

ACCOUNTING STANDARDS POLICY

OBJECTIVE

This policy supports the development of consistent and transparent financial reporting.

SCOPE

This policy applies to the Board, employees and consultants involved in the preparation of Dulverton Waste Management's (DWM) financial reports.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with *Australian Accounting Standards*, including Australian Accounting Interpretations and the Tasmanian Laws applicable to Joint Authorities established by Local Government Authorities.

Dulverton Regional Waste Management Authority is a Joint Authority established under Section 38 of the *Local Government Act 1993* with the participating Councils being Devonport City Council, Central Coast Council, Kentish Council and Latrobe Council.

The financial report of Dulverton Regional Waste Management Authority complies with all *International Financial Reporting Standards and Interpretations* adopted by the International Accounting Standards Board.

The following standards (Table 1) have been applied for the first time in each reporting year:

Table 1

Standard	Title	Operative Date*	Impact
AASB 1004	Contributions	1 July 2008	The application of this standard has no impact on the Authority's financial results
AASB 123	Borrowing Costs	1 July 2009	The Authority has determined the application of this standard has not had an impact on its financial results as there is no retrospective application
AASB 3	Business Combinations	1 July 2009	Initial application is not expected to have an impact on the Authority's financial results
AASB 8	Operating Segments	1 January 2009	Initial application is not expected to have an impact on the Authority's financial results
AASB 127	Consolidated and Separate Financial Statements	1 July 2009	Initial application is not expected to have an impact on the Authority's financial results
AASB 2007-8 & AASB 2007-10	Amendments to Australian Accounting Standards arising from AASB 101 Presentation of Financial Statements	1 January 2009	Revised AASB 101 introduces the 'Statement of Comprehensive Income'. It does not change the recognition, measurement or disclosure of transactions or events required by other AASBs. The Authority has not yet determined the potential effect of the revised standard on the Authority's disclosure

* Annual reporting periods beginning on or after

The following is a summary of the material accounting policies adopted by the Authority in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on 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.

(a) Property, Plant and Equipment

All property plant and equipment is to be carried in the financial statements of the Authority at valuation.

The freehold land including the landfill and composting facility will be recorded on a market value basis. Such valuation is to be provided by an independent valuer suitably qualified to provide a valuation on assets of this type. The market valuation is to be undertaken every three years.

All other assets are to be re-valued yearly using the movement in the general construction price index for non-building construction, as provided by the Australian Bureau of Statistics.

Depreciation

The depreciable amount of all fixed assets including buildings is depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. The estimated useful lives used for each class of depreciable assets are:

Land and Improvements	6 – 60 Years
Plant and Equipment	3 – 45 Years

Where appropriate, the Authority will instruct any engaged valuer to provide the useful life estimate of the property, plant and equipment. All other useful life estimates will be provided by the Authority, taking into account the useful life tables as provided by the Commissioner of Taxation.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(b) Cash and Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Authority 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 an impairment has arisen. Impairment losses are recognised in the income statement.

(d) Employee Benefits

Provision is made for the Authority's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

(e) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(f) Income Tax

The *Local Government (Dulverton Regional Waste Management Authority) Order 1998* which took effect on 2nd October 1998, states that the Dulverton Regional Waste Management Authority is an Authority to which Part 3A of the *Local Government Act 1993* applies. Part 3A relates to payments by single and joint Authorities.

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(g) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

(h) Goods and Services Tax (GST)

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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Authority. The Authority assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(j) Impairment of Assets

At each reporting date, the Authority reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(k) Provision for Impaired Debts

Debtors are reviewed on an ongoing basis and a provision for impairment of receivables is raised where significant doubt as to the collection of the debt exists. Debts which are known to be uncollectable are written off after all reasonable steps for collection have been taken.

(l) Provisions for Rehabilitation and Aftercare

The Authority will make provision on a yearly basis for the costs associated with the rehabilitation and decommissioning of the current utilised portion of the landfill which will be progressively rehabilitated as cells are completed. The environmental protection notice requires rehabilitation on a two yearly basis and this will continue to include the aftercare costs for the site and rehabilitation costs associated with open cells.

Provisions for Rehabilitation and Aftercare Cont.

For the purposes of calculating the provision for aftercare the Authority will engage such person or persons suitably qualified to determine the yearly expenditure required for both rehabilitation and aftercare taking into consideration:

- (i) Landfill life;
- (ii) An aftercare period of 30 years;
- (iii) Cost for rehabilitation to include management and cap construction costs based on the Landfill Sustainability Guide;
- (iv) All works must be compliant with the Landfill Sustainability Guide (DPIWE, 2004);

- (v) Costs for Aftercare to include monitoring, management, financing of contingent liabilities and maintenance.

In determining the provision for aftercare, the Authority will need to set appropriate earnings and indexation rates to apply to the expenses as determined by an independent expert. The basis for determining the earnings and indexation rates will be reviewed from time to time by the Board to ascertain their level of appropriateness. The current method adopted by the Board is as follows:

Earnings Rate

In determining an annual amount required to be set aside for future aftercare obligations, an implied earnings rate on these funds needs to be determined. The future aftercare liability of the Authority is a long term liability. Accordingly the Directors believe it prudent that any measurement base chosen be smoothed so as to avoid the unnecessary impact of any significant annual fluctuations in the base. The Directors believe that the measurement base chosen should be smoothed by adopting a rolling five (5) year average of the base. The Directors believe the appropriate measurement base to adopt is the Reserve Bank of Australia cash rate. The Directors believe this to be a reliable measure of fluctuations in the earnings capacity of funds invested. Although invested funds may attract a higher rate of earnings, the Directors believe through adopting the cash rate, adequate allowance will have been made for the incidence of costs directly attributable to those earnings such as income tax.

Indexation Rate

In determining the quantum of future aftercare liabilities an annual aftercare expense estimate is calculated by an independent expert. These annual amounts are required to be restated at their net present value in the year 2070 utilising an appropriate discount rate. The future aftercare liability of the Authority is a long term liability. Accordingly the Directors believe it prudent that the discount rate chosen be smoothed so as to avoid the unnecessary impact of any significant annual fluctuations in the rate. The Directors believe the rate chosen should be smoothed through adopting a five (5) year rolling average of the discount rate. The Directors believe that an appropriate discount rate to utilise is the annual movement in the consumer price index. This rate has been selected as it is believed the components comprising the index adequately reflect the nature of future aftercare expenditure to be incurred.

(m) Interest-Bearing Borrowings

Interest-bearing borrowings are recognised at fair value. Interest-bearing borrowings are classified as current liabilities unless the Authority has an unconditional right to defer the settlement of the liability for at least twelve months from the balance sheet date.

REVIEW

This policy will be reviewed annually.

Reference		
APPROVED BY DWM BOARD:	3 rd November 2009	Minute No. 2/7-09
EFFECTIVE DATE:	3 rd November 2009	
REVIEW DATE:	21 st September 2010	Minute No. 4/3-10 Audit
REVIEW DATE:	26 th September 2011	Minute No. 7/2-11 Audit
NEXT REVIEW DATE:	1 st September 2012	Minute No.
ADMINISTERED BY:	Chief Executive Officer	