are recognised at original invoice amount less any allowance for uncollectable amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due within 30 days.

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.

Trade receivables are held with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and the fair value is considered to be not material.

(m) Inventories

General

Inventories are 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 resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

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

(n) Other Current Assets
Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(o) Fixed 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.

Mandatory Requirement to Revalue Non-Current Assets
Effective from 1 July 2012, the *Local Government (Financial Management) Regulations* were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements. From 27 June 2018 the revaluation of assets will only be required when the Shire is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and in any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the budget/financial report as necessary.

Land Under Control
In accordance with *Local Government (Financial Management) Regulation* 16(a), the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

Whilst they were initially recorded at cost in accordance with per AASB 116. They were then classified as Land and revalued along with other Land in accordance with other polices detailed in this note.

Initial Recognition and Measurement between Mandatory Revaluation Dates
All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above $5,000. Infrastructure assets that are considered to be network assets (e.g. road signage) or assets costing less than $5,000 that are considered to be an integral part of an asset valued at more than $5,000 will continue to be capitalised.

In relation to this initial measurement, 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 Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

The fair value of fixed assets is determined at least every three years and no more than 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 considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land Under Roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact *Local Government (Financial Management) Regulation* 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, *Local Government (Financial Management) Regulation* 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation* 4(2) provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

(a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

GROUP	CLASS	NUMBER OF YEARS
Roads **		10-120
Drainage **	Underground Pipes	75
Airfields **		16-120
Bridges	Bridges	100
	Culverts	100
Footpaths	Footpath	45 - 80
Infrastructure Other **		10 - 120
Building		7 - 140
Furniture and Equipment		3 - 20
Plant and Equipment		3 - 13

Full reconstruction of the sealed roads in the Shire are rare. A significant portion of the road pavement under the sealed asset is retained and assists in strengthening the road pavement base and results in a lower cost of renewal. This cost of renewal is considered to be 70% of a new road pavement therefore the Council considers the road pavement has two components, an upper portion of the pavement comprising of 70% of the total pavement and a sub-pavement which comprises 30% of the total pavement. The lower portion of the pavement is depreciated over a longer period and reflects the engineering practice in the renewal of roads.

The earthwork & formation asset constructed as part of a Road, Airfields, Car Parking and Drainage assets is considered to have an infinite life as it requires no renewal or replacement.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period in which they arise in the period in which they arise.

When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(p) Fair Value of Assets and Liabilities

When performing a revaluation, the Shire uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach
Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach
Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations* requires, as a minimum, all assets carried at a revalued amount to be revalued regulatory framework.

Where fair values are relevant for the preparation of the budget document relevant disclosures, in accordance with the requirements of the Australian Accounting Standards have been made as necessary.

(q) Financial Assets
The Shire classifies financial assets at amortised cost if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The Shire classifies the following financial assets at fair value through profit and loss:
- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has not elected to recognise fair value gains and losses through other comprehensive income.

(r) Financial Liabilities
Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(s) Impairment

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

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

(t) Trade and Other Payables

Trade payables and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

(u) Employee Benefits

Short-Term Employee Benefits

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-Term Employee Benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(v) 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 are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

(w) 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 measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(x) Provision for Remediation Costs

Under the licence for the operation of the Kununurra and Wyndham waste landfill sites, the Shire has a legal obligation to restore the site.

A provision for remediation is recognised when:

- there is a present obligation as a result of waste activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of restoring the affected areas and continued monitoring of the site.

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on the remaining life of the waste facility.

(y) 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 Shire, are classified as finance leases.

Finance leases are 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 are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight live 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, are charged as expenses in the periods in which they are incurred.

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

(z) Investments in Associates

An associate is an entity over which the Council has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the budget/financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire’s share of net assets of the associate. In addition, the Shire’s share of the profit or loss of the associate is included in the Shire’s profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire’s share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Shire and the associate are eliminated to the extent of the Shire’s interest in the associate.

When the Shire’s share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(aa) 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 is classified as current if it is expected to be settled within the next 12 months, being the Shire’s operational 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 except for land held for resale where it is held as non-current based on the Council’s intentions to release for sale.

(bb) New Accounting Standards and Interpretations for Application in Future Periods

The AASB has not issued any new or amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods.

(cc) Adoption of New and Revised Accounting Standards

During the 2019-20 financial year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which became mandatory and which were applicable to its operations.

These new and revised standards were:

i. AASB 15 – Revenue from Contracts with Customers - This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Shire adopted the new Standard retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.

ii. AASB 16 Leases - Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by AASB 117 Leases which did not impact the statement of financial position will be required to be capitalised on the statement of financial position as AASB16 requires. Previously operating lease payments were expensed as incurred. This has now been replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. The Shire does not have any qualifying leases to which AASB 16 apply and so no restatement of financial information is necessary.

iii. AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8 - These standards is likely to have a significant impact on the income recognition for Not-For-Profit Entities. In accordance with the transition provisions AASB 1058, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019.

EXPLANATORY NOTES:

This Policy is to be used for both the preparation of the budget and the financial reports, therefore the words budget or financial report outlined above within the Policy, will be used dependent upon the document that is being produced.

RISK:

Risk: Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

Control: Review policies and procedures in accordance with review schedule.