

# POLICY: CORP-F-004

## ACCOUNTING

### PURPOSE

To provide a framework for the financial management of the City of Kalgoorlie-Boulder, which is clear, transparent and consistent, while meeting all statutory obligations.

#### 1.1 Accounting Framework

The City's accounting framework is structured by Program, Nature and Type, and Business Unit or Department. This format is in accordance with our statutory obligations, and Council's strategy for transparency and accountability by business unit or department.

#### 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.

#### 1.3 Reporting Revenue and Expenditure by Nature and Type

Revenue and expenses on "Nature and Type" will be reported as required by the Australian Accounting Standard 27, and the Local Government (Financial Management) Regulations 1996.

#### 1.4 Non-current Assets

##### 1.4.1 Initial Recognition

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

#### 1.4.2 Capitalisation of Non-current Assets

Expenditure of a capital nature is recognised as an asset if the threshold value exceeds the following levels (see exceptions below):

Land	ALL
Buildings	\$2,000
Furniture & Equipment	\$2,000
Plant Equipment & Machinery	\$2,000
Infrastructure	\$5,000

#### Home and Community Care (HACC) Assets:

Buildings	\$1,000
Furniture and Equipment	\$1,000
Plant and Equipment	\$1,000

Expenditure items below these thresholds are considered operational expenditure.

Where the expenditure is for the addition of an existing asset, the above thresholds are not relevant. In this situation, the expenditure needs to be acquired with the existing asset.

Where a group of assets form a set, such as bins, the value is taken to be the value of the set and not the individual pieces.

#### 1.4.3 Capitalisation of Assets Under Construction

Expenditure for the construction of assets shall be recognised as Work In Progress until construction is complete.

#### 1.4.4 Revaluation of Non-current Assets

The Council's physical non-current assets will be revalued to fair value at least every five years in accordance with regulation 17A of the Financial Management Regulations. The fair value of each asset will be determined in accordance with AASB 13.

#### 1.4.5 Depreciation of Assets

In accordance with AASB 116 a non-current asset begins to be depreciated when it becomes available for use. Assets shall be depreciated using the straight line method, and based on the effective useful life less residual value. The effective useful life of an asset is to be reviewed by Management annually.

The current effective useful lives, as recommended by management are:

<b>Asset Class</b>	<b>Effective Useful Life (Years)</b>
Airport	10 - 100
Buildings	50 - 150
Bus Shelters	50
Carparks	80
Drainage	40 - 80
Footpaths	80
Furniture & Equipment	4 - 10
Laneways	0 - 80
Light Vehicles	7
Parks & Reserves	0 - 100
Plant & Equipment	5 - 10
Roads	0 - 80
Sewerage & Effluent	10 - 80
Street Lighting	25 - 50

#### 1.4.6 Land Under Roads

Council has made the election not to include the Value of Land under Roads acquired prior to 1 July 2008 in its balance sheet as per AASB 1051.

### 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 relevant reserve account.

### 1.6 Provision for Leave

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

## **APPENDIX:**

### **Definitions**

**Fair Value:** The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where no market value exists for an asset, the cost or depreciated replacement approach is used to establish fair value in accordance with AASB 13.

**Long Life Buildings:** A building that is constructed from masonry or concrete; or a heritage building.

**Medium Life Buildings:** A building constructed with a steel frame or is masonry veneer.

**Short Life Buildings:** A building that has a steel or timber frame, and steel or fibre clad; or is a park structure.

**Temporary Buildings:** A transportable building or temporary structure.