



## **1. INTRODUCTION**

This Accounting Policy shall define the application of accounting practices to ensure adherence to the required accounting by Legatus Group ('LG').

## **2. PURPOSE OF THIS POLICY**

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

## **3. SCOPE OF THE POLICY**

### **Basis of Preparation of Financial Reports**

#### **a) Compliance with Australian equivalents to International Financial Reporting Standards**

The general purpose financial reports of LG will be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board and relevant South Australian Legislation.

#### **b) Accrual Basis & Historical Cost Convention**

The general purpose financial reports of LG will be prepared in accordance with the historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied, unless specified otherwise.

#### **c) Critical Accounting Estimates**

The preparation of the general purpose financial reports are to be in conformity with AIFRS which requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying LG's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the general purpose reports are to be specifically referred to in the notes to the accounts.

#### **d) Rounding**

All amounts in the general purpose financial reports will be rounded to the nearest dollar.



### The Local Government Reporting Entity

LG is incorporated under the SA Local Government Act 1999 and has its principal place of business at 318 Main North Road, Clare.

All funds through which LG controls resources to carry out its functions are to be included in the Financial Statements of LG.

Trust monies and property held by LG but subject to the control of other persons will be excluded from the reports. A separate statement of moneys held in a Trust Fund (if any) will be available for inspection at the LG Office by any person free of charge.

### Revenue Recognition

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

Where grants, contributions and donations 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 amounts subject to those undischarged conditions are to be disclosed in the notes to the accounts.

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 LG's operations for the current reporting period.

### Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at LG's option with an insignificant risk of changes in value at 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. A detailed statement of accounting policies applied to financial instruments is to form part of notes to the accounts.

### **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.

### **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 or 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.

### **Other Real Estate held for resale**

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

### **Infrastructure, Property, Plant & Equipment**

Please refer to the Asset Accounting Policy for Infrastructure, Property, Plant and Equipment.

### **Payables**

#### **a) 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 to be paid within 30 days of receipt of a compliant invoice. No interest is payable on these amounts.

#### **b) Payments Received in Advance & Deposits**

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

### **Borrowings**

Loans 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.

### **Employee Benefits**

#### Salaries, Wages & Employee Entitlements

Liabilities for employees' entitlements to salaries, wages and employee entitlements 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 LG 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.

### **Superannuation**

LG makes employer superannuation contributions in respect of its employees in accordance with the *Superannuation Guarantee (Administration) Act 1992* (Cth).

### **Joint Ventures and Associated Entities**

LG will in the future participate in cooperative arrangements with other local government associations for the provision of services and facilities.

### **Leases**

Lease arrangements are to be accounted for in accordance with Australian Accounting Standards Board 117.

In respect of finance leases, where LG substantially carries all risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which LG is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all risks and benefits incident in ownership of the leased items, lease payments are charged to expenses over the lease term.

### **GST Implications**

In accordance with Urgent Issues Group 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 expenditures 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.



Signature: \_\_\_\_\_ Date: 12 June 2020

*Chief Executive Officer*

If a conflict exists with any law in Australia, then the provisions of the law in Australia will prevail to the extent of the conflict.

#### 4. LEGISLATION and OTHER DOCUMENTS

Local Government Act 1999 (as amended)

State Records Act 1997 (as amended)

Local Government (Financial Management) Regulations, 2011

Australian Accounting Standards

LGA Model Financial Statements

#### 5. AVAILABILITY & GRIEVANCES

This policy is available for inspection at LG office at 318 Main North Road, Clare during ordinary business hours.

It is also available for inspection, download or printing, free of charge, from LG's website at [www.legatusgroup.sa.gov.au](http://www.legatusgroup.sa.gov.au)

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer, Legatus Group, PO Box 419, Clare SA 5453.

#### 6. REVIEW

This Legatus Group Policy shall be reviewed by LG within (4) years of the issued date.

Date	Revision Number	Reason for Amendment
5 June 2020	1	Nil amendment