

**SHIRE OF MT MARSHALL**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

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**COMMUNITY VISION**

Build an active, safe and vibrant community with shared social values based on mutual respect and fairness.

Principal place of business:  
80 Monger Street  
Bencubbin  
WA 6477

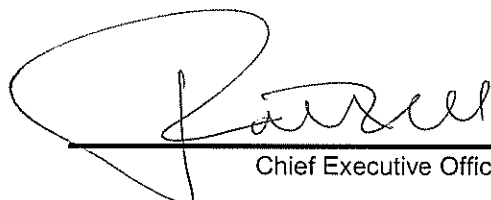
**SHIRE OF MT MARSHALL  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019**

*Local Government Act 1995  
Local Government (Financial Management) Regulations 1996*

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Mt Marshall for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Mt Marshall at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 13<sup>th</sup> day of NOVEMBER 2019

  
\_\_\_\_\_  
Chief Executive Officer

John Nuttal  
\_\_\_\_\_  
Name of Chief Executive Officer

SHIRE OF MT MARSHALL  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	21(a)	1,407,637	1,445,512	1,394,128
Operating grants, subsidies and contributions	2(a)	2,709,255	1,622,041	2,667,789
Fees and charges	2(a)	460,976	509,840	512,654
Interest earnings	2(a)	112,487	107,932	131,092
Other revenue	2(a)	358,315	257,323	284,948
		5,048,670	3,942,648	4,990,611
<b>Expenses</b>				
Employee costs		(1,455,698)	(1,581,335)	(1,540,941)
Materials and contracts		(1,436,166)	(1,434,148)	(1,563,290)
Utility charges		(195,848)	(141,211)	(154,321)
Depreciation on non-current assets	11(d)	(2,698,069)	(2,453,460)	(2,453,975)
Interest expenses	2(b)	(45,917)	(46,263)	(51,606)
Insurance expenses		(175,613)	(137,178)	(107,124)
Other expenditure		(103,543)	(97,700)	(228,368)
		(6,110,854)	(5,891,295)	(6,099,625)
		(1,062,184)	(1,948,647)	(1,109,014)
Non-operating grants, subsidies and contributions	2(a)	1,236,253	982,199	3,033,313
Profit on asset disposals	11(a)	13,926	0	23,305
(Loss) on asset disposals	11(a)	(189,039)	(135,500)	(84,739)
Fair value adjustments to financial assets at fair value through profit or loss	8	0	0	70,068
		1,061,140	846,699	3,041,947
<b>Net result for the period</b>		<b>(1,044)</b>	<b>(1,101,948)</b>	<b>1,932,933</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(1,617,867)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(1,617,867)</b>
<b>Total comprehensive income for the period</b>		<b>(1,044)</b>	<b>(1,101,948)</b>	<b>315,066</b>

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF MT MARSHALL**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>	2(a)			
Governance		19,333	15,199	45,634
General purpose funding		3,924,440	2,768,789	3,791,814
Law, order, public safety		28,853	28,321	19,998
Health		175,158	193,400	183,142
Education and welfare		86,948	94,601	100,724
Housing		198,211	174,920	196,349
Community amenities		148,362	117,985	159,347
Recreation and culture		62,030	58,076	26,978
Transport		197,373	236,200	207,975
Economic services		145,016	189,257	173,250
Other property and services		62,946	65,900	85,400
		5,048,670	3,942,648	4,990,611
<b>Expenses</b>	2(b)			
Governance		(382,126)	(405,325)	(402,719)
General purpose funding		(84,693)	(89,032)	(79,134)
Law, order, public safety		(179,568)	(167,378)	(171,693)
Health		(289,975)	(295,737)	(251,236)
Education and welfare		(232,851)	(281,003)	(329,493)
Housing		(319,225)	(242,061)	(494,912)
Community amenities		(229,499)	(250,265)	(230,345)
Recreation and culture		(1,070,558)	(843,366)	(879,056)
Transport		(2,834,696)	(2,798,287)	(2,776,151)
Economic services		(418,189)	(454,721)	(413,751)
Other property and services		(23,557)	(17,857)	(19,529)
		(6,064,937)	(5,845,032)	(6,048,019)
<b>Finance Costs</b>	2(b)			
General purpose funding		(192)	(197)	(791)
Housing		(2,740)	(2,801)	(6,291)
Recreation and culture		(42,985)	(43,265)	(44,524)
		(45,917)	(46,263)	(51,606)
		(1,062,184)	(1,948,647)	(1,109,014)
Non-operating grants, subsidies and contributions	2(a)	1,236,253	982,199	3,033,313
Profit on disposal of assets	11(a)	13,926	0	23,305
(Loss) on disposal of assets	11(a)	(189,039)	(135,500)	(84,739)
Fair value adjustments to financial assets at fair value through profit or loss	8	0	0	70,068
		1,061,140	846,699	3,041,947
<b>Net result for the period</b>		<b>(1,044)</b>	<b>(1,101,948)</b>	<b>1,932,933</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(1,617,867)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(1,617,867)</b>
<b>Total comprehensive income for the period</b>		<b>(1,044)</b>	<b>(1,101,948)</b>	<b>315,066</b>

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF MT MARSHALL  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	4,320,722	4,629,019
Trade receivables	5	310,134	366,315
Other financial assets at amortised cost	8(a)	9,167	0
Other loans and receivables	8(a)	0	17,411
Inventories	6	11,396	10,554
Other current assets	7	4,244	4,673
<b>TOTAL CURRENT ASSETS</b>		<b>4,655,663</b>	<b>5,027,972</b>
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	773	1,915
Other financial assets at amortised cost	8(b)	223,514	0
Financial assets at fair value through profit and loss	8(b)	70,068	70,068
Other loans and receivables	8(b)	0	229,537
Property, plant and equipment	9	19,558,836	19,431,942
Infrastructure	10	89,487,422	89,267,953
<b>TOTAL NON-CURRENT ASSETS</b>		<b>109,340,613</b>	<b>109,001,415</b>
<b>TOTAL ASSETS</b>		<b>113,996,276</b>	<b>114,029,387</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	822,865	737,672
Borrowings	14(a)	43,047	109,182
Employee related provisions	15	202,333	216,066
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,068,245</b>	<b>1,062,920</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14(a)	1,049,531	1,092,578
Employee related provisions	15	23,594	17,939
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,073,125</b>	<b>1,110,517</b>
<b>TOTAL LIABILITIES</b>		<b>2,141,370</b>	<b>2,173,437</b>
<b>NET ASSETS</b>		<b>111,854,906</b>	<b>111,855,950</b>
<b>EQUITY</b>			
Retained surplus		80,699,670	80,394,688
Reserves - cash backed	4	2,363,135	2,669,161
Revaluation surplus	12	28,792,101	28,792,101
<b>TOTAL EQUITY</b>		<b>111,854,906</b>	<b>111,855,950</b>

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF MT MARSHALL  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2017</b>		<b>77,607,676</b>	<b>3,523,240</b>	<b>30,409,968</b>	<b>111,540,884</b>
Comprehensive income					
Net result for the period		1,932,933	0	0	1,932,933
Other comprehensive income	12	0	0	(1,617,867)	(1,617,867)
Total comprehensive income		1,932,933	0	(1,617,867)	315,066
Transfers from/(to) reserves		854,079	(854,079)	0	0
<b>Balance as at 30 June 2018</b>		<b>80,394,688</b>	<b>2,669,161</b>	<b>28,792,101</b>	<b>111,855,950</b>
Comprehensive income					
Net result for the period		(1,044)	0	0	(1,044)
Total comprehensive income		(1,044)	0	0	(1,044)
Transfers from/(to) reserves		306,026	(306,026)	0	0
<b>Balance as at 30 June 2019</b>		<b>80,699,670</b>	<b>2,363,135</b>	<b>28,792,101</b>	<b>111,854,906</b>

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF MT MARSHALL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,415,673	1,443,012	1,414,581
Operating grants, subsidies and contributions		2,712,426	1,587,041	2,634,289
Fees and charges		460,976	509,840	512,654
Interest received		112,487	107,932	129,461
Goods and services tax received		318,065	0	603,666
Other revenue		358,315	257,323	281,906
		5,377,942	3,905,148	5,576,557
<b>Payments</b>				
Employee costs		(1,490,995)	(1,579,835)	(1,481,639)
Materials and contracts		(1,324,167)	(1,434,748)	(1,722,289)
Utility charges		(195,848)	(141,211)	(154,321)
Interest expenses		(45,917)	(43,963)	(51,960)
Insurance paid		(175,613)	(137,178)	(107,124)
Goods and services tax paid		(271,949)	0	(665,821)
Other expenditure		(103,543)	(97,700)	(228,948)
		(3,608,032)	(3,434,635)	(4,412,102)
<b>Net cash provided by (used in) operating activities</b>	16	1,769,910	470,513	1,164,455
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(1,402,975)	(1,586,000)	(3,138,210)
Payments for construction of infrastructure		(2,117,441)	(2,182,400)	(2,273,928)
Payments for financial assets at amortised cost		(3,144)	0	0
Non-operating grants, subsidies and contributions		1,236,253	982,199	3,033,313
Advances to community groups		0	0	(250,000)
Proceeds from self supporting loans		17,411	17,411	19,407
Proceeds from sale of property, plant & equipment		300,871	332,500	209,115
<b>Net cash provided by (used in) investment activities</b>		(1,969,025)	(2,436,290)	(2,400,303)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(109,182)	(109,182)	(106,411)
Proceeds from new borrowings		0	135,000	0
<b>Net cash provided by (used in) financing activities</b>		(109,182)	25,818	(106,411)
<b>Net increase (decrease) in cash held</b>		(308,297)	(1,939,959)	(1,342,259)
Cash at beginning of year		4,629,019	4,629,019	5,971,278
<b>Cash and cash equivalents at the end of the year</b>	16	4,320,722	2,689,060	4,629,019

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF MT MARSHALL**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	22 (b)	1,483,330	1,449,422	1,788,610
		1,483,330	1,449,422	1,788,610
<b>Revenue from operating activities (excluding rates)</b>				
Governance		33,259	15,199	121,984
General purpose funding		2,541,127	1,378,277	2,447,250
Law, order, public safety		28,853	28,321	19,998
Health		175,158	193,400	183,142
Education and welfare		86,948	94,601	100,724
Housing		198,211	174,920	196,349
Community amenities		148,362	117,985	159,347
Recreation and culture		62,030	58,076	26,978
Transport		197,373	236,200	224,998
Economic services		145,016	189,257	173,250
Other property and services		62,946	65,900	85,400
		3,679,283	2,552,136	3,739,420
<b>Expenditure from operating activities</b>				
Governance		(384,562)	(405,325)	(402,719)
General purpose funding		(84,885)	(89,229)	(79,925)
Law, order, public safety		(179,568)	(167,378)	(206,269)
Health		(294,434)	(295,737)	(251,236)
Education and welfare		(232,851)	(281,003)	(329,493)
Housing		(383,953)	(308,362)	(547,259)
Community amenities		(229,599)	(250,265)	(230,345)
Recreation and culture		(1,113,543)	(886,631)	(923,580)
Transport		(2,954,752)	(2,870,287)	(2,780,258)
Economic services		(418,189)	(454,721)	(413,751)
Other property and services		(23,557)	(17,857)	(19,529)
		(6,299,893)	(6,026,795)	(6,184,364)
Non-cash amounts excluded from operating activities	22(a)	2,882,322	2,588,960	2,447,735
<b>Amount attributable to operating activities</b>		1,745,042	563,723	1,791,401
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		1,236,253	982,199	3,033,313
Proceeds from disposal of assets	11(a)	300,871	332,500	209,115
Proceeds from self supporting loans	14(b)	17,411	17,411	19,407
Purchase of property, plant and equipment	9(a)	(1,402,975)	(1,586,000)	(3,138,210)
Purchase and construction of infrastructure	10(a)	(2,117,441)	(2,182,400)	(2,273,928)
Purchase of financial assets at amortised cost		(3,144)	0	0
<b>Amount attributable to investing activities</b>		(1,969,025)	(2,436,290)	(2,150,303)
<b>FINANCING ACTIVITIES</b>				
Advances to community groups		0	0	(250,000)
Repayment of borrowings	14(b)	(109,182)	(109,182)	(106,411)
Proceeds from borrowings	14(c)	0	135,000	0
Transfers to reserves (restricted assets)	4	(334,033)	(183,821)	(809,048)
Transfers from reserves (restricted assets)	4	640,059	640,058	1,663,127
<b>Amount attributable to financing activities</b>		196,844	482,055	497,668
<b>Surplus/(deficit) before imposition of general rates</b>		(27,139)	(1,390,512)	138,766
<b>Total amount raised from general rates</b>	21	1,383,313	1,390,512	1,344,564
<b>Surplus/(deficit) after imposition of general rates</b>	22(b)	1,356,174	0	1,483,330

This statement is to be read in conjunction with the accompanying notes.



1. 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) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of *AASB 1051 Land Under Roads paragraph 15* and *AASB 116 Property, Plant and Equipment paragraph 7*.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the 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 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 Shire controls resources to carry on its functions have been included in the financial statements forming part of this 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 at Note 24 to these financial statements.

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Grant Revenue

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	1,735	0	15,635
General purpose funding	2,393,912	1,203,859	2,266,733
Law, order, public safety	26,055	24,921	16,580
Health	0	0	35,504
Education and welfare	39,930	39,601	39,601
Housing		16,900	979
Community amenities	24,624	0	48,875
Recreation and culture	0	23,333	0
Transport	182,497	228,300	199,528
Economic services	4,940	35,727	0
Other property and services	35,562	49,400	44,354
	2,709,255	1,622,041	2,667,789
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	0	0	330,521
Recreation and culture	0	0	1,267,400
Transport	1,236,253	982,199	1,435,392
	1,236,253	982,199	3,033,313
<b>Total grants, subsidies and contributions</b>	<b>3,945,508</b>	<b>2,604,240</b>	<b>5,701,102</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, donations and other contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

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

##### Grants, donations and other contributions (Continued)

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 Note 20. 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.

## 2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
<b>Other revenue</b>			
Reimbursements and recoveries	330,440	243,424	271,908
Other	27,875	13,899	13,040
	358,315	257,323	284,948
<b>Fees and Charges</b>			
Governance	1,367	1,200	1,423
General purpose funding	1,548	1,200	1,188
Law, order, public safety	2,082	2,900	2,928
Health	2,380	0	0
Education and welfare	45,636	55,000	48,613
Housing	139,394	158,020	175,976
Community amenities	117,831	116,485	110,381
Recreation and culture	7,539	10,505	6,835
Economic services	134,149	153,530	156,461
Other property and services	9,050	11,000	8,849
	460,976	509,840	512,654
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
<b>Interest earnings</b>			
Loans receivable - clubs/institutions	12,490	9,411	11,972
Reserve accounts interest	64,707	66,321	85,474
Rates instalment and penalty interest (refer Note 21(d))	16,606	17,200	17,267
Other interest earnings	18,684	15,000	16,379
	112,487	107,932	131,092

### SIGNIFICANT ACCOUNTING POLICIES

#### Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### Interest earnings (Continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes

## 2. REVENUE AND EXPENSES (Continued)

### (b) Expenses

#### Auditors remuneration

- Audit of the Annual Financial Report
- Other services

#### Interest expenses (finance costs)

Borrowings (refer Note 14(b))

#### Rental charges

- Operating leases

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
	24,170	25,000	21,985
	11,950	0	850
	36,120	25,000	22,835
	45,917	46,263	51,606
	45,917	46,263	51,606
	7,344	0	7,129
	7,344	0	7,129

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		4,320,722	4,629,019
		4,320,722	4,629,019
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		1,888,805	1,870,639
- Restricted cash and cash equivalents		2,431,917	2,758,380
		4,320,722	4,629,019
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Employee entitlements	4	98,011	95,669
Plant Replacement	4	420,497	645,180
Aged Care Units	4	44,443	91,017
Housing	4	403,137	291,450
Public Amenities & Buildings	4	209,073	254,808
Mt Marshall Aquatic Centre Development	4	1,074,448	940,024
Community Bus	4	20,138	117,847
Bencubbin Recreation Complex	4	4,183	4,081
Office Equipment	4	0	16,325
Economic Development	4	77,451	75,602
Beacon Accommodation	4	3,645	121,384
Medical Enhancement	4	7,818	7,633
Bencubbin Community Resource Centre	4	291	8,141
		2,363,135	2,669,161
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	20	28,634	89,219
Bonds and deposits held	24	40,148	0
<b>Total restricted cash and cash equivalents</b>		2,431,917	2,758,380

#### SIGNIFICANT ACCOUNTING POLICIES

##### 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 with original maturities of three months or less that are readily convertible to known amounts of cash

##### Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

**SHIRE OF MT MARSHALL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**4. RESERVES - CASH BACKED**

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee entitlements	95,669	2,342	0	98,011	95,669	2,392	0	98,061	93,414	2,255	0	95,669
(b) Plant Replacement	645,180	70,867	(295,550)	420,497	645,180	16,129	(295,550)	365,759	423,392	294,788	(73,000)	645,180
(c) Aged Care Units	91,017	1,943	(48,517)	44,443	91,017	2,275	(48,517)	44,775	169,020	3,597	(81,600)	91,017
(d) Community Housing	0	0	0	0	0	0	0	0	39,103	0	(39,103)	0
(e) Housing	291,450	111,687	0	403,137	291,451	84,786	0	376,237	33,500	257,950	0	291,450
(f) Public Amenities & Buildings	254,808	5,932	(51,667)	209,073	254,808	6,370	(51,667)	209,511	552,005	11,503	(308,700)	254,808
(g) Mt Marshall Aquatic Centre Development	940,024	134,424	0	1,074,448	940,024	63,501	0	1,003,525	868,179	71,845	0	940,024
(h) Community Bus	117,847	2,291	(100,000)	20,138	117,847	2,946	(100,000)	20,793	115,072	2,775	0	117,847
(i) Bencubbin Recreation Complex	4,081	102	0	4,183	4,081	102	0	4,183	1,138,653	24,275	(1,158,847)	4,081
(j) Office Equipment	16,325	0	(16,325)	0	16,324	0	(16,324)	0	15,941	384	0	16,325
(k) Economic Development	75,602	1,849	0	77,451	75,602	1,890	0	77,492	4,250	71,352	0	75,602
(l) Integrated Planning/Financial Reporting	0	0	0	0	0	0	0	0	1,877	0	(1,877)	0
(m) Beacon Accommodation	121,384	2,261	(120,000)	3,645	121,384	3,035	(120,000)	4,419	68,834	52,550	0	121,384
(n) Medical Enhancement	7,633	185	0	7,818	7,633	191	0	7,824	0	7,633	0	7,633
(o) Bencubbin Community Resource Centre	8,141	150	(8,000)	291	8,141	204	(8,000)	345	0	8,141	0	8,141
	2,669,161	334,033	(640,059)	2,363,135	2,669,161	183,821	(640,058)	2,212,924	3,523,240	809,048	(1,663,127)	2,669,161

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee entitlements	Ongoing	to fund Long Service Leave required/other accrued leave.
(b) Plant Replacement	Ongoing	to fund the purchase of road construction plant, so as to avoid undue heavy burden in a single year.
(c) Aged Care Units	Ongoing	to fund capital works on existing Aged Care Units or construction of new Aged Care Units.
(d) Community Housing	June 2018	combined with (e) Housing
(e) Housing	Ongoing	to fund the replacement of housing and any major maintenance.
(f) Public Amenities & Buildings	Ongoing	to help fund future building maintenance requirements to the shire's buildings.
(g) Mt Marshall Aquatic Centre Development	June 2020	to finance future capital and maintenance upgrades for the Bencubbin Aquatic centre.
(h) Community Bus	Ongoing	to finance the replacement of the community bus.
(i) Bencubbin Recreation Complex	Ongoing	to provide funding for future extensions to the Bencubbin Complex.
(j) Office Equipment	June 2019	to replace office equipment as required.
(k) Economic Development	Ongoing	to set aside funds for Economic Development initiatives.
(l) Integrated Planning/Financial Reporting	June 2018	to set aside funds for expenditure on Council's integrated planning process.
(m) Beacon Accommodation	Ongoing	to set aside funds for reconstruction or major maintenance on the Beacon Barracks.
(n) Medical Enhancement	Ongoing	to be used for projects that may arise through the NEWROC Health Strategy.
(o) Bencubbin Community Resource Centre	Ongoing	to be used for refurbishment of the Bencubbin Community Resource Centre

## 5. TRADE RECEIVABLES

### Current

Rates receivable	
Sundry receivables	
GST receivable	
Allowance for impairment of receivables	

### Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

2019	2018
\$	\$
102,995	109,889
175,276	240,843
39,084	85,200
(7,221)	(69,617)
310,134	366,315
773	1,915
773	1,915

## SIGNIFICANT ACCOUNTING POLICIES

### 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 allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

### Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

### Classification and subsequent measurement

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 cashflows 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 fair value is considered immaterial.

## 6. INVENTORIES

### Current

Fuel and materials

	2019	2018
	\$	\$
	11,396	10,554
	11,396	10,554
	10,554	21,963
Inventories expensed during the year	0	(11,409)
Additions to inventory	842	0
	11,396	10,554

The following movements in inventories occurred during the year:

### Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

### Carrying amount at 30 June

## SIGNIFICANT ACCOUNTING POLICIES

### 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.



7. OTHER ASSETS AND ASSETS CLASSIFIED  
AS HELD FOR SALE

Other current assets

Accrued income

2019	2018
\$	\$
4,244	4,673
4,244	4,673

SIGNIFICANT ACCOUNTING POLICIES

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.

## 8. OTHER FINANCIAL ASSETS

### (a) Current assets

Other financial assets at amortised cost  
Other loans and receivables

#### Other financial assets at amortised cost

- Financial assets at amortised cost - self supporting loans

#### Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

### (b) Non-current assets

Other financial assets at amortised cost  
Financial assets at fair value through profit and loss  
Other loans and receivables

#### Other financial assets at amortised cost

- Financial assets at amortised cost - self supporting loans

#### Financial assets at fair value through profit and loss

- *Unlisted equity investments*  
- Units in Local Government House Trust

#### Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

2019	2018
\$	\$
9,167	0
0	17,411
9,167	17,411
9,167	0
9,167	0
0	17,411
0	17,411
223,514	0
70,068	70,068
0	229,537
293,582	299,605
223,514	0
223,514	0
70,068	70,068
70,068	70,068
0	229,537
0	229,537

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(b) as self supporting loans.

### SIGNIFICANT ACCOUNTING POLICIES

#### Other financial assets at amortised cost

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 cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

#### Financial assets at fair value through profit and loss

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.

#### Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as 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 payments.

#### Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 25 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Motor Vehicles	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	764,489	372,057	1,136,546	2,336,000	10,484,980	12,820,980	13,957,526	39,360	2,778,147	378,854	17,153,887
Additions	0	0	0	22,397	2,452,606	2,475,003	2,475,003	0	430,132	233,075	3,138,210
(Disposals)	(14,000)	0	(14,000)	(67,485)	0	(67,485)	(81,485)	0	(50,940)	(138,124)	(270,549)
Depreciation (expense)	0	0	0	(87,459)	(261,785)	(349,244)	(349,244)	(7,335)	(188,660)	(44,367)	(589,606)
<b>Carrying amount at 30 June 2018</b>	750,489	372,057	1,122,546	2,203,453	12,675,801	14,879,254	16,001,800	32,025	2,968,679	429,438	19,431,942
<b>Comprises:</b>											
Gross carrying amount at 30 June 2018	750,489	372,057	1,122,546	2,288,397	12,937,586	15,225,983	16,348,529	246,309	3,295,680	493,137	20,383,655
Accumulated depreciation at 30 June 2018	0	0	0	(84,944)	(261,785)	(346,729)	(346,729)	(214,284)	(327,001)	(63,699)	(951,713)
<b>Carrying amount at 30 June 2018</b>	750,489	372,057	1,122,546	2,203,453	12,675,801	14,879,254	16,001,800	32,025	2,968,679	429,438	19,431,942
Additions	0	0	0	292,325	124,128	416,453	416,453	0	773,411	213,111	1,402,975
(Disposals)	(14,000)	0	(14,000)	(85,231)	(100)	(85,331)	(99,331)	(9,643)	(208,975)	(158,035)	(475,984)
Depreciation (expense)	0	0	0	(90,893)	(360,295)	(451,188)	(451,188)	(6,944)	(288,913)	(53,052)	(800,097)
<b>Carrying amount at 30 June 2019</b>	736,489	372,057	1,108,546	2,319,654	12,439,534	14,759,188	15,867,734	15,438	3,244,202	431,462	19,558,836
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	736,489	372,057	1,108,546	2,490,722	13,061,614	15,552,336	16,660,882	186,861	3,814,091	498,083	21,159,917
Accumulated depreciation at 30 June 2019	0	0	0	(171,068)	(622,080)	(793,148)	(793,148)	(171,423)	(569,889)	(66,621)	(1,601,081)
<b>Carrying amount at 30 June 2019</b>	736,489	372,057	1,108,546	2,319,654	12,439,534	14,759,188	15,867,734	15,438	3,244,202	431,462	19,558,836

## 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per hectare
Land - freehold land	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per square metre
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Plant and equipment</b>					
- Independent valuation 2016	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2016	Price per item
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Motor Vehicles</b>	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2016	Price per item

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

## 10. INFRASTRUCTURE

### (a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Parks and ovals	Infrastructure - Playground equipment	Infrastructure - Airports	Infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	85,607,262	591,258	976,777	41,201	758,384	2,501,379	90,476,261
Additions	2,168,766	15,995	0	0	491	88,676	2,273,928
Revaluation increments / (decrements) transferred to revaluation surplus	(1,814,784)	235,519	(480,262)	90,402	(97,627)	448,885	(1,617,867)
Depreciation (expense)	(1,742,062)	(14,787)	(36,138)	(6,100)	(15,810)	(49,472)	(1,864,369)
<b>Carrying amount at 30 June 2018</b>	84,219,182	827,985	460,377	125,503	645,438	2,989,468	89,267,953
<b>Comprises:</b>							
Gross carrying amount at 30 June 2018	115,212,656	1,149,337	945,450	190,934	651,138	5,759,480	123,908,995
Accumulated depreciation at 30 June 2018	(30,993,474)	(321,352)	(485,073)	(65,431)	(5,700)	(2,770,012)	(34,641,042)
<b>Carrying amount at 30 June 2018</b>	84,219,182	827,985	460,377	125,503	645,438	2,989,468	89,267,953
Additions	1,664,860	50,601	0	0	401,980	0	2,117,441
Depreciation (expense)	(1,691,992)	(21,585)	(63,470)	(5,149)	(34)	(115,742)	(1,897,972)
<b>Carrying amount at 30 June 2019</b>	84,192,050	857,001	396,907	120,354	1,047,384	2,873,726	89,487,422
<b>Comprises:</b>							
Gross carrying amount at 30 June 2019	116,877,516	1,199,938	945,450	190,934	1,053,118	5,759,480	126,026,436
Accumulated depreciation at 30 June 2019	(32,685,466)	(342,937)	(548,543)	(70,580)	(5,734)	(2,885,754)	(36,539,014)
<b>Carrying amount at 30 June 2019</b>	84,192,050	857,001	396,907	120,354	1,047,384	2,873,726	89,487,422

## 10. INFRASTRUCTURE (Continued)

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and ovals	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Playground equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airports	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

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. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, 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.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

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.

**SHIRE OF MT MARSHALL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)**

**(a) Disposals of Assets**

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	14,000	0	0	(14,000)	0	0	0	0	14,000	0	0	(14,000)
Buildings - non-specialised	85,231	37,243	0	(47,988)	101,000	37,500	0	(63,500)	67,485	35,429	0	(32,056)
Buildings - specialised	100	0	0	(100)	0	0	0	0	0	0	0	0
Furniture and equipment	9,643	0	0	(9,643)	0	0	0	0	0	0	0	0
Plant and equipment	208,975	105,421	0	(103,554)	208,000	140,000	0	(68,000)	50,940	16,364	0	(34,576)
Motor Vehicles	158,035	158,207	13,926	(13,754)	159,000	155,000	0	(4,000)	138,124	157,322	2,335	16,863
	475,984	300,871	13,926	(189,039)	468,000	332,500	0	(135,500)	270,549	209,115	2,335	(63,769)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
<b>Transport</b>				
John Deere Mowers x 2 (Scrapped)	4,602	0	0	(4,602)
Volvo G930 Grader	104,712	52,711	0	(52,001)
Volvo G930 Grader	99,661	52,710	0	(46,951)
	208,975	105,421	0	(103,554)
<b>Land</b>				
<b>Housing</b>				
Lot 158 Brown St, Bencubbin	14,000	0	0	(14,000)
	14,000	0	0	(14,000)
<b>Other Asset class</b>				
<b>Governance</b>				
Toyota Landcruiser 200 Series	51,529	65,455	13,926	0
Toyato Prado Wagon GXL	43,345	40,909	0	(2,436)
	94,874	106,364	13,926	(2,436)
<b>Health</b>				
Holden LTZ Trailblazer	31,732	27,273	0	(4,459)
	31,732	27,273	0	(4,459)
<b>Housing</b>				
Lot 158 Brown St, Bencubbin	85,231	37,243	0	(47,988)
	85,231	37,243	0	(47,988)
<b>Community Amenities</b>				
Cemetery Gazebo	100	0	0	(100)
	100	0	0	(100)
<b>Transport</b>				
Assets under LGA \$5,000 Threshold	9,643	0	0	(9,643)
Ford Ranger XLS	31,429	24,570	0	(6,859)
	41,072	24,570	0	(16,502)
	475,984	300,871	13,926	(189,039)

**(b) Fully Depreciated Assets in Use**

The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown below.

	2019	2018
	\$	\$
Furniture and equipment	108,815	108,815
	108,815	108,815

**(c) Temporarily Idle Assets**

The carrying value of assets held by the Shire which are temporarily idle or retired from active use and not classified as held for sale are shown below.

	2019	2018
	\$	\$
Furniture and equipment	14,999	14,999
	14,999	14,999



## 11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

### (d) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	90,893	87,441	87,459
Buildings - specialised	360,295	261,730	261,785
Furniture and equipment	6,944	7,333	7,335
Plant and equipment	288,913	188,620	188,660
Motor Vehicles	53,052	44,358	44,367
Infrastructure - Roads	1,691,992	1,741,696	1,742,062
Infrastructure - Footpaths	21,585	14,784	14,787
Infrastructure - Parks and ovals	63,470	36,130	36,138
Infrastructure - Playground equipment	5,149	6,099	6,100
Infrastructure - Airports	34	15,807	15,810
Infrastructure - Other	115,742	49,462	49,472
	2,698,069	2,453,460	2,453,975

### SIGNIFICANT ACCOUNTING POLICIES

#### Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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.

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 the statement of comprehensive income in the period in which they arise.

#### Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	3 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	4 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 to 60 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	40 years
Road signs	15 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

#### Depreciation (Continued)

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:

- 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
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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12. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land & buildings	6,784,657	0	0	0	6,784,657	6,784,657	0	0	0	6,784,657
Revaluation surplus - Infrastructure - Roads	18,941,495	0	0	0	18,941,495	20,756,279	0	(1,814,784)	(1,814,784)	18,941,495
Revaluation surplus - Infrastructure - Footpaths	431,791	0	0	0	431,791	196,272	235,519	0	235,519	431,791
Revaluation surplus - Infrastructure - Parks and ovals	369,597	0	0	0	369,597	849,859	0	(480,262)	(480,262)	369,597
Revaluation surplus - Infrastructure - Playground equipment	141,311	0	0	0	141,311	50,909	90,402	0	90,402	141,311
Revaluation surplus - Infrastructure - Airports	692,373	0	0	0	692,373	790,000	0	(97,627)	(97,627)	692,373
Revaluation surplus - Infrastructure - Other	1,430,877	0	0	0	1,430,877	981,992	448,885	0	448,885	1,430,877
	28,792,101	0	0	0	28,792,101	30,409,968	774,806	(2,392,673)	(1,617,867)	28,792,101

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

### 13. TRADE AND OTHER PAYABLES

#### Current

Sundry creditors	
Accrued salaries and wages	
ATO liabilities	
Accrued interest on long term borrowings	
Bonds and deposits (refer to Note 24)	

2019	2018
\$	\$
703,380	630,770
36,711	40,066
35,271	59,135
7,355	7,701
40,148	0
822,865	737,672

#### SIGNIFICANT ACCOUNTING POLICIES

##### Trade and other payables

Trade 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

##### Trade and other payables (Continued)

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.

SHIRE OF MT MARSHALL

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14. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	43,047	109,182
Non-current	1,049,531	1,092,578
	1,092,578	1,201,760

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019					30 June 2019					30 June 2018				
				Actual Principal	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				1 July 2018					1 July 2018					1 July 2017				
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Housing</b>																		
Staff Housing	118	WATC*	6.28%	59,160	0	59,160	2,740	0	59,159	0	59,159	2,801	0	114,772	0	55,612	6,291	59,160
<b>Recreation and culture</b>																		
Bencubbin Rec Complex Shire	120	WATC*	3.85%	417,901	0	15,269	15,841	402,632	417,902	0	15,270	15,944	402,632	432,600	0	14,699	16,408	417,901
Bencubbin Rec SAR	121	WATC*	3.85%	474,607	0	17,342	17,990	457,265	474,607	0	17,342	18,107	457,265	491,300	0	16,693	18,634	474,607
<b>Economic services</b>																		
Beacon Workers Camp	123	WATC*	2.70%	0	0	0	0	0	0	135,000	0	0	135,000	0	0	0	0	0
				951,668	0	91,771	36,571	859,897	951,668	135,000	91,771	36,852	994,897	1,038,672	0	87,004	41,333	951,668
<b>Self Supporting Loans</b>																		
<b>General purpose funding</b>																		
Benny Mart	119	WATC*	5.48%	8,586	0	8,586	192	0	8,586	0	8,586	197	0	19,499	0	10,913	791	8,586
<b>Recreation and culture</b>																		
Bencubbin Recreation Complex CRC	122	WATC*	3.85%	241,506	0	8,825	9,154	232,681	241,506	0	8,825	9,214	232,681	250,000	0	8,494	9,482	241,506
				250,092	0	17,411	9,346	232,681	250,092	0	17,411	9,411	232,681	269,499	0	19,407	10,273	250,092
				1,201,760	0	109,182	45,917	1,092,578	1,201,760	135,000	109,182	46,263	1,227,578	1,308,171	0	106,411	51,606	1,201,760

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 8 as other financial assets at amortised cost.

All other loan repayments were financed by general purpose revenue.

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**14. INFORMATION ON BORROWINGS (Continued)**

**(c) New Borrowings - 2018/19**

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Beacon Workers Camp	WATC*	Debenture	10	2.70%	\$ 0	\$ 135,000	\$ 0	\$ 0	\$ 0	\$ 0
					0	135,000	0	0	0	0

\* WA Treasury Corporation

	2019	2018
<b>(d) Undrawn Borrowing Facilities</b>	\$	\$
<b>Credit Standby Arrangements</b>		
Credit card limit	20,000	20,000
Credit card balance at balance date	(2,271)	(582)
<b>Total amount of credit unused</b>	<b>17,729</b>	<b>19,418</b>
<b>Loan facilities</b>		
Loan facilities - current	43,047	109,182
Loan facilities - non-current	1,049,531	1,092,578
<b>Total facilities in use at balance date</b>	<b>1,092,578</b>	<b>1,201,760</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**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.

**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.

**Risk**

Information regarding exposure to risk can be found at Note 23.

## 15. EMPLOYEE RELATED PROVISIONS

### Employee Related Provisions

#### Opening balance at 1 July 2018

Current provisions

Non-current provisions

Additional provision

Amounts used

#### Balance at 30 June 2019

#### Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	102,386	113,680	216,066
Non-current provisions	0	17,939	17,939
	102,386	131,619	234,005
Additional provision	2,411	0	2,411
Amounts used	0	(10,489)	(10,489)
Balance at 30 June 2019	104,797	121,130	225,927
Comprises			
Current	104,797	97,536	202,333
Non-current	0	23,594	23,594
	104,797	121,130	225,927

#### Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other WA local governments

	2019	2018
	\$	\$
Less than 12 months after the reporting date	158,796	170,816
More than 12 months from reporting date	51,898	47,956
Expected reimbursements from other WA local governments	15,233	15,233
	225,927	234,005

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

### SIGNIFICANT ACCOUNTING POLICIES

#### 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, salaries and sick leave. 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, salaries and sick leave are recognised as a part of current trade and other payables 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 of service and employee departures and are discounted at

##### Other long-term employee benefits (Continued)

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 remeasurements 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.

##### 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.

## 16. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	4,320,722	2,689,060	4,629,019
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(1,044)	(1,101,948)	1,932,933
Non-cash flows in Net result:			
Depreciation	2,698,069	2,453,460	2,453,975
(Profit)/loss on sale of asset	175,113	135,500	61,434
Fair value adjustments to fixed assets at fair value through profit or loss	0	0	(70,068)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	57,323	(37,500)	(102,920)
(Increase)/decrease in other assets	429	0	0
(Increase)/decrease in inventories	(842)	(2,800)	11,409
Increase/(decrease) in payables	85,193	6,000	(77,044)
Increase/(decrease) in provisions	(8,078)	0	(11,951)
Grants contributions for the development of assets	(1,236,253)	(982,199)	(3,033,313)
Net cash from operating activities	1,769,910	470,513	1,164,455

## 17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	1,132,959	1,197,144
General purpose funding	103,768	111,804
Law, order, public safety	1,308,957	1,384,585
Health	118,459	113,930
Education and welfare	1,258,521	1,268,927
Housing	2,165,353	2,190,212
Community amenities	821,774	828,448
Recreation and culture	13,112,622	13,380,363
Transport	88,347,655	88,236,941
Economic services	1,521,525	1,467,585
Other property and services	1,796,268	1,551,973
Unallocated	2,308,415	2,297,475
	113,996,276	114,029,387



## 18. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the President.

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting fees	32,335	33,000	32,181
President's allowance	5,250	5,500	5,250
Deputy President's allowance	1,193	1,500	1,063
Travelling expenses	10,112	14,000	12,806
Telecommunications allowance	12,091	15,500	11,888
	60,981	69,500	63,188

### Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	443,840	461,651
Post-employment benefits	54,514	48,858
Other long-term benefits	37,142	11,178
	535,496	521,687

#### *Short-term employee benefits*

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

#### *Post-employment benefits*

These amounts are the current-year's estimated cost of providing for the Shire's superannuation contributions made during the year.

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

## 18. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:

	2019 Actual	2018 Actual
	\$	\$
- Building maintenance contract	309,062	276,407
- Lease of the rubbish tip	1,000	1,000

### Related Parties

The Shire's main related parties are as follows:

#### i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

#### ii. Other Related Parties

The associate person of KMP was employed by the Shire under normal employment terms and conditions.

#### iii. Entities subject to significant influence by the Shire

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

## 19. JOINT ARRANGEMENTS

### (a) Share of joint operations

The Shire of Mt Marshall participates in the following joint arrangements:

#### NEW Health Group Joint Arrangement

The Shire of Mt Marshall is part of the NEW Health group which provides health services in the North Eastern Wheatbelt.

From 1 July 2017, the Shire of Mt Marshall has managed the income and expenditure for this arrangement.

NEW Health joint arrangement which employs an Environmental Health/Building Surveyor to provide regulatory health and building assessment services to the member shires:

Wyalkatchem, Trayning, Mukinbudin, Koorda, Nungarin and Mt Marshall.

The Shire of Mt Marshall holds the following assets on behalf of member shires. All associated expenses are attributed to member shires on the following basis:

Wyalkatchem	18.8%
Trayning	18.8%
Mukinbudin	18.8%
Koorda	18.8%
Nungarin	6.0%
Mt Marshall	18.8%

Shire of Mount Marshall expenses in relation to this joint venture amounted to \$36,170 in 2018/19 and \$25,670 in 2017/18.

#### **Non-current assets**

Light vehicles	42,657	37,301
Less: accumulated depreciation	(1,753)	(3,372)
Total assets	40,904	33,929

#### Kununoppin Medical Practice Joint Arrangement

The Kununoppin Medical Practice employs a General Practitioner to provide medical consultation and accident and emergency services to the member shires: Mount Marshall, Trayning, Mukinbudin and Nungarin. Shire of Mount Marshall expenses in relation to this joint arrangement amounted to \$28,393 in 2018/19 and \$33,592 in 2017/18.

## SIGNIFICANT ACCOUNTING POLICIES

### Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. 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.

### Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

## 20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>Community amenities</b>							
Department of Water - Water Collection Projects	38,966	28,875	(67,841)	0	0	0	0
Department of Primary Industries & Regional Development - Combat Vegetation Decline	0	20,000	(15,990)	4,010	24,624	0	28,634
<b>Transport</b>							
Federal Government - Roads to Recovery Funding	170,798	793,031	(963,829)	0	436,679	(436,679)	0
MRWA - Blackspot Funding	16,880	25,320	(42,200)	0	0	0	0
Department of Infrastructure, Regional Development & Cities - Beacon Airstrip Grant	0	85,700	(491)	85,209	182,497	(267,706)	0
<b>Total</b>	<b>226,644</b>	<b>952,926</b>	<b>(1,090,351)</b>	<b>89,219</b>	<b>643,800</b>	<b>(704,385)</b>	<b>28,634</b>

**Notes:**

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

## 21. RATING INFORMATION

### (a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
<b>General rate</b>												
<b>Gross rental valuations</b>												
Residential	0.128889	131	733,228	94,505	0	0	94,505	94,505	0	0	94,505	96,770
<b>Unimproved valuations</b>												
Rural	0.018875	311	69,742,040	1,316,381	(1,982)	0	1,314,399	1,316,380	0	0	1,316,380	1,269,815
Mining	0.018875	1	42,437	801	1,265	0	2,066	801	0	0	801	753
<b>Sub-Total</b>		443	70,517,705	1,411,687	(717)	0	1,410,970	1,411,686	0	0	1,411,686	1,367,338
<b>Minimum payment</b>												
<b>Gross rental valuations</b>												
Residential	406	43	29,182	17,458	0	0	17,458	17,458	0	0	17,458	16,590
<b>Unimproved valuations</b>												
Rural	406	24	187,507	9,744	0	0	9,744	9,744	0	0	9,744	9,875
Mining	406	4	7,088	1,624	0	0	1,624	1,624	0	0	1,624	4,740
<b>Sub-Total</b>		71	223,777	28,826	0	0	28,826	28,826	0	0	28,826	31,205
		514	70,741,482	1,440,513	(717)	0	1,439,796	1,440,512	0	0	1,440,512	1,398,543
Discounts/concessions (refer Note 21(c))							(56,483)				(50,000)	(53,979)
<b>Total amount raised from general rate</b>							1,383,313				1,390,512	1,344,564
Specified Area Rate (refer Note 21(b))							35,356				35,449	28,259
Ex-gratia rates							16,363				16,400	15,888
Rates Written Off							(26,120)				(3,300)	(3,261)
Movement in Excess Rates							(1,275)				6,451	8,678
<b>Totals</b>							1,407,637				1,445,512	1,394,128

### SIGNIFICANT ACCOUNTING POLICIES

#### Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

21. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2018/19 Rateable Value	2018/19 Rate Revenue	2018/19 Interim Rate Revenue	2018/19 Back Rate Revenue	2018/19 Total Specified Area Rate Revenue	2018/19 Budget Rate Revenue	2018/19 Budget Back Rate Revenue	2018/19 Budget Interim Rate Revenue	2018/19 Total Budget Revenue	2017/18 Total Actual Revenue
Bencubbin Multipurpose Complex Redevelopment	GRV	0.005759	\$ 482,008	\$ 2,776	\$ 0	\$ 0	\$ 2,776	\$ 2,776	\$ 0	\$ 0	\$ 2,776	\$ 2,346
Bencubbin Multipurpose Complex Redevelopment	UV	0.000959	34,077,960	32,681	(101)	0	32,580	32,673	0	0	32,673	25,913
				35,457	(101)	0	35,356	35,449	0	0	35,449	28,259

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2018/19 Actual Rate Applied to Costs	2018/19 Actual Rate Set Aside to Reserve	2018/19 Actual Reserve Applied to Costs	2018/19 Budget Rate Applied to Costs	2018/19 Budget Rate Set Aside to Reserve	2018/19 Budget Reserve Applied to Costs
Bencubbin Multipurpose Complex Redevelopment	Servicing a loan for the redevelopment of the Bencubbin Multipurpose Complex	The area to which Specified Area Rates apply is identified on a map of the Shire which is attached as Appendix A.	\$ 35,356	\$ 0	\$ 0	\$ 35,449	\$ 0	\$ 0
			35,356	0	0	35,449	0	0

21. RATING INFORMATION (Continued)

(c) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts

Rate or Fee			2019	2019	2018	Circumstances in which Discount is Granted
Discount Granted	Discount	Discount	Actual	Budget	Actual	
	%	\$	\$	\$	\$	
General rates	5.00%	0	56,483	50,000	53,979	Discount applies if rates, (including arrears, waste and service charges) are paid in full within 21 days of the issue date of the rate notice.
			56,483	50,000	53,979	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	Discount	2019 Actual	2019 Budget	2018 Actual
		%	\$	\$	\$	\$
General rates		0.00%	0	26,120	3,300	3,261
				26,120	3,300	3,261

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
General rates	Small balances appearing on rates debtor accounts	Write off of small balances on rates debtor accounts	Difficult to recover small balances and administratively expensive

## 21. RATING INFORMATION (Continued)

### (d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
<b>Option One</b>				
Full Payment	28/09/2018			11.00%
<b>Option Two</b>				
First Instalment	28/09/2018			11.00%
Second Instalment	28/11/2018	12	5.00%	11.00%
Third Instalment	28/02/2019	12	5.00%	11.00%
Fourth Instalment	30/04/2019	12	5.00%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	14,140	15,600	15,642
Interest on instalment plan	1,988	1,100	1,145
DFES penalty interest	478	500	480
Charges on instalment plan	1,548	1,200	1,188
	18,154	18,400	18,455



## 22. RATE SETTING STATEMENT INFORMATION

		2018/19 (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
Note		\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	11(a)	(13,926)	0	(23,305)
Less: Initial recognition of investments		0	0	(70,068)
Less: Movement in liabilities associated with restricted cash		2,342	0	2,255
Movement in pensioner deferred rates (non-current)		1,143	0	(418)
Movement in employee benefit provisions (non-current)		5,655	0	557
Add: Loss on disposal of assets	11(a)	189,039	135,500	84,739
Add: Depreciation on assets	11(d)	2,698,069	2,453,460	2,453,975
<b>Non cash amounts excluded from operating activities</b>		<b>2,882,322</b>	<b>2,588,960</b>	<b>2,447,735</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
Less: Reserves - restricted cash	3	(2,363,135)	(2,212,924)	(2,669,161)
Less: - Financial assets at amortised cost - self supporting loans	8(a)	(9,167)	3,144	(17,411)
Add: Borrowings	14(a)	43,047	1	109,182
Add: Component of leave liability not required to be funded	3	98,011	95,668	95,668
<b>Total adjustments to net current assets</b>		<b>(2,231,244)</b>	<b>(2,114,111)</b>	<b>(2,481,722)</b>
<b>Net current assets used in the Rate Setting Statement</b>				
Total current assets		4,655,663	3,014,042	5,027,972
Less: Total current liabilities		(1,068,245)	(899,931)	(1,062,920)
Less: Total adjustments to net current assets		(2,231,244)	(2,114,111)	(2,481,722)
<b>Net current assets used in the Rate Setting Statement</b>		<b>1,356,174</b>	<b>0</b>	<b>1,483,330</b>

## 23. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

### (a) Interest rate risk

#### Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	1.50%	4,320,722	3,849,910	0	470,812
<b>2018</b>					
Cash and cash equivalents	1.58%	4,629,019	3,984,753	0	644,266

#### Sensitivity

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity	37,600	38,613

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

## 23. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Shire applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	2,032	60,427	22,607	18,702	103,768
Loss allowance	0	0	0	0	0

#### 01 July 2018

Rates receivable					
Expected credit loss	0.36%	53.87%	1.41%	0.00%	
Gross carrying amount	53,977	38,785	12,277	6,765	111,804
Loss allowance	193	20,894	173	0	21,260

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	0.05%	0.00%	3.08%	80.17%	
Gross carrying amount	129,416	32,115	5,005	8,740	175,276
Loss allowance	60	0	154	7,007	7,221

#### 01 July 2018

Sundry Receivables					
Expected credit loss	0.05%	0.00%	3.08%	80.17%	
Gross carrying amount	174,319	5,596	1,614	59,314	240,843
Loss allowance	81	0	50	48,226	48,357

## 23. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 14(d).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	822,865	0	0	822,865	822,865
Borrowings	84,701	338,803	1,101,109	1,524,613	1,092,578
	907,566	338,803	1,101,109	2,347,478	1,915,443
<b>2018</b>					
Payables	737,672	0	0	737,672	737,672
Borrowings	155,445	338,803	1,185,810	1,680,058	1,201,760
	893,117	338,803	1,185,810	2,417,730	1,939,432

## 24. TRUST FUNDS

There are no funds held at the balance date which are required to be held in the trust fund.

In previous years, bonds and deposits were held as trust monies. They are now included in Restricted cash at Note 3 and shown as a current liability at Note 13.

	1 July 2018	Amounts Received	Amounts Paid	Reclassified to Restricted Cash	30 June 2019
	\$	\$	\$	\$	\$
Police Licensing	10,110	177,732	(173,141)	(14,701)	0
Aged Care Beautification	829	0	0	(829)	0
Unclaimed Monies	59	841	0	(900)	0
Tree Planting Nursery	1,000	0	0	(1,000)	0
Housing Bonds	10,120	2,110	(1,740)	(10,490)	0
Staff Social Club	2,680	3,000	(3,812)	(1,868)	0
Gym Key Bonds	0	360	0	(360)	0
Rehabilitation Bonds	5,000	5,000	0	(10,000)	0
	29,798	189,043	(178,693)	(40,148)	0

## 25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

### AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

The effect of adopting AASB 9 was assessed as not material and therefore, no adjustment was required to be made.

#### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

## 25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables and Loans and advances classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

Financial asset category	AASB 139 value	AASB 9 category Financial assets at amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
Trade receivables	283,030	283,030	0	0
Loan receivables	246,948	246,948	0	0
	529,978	529,978	0	0

### (b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$		\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	69,617	0	69,617
	69,617	0	69,617

## 26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

### (a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the Statement of Financial Position at the date of initial application (1 July 2019):

Note	AASB 118 carrying amount		AASB 15 carrying amount	
	30 June 2019	Reclassification	01 July 2019	
	\$	\$	\$	
<b>Contract liabilities - current</b>				
Unspent grants, contributions and reimbursements	0	28,634	28,634	
Adjustment to retained surplus from adoption of AASB 15	26(d)	0	(28,634)	(28,634)

### (b) Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases prospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will not recognise a right-of-use asset in relation to lease liabilities which previously were classified as an operating lease applying AASB 117.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the net impact on retained earnings on 1 July 2019 will be nil. The Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value.



## 26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

### (c) Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. 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. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes will occur to the following financial statement line items by application of AASB 1058 as compared to AASB 1004 Contributions before the change:

		AASB 1004 carrying amount		AASB 1058 carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Trade and other payables		822,865	0	822,865
Adjustment to retained surplus from adoption of AASB 1058	26(d)	822,865	0	822,865

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services in relation to Volunteer Fire Services will not be recognised in revenue and expenditure as the fair value of the services as they cannot be reliably estimated.

### (d) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			80,699,670
Adjustment to retained surplus from adoption of AASB 15	26(a)	(28,634)	
Adjustment to retained surplus from adoption of AASB 16	26(b)	0	
Adjustment to retained surplus from adoption of AASB 1058	26(c)	0	(28,634)
Retained surplus - 01 July 2019			80,671,036

## **27 OTHER SIGNIFICANT ACCOUNTING POLICIES**

### **a) 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 (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.

### **b) 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.

### **c) Rounding off figures**

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

### **d) Comparative figures**

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

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, 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) Budget comparative figures**

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

### **f) 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.

### **g) Fair value of assets and liabilities**

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 or liability. 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 or liability (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.

### **h) 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 the service capacity of an asset.

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 are 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.

### **i) Impairment of assets**

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised 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.

## 28. ACTIVITIES/PROGRAMS

Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide a decision making process for the efficient allocation of scarce resources	Administration and operation of facilities and services to members of the Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which are which are not directly related to specific shire services.
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow for the provision of	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer	Supervision of various by-laws, fire prevention, emergency services and animal control.
<b>HEALTH</b> To provide an operational framework for good health.	Food and water quality, pest control, immunisation services, child health services and health education.
<b>EDUCATION AND WELFARE</b> To meet the needs of the community in these	Management and support for families, children, youth and the aged within the community by providing Youth, Aged and Family Centres, Home and Community Aged Care Programs and assistance to schools.
<b>HOUSING</b> To help ensure adequate housing.	Provision of residential housing for council staff. Provision of housing for aged persons, low income families, government and semi government employees.
<b>COMMUNITY AMENITIES</b> Provide services required by the community.	Rubbish collection services and disposal of waste, stormwater drainage, protection of the environment, town planning and regional development and other community amenities (cemeteries and public toilets).
<b>RECREATION AND CULTURE</b> To establish and manage efficiently infrastructure resources which will help the social wellbeing of community.	Public halls, recreation and aquatic centres, parks and reserves, libraries, heritage and culture.
<b>TRANSPORT</b> To provide effective and efficient transport the community.	Construction and maintenance of roads, footpaths, bridges, street cleaning and lighting, road verges, streetscaping and depot maintenance.
<b>ECONOMIC SERVICES</b> To help promote the Municipality and improve its economic wellbeing.	The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin and standpipes.
<b>OTHER PROPERTY AND SERVICES</b> To monitor and control the Shire's overhead operating accounts.	Private works, public works overheads, plant and equipment operations, town planning schemes and activities not reported in the above programs.

## 29. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	2.39	2.35	2.60
Asset consumption ratio	0.60	0.65	0.53
Asset renewal funding ratio	1.23	0.84	0.83
Asset sustainability ratio	1.04	1.53	1.18
Debt service cover ratio	9.71	8.89	24.14
Operating surplus ratio	(0.53)	(0.47)	(0.33)
Own source revenue coverage ratio	0.37	0.38	0.34

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

14 November 2019

Mr John Nuttall  
Chief Executive Officer  
Shire of Mt Marshall  
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BENCUBBIN WA 6477

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Dear John

**AUDIT OF SHIRE OF MT MARSHALL  
FOR THE YEAR ENDED 30 JUNE 2019**

We advise that we have completed the audit of your Shire for the year ended 30<sup>th</sup> June 2019 and enclose our Audit Report and our Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President, Cr Tony Sachse as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely

  
Greg Godwin  
Partner  
[Moore Stephens](http://www.moorestephens.com.au)

Encl.

**Attachment 7.1.1b**

## INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF MT MARSHALL

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### Opinion

We have audited the accompanying financial report of the Shire of Mt Marshall (the Shire), which comprises the Statement of Financial Position as at 30 June 2019, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and the Rate Setting Statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

In our opinion, the financial report of the Shire of Mt Marshall:

- i. is based on proper accounts and reports; and
- ii. fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Shire in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the 'Code') that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Basis of Preparation

We draw attention to Note 1 to the financial report, which describes the basis of preparation. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

### Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT  
TO THE COUNCILLORS OF THE SHIRE OF MT MARSHALL  
(CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives of the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

**INDEPENDENT AUDITOR'S REPORT  
TO THE COUNCILLORS OF THE SHIRE OF MT MARSHALL  
(CONTINUED)**

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) In our opinion, the following matter indicates a significant adverse trend in the financial position of the Shire:
  - i) The Operating Surplus Ratio has been below the DLGSCI standard for the past 3 years as reported in the financial report.
- b) All required information and explanations were obtained by us;
- c) All audit procedures were satisfactorily completed in conducting our audit; and
- d) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the Shire of Mt Marshall for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



GREG GODWIN  
PARTNER

MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 14<sup>th</sup> day of November 2019.



14 November 2019

Cr Tony Sachse  
The Shire President  
Shire of Mt Marshall  
PO Box 44  
MT MARSHALL WA 6725

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Dear Cr Sachse

## MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2019

We advise that we have completed our audit procedures for the year ended 30 June 2019.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We noted the following matter we wish to draw to your attention:

### Disaster Recovery and Business Continuity Plan

We noted the Shire does not have an IT disaster recovery and business continuity plan documented.

To help ensure the continuity of Council operations in the event of an IT disaster, a disaster recovery plan should be documented and adopted. At this stage, the new IT provider has been requested to prepare a disaster recovery plan for the Shire.

We take this opportunity to thank the Shire for their assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin  
Partner  
[Moore Stephens](http://www.moorestephens.com.au)

Encl.

Hon David Templeman MLA  
Minister for Local Government; Heritage; Culture and the Arts  
7<sup>th</sup> Floor  
Dumas House  
2 Havelock Street  
West Perth  
WA 6005

17 December 2019

Dear Minister Templeman,

**Shire of Mt Marshall Annual Audit 2018/19**

This letter is in response to the audit report prepared by Moore Stephens on behalf of the Shire of Mt Marshall for the financial year 2018/19.

In the section headed 'Report on other Legal and Regulatory Requirements' the following is stated:

*In accordance with the Local Government (Audit) Regulations 1996, we also report that:*

*a) In our opinion, the following matter indicates a significant adverse trend in the financial position of the Shire:*

*i) The Operating Surplus Ratio has been below the DLGSCI standard for the past 3 years as reported in the financial report.*

This issue was discussed with the auditors during the 'exit meeting', and was presented to the audit committee at the meeting held on 19 November 2019 – along with a draft of this letter for adoption.

It is extremely important to note that in the view of the Mt Marshall Audit Committee, and supported by the Shire's auditors, the reason behind this adverse finding is due to the way in which the ratios are to be calculated. Explained simply Local Governments are required to show depreciation charge as part of operating expenditure, however non-operational grants (such as those provided for road funding in order to maintain those assets being depreciated) are not able to be shown as operating income. For that reason the majority of regional Local Governments (who are reliant upon grants) show an operating expenditure greater than an operating income. It is impossible for Local Governments reliant upon grants to have a positive ratio.

We contend that if our non-operational grants are taken into account appropriately (that is as part of operating income) we would meet the relevant standards. We therefore urge the department to re-think the way in which these ratios are calculated and to therefore allow Local Government to 'compare apples with apples'.

On the basis of the above reasoning, and as it is impossible to believe that a small regional Local Government could survive without grant funding (for information we are a Shire that is 10,000 square kilometres in size, have a road network of 2,000kms to maintain and a population of around 550 people) at this point in time the Council of Mt Marshall does not intend to take any action in relation to the ratios, as if Capital Grants were included in the ratio calculation the Shire would meet the DLGSCI standard. We will continue to work in a responsible way having regard to the finances available, and the needs of the community.

The details presented in this letter were adopted by both the Mt Marshall Audit Committee at a meeting held on 19 November 2019, and by the full council of Mt Marshall at a meeting held on 17 December 2019.

Should there be any queries please do not hesitate to contact the Chief executive Officer for further details.

Yours faithfully,

John Nuttall  
Chief Executive Officer