



AGENDA

15th of DECEMBER 2022

AUDIT COMMITTEE MEETING

To be held at the Shires Administration Building situated at Gascoyne Junction
commencing at 9:30am

DISCLAIMER

Disclaimer

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations which have not yet been adopted by Council.

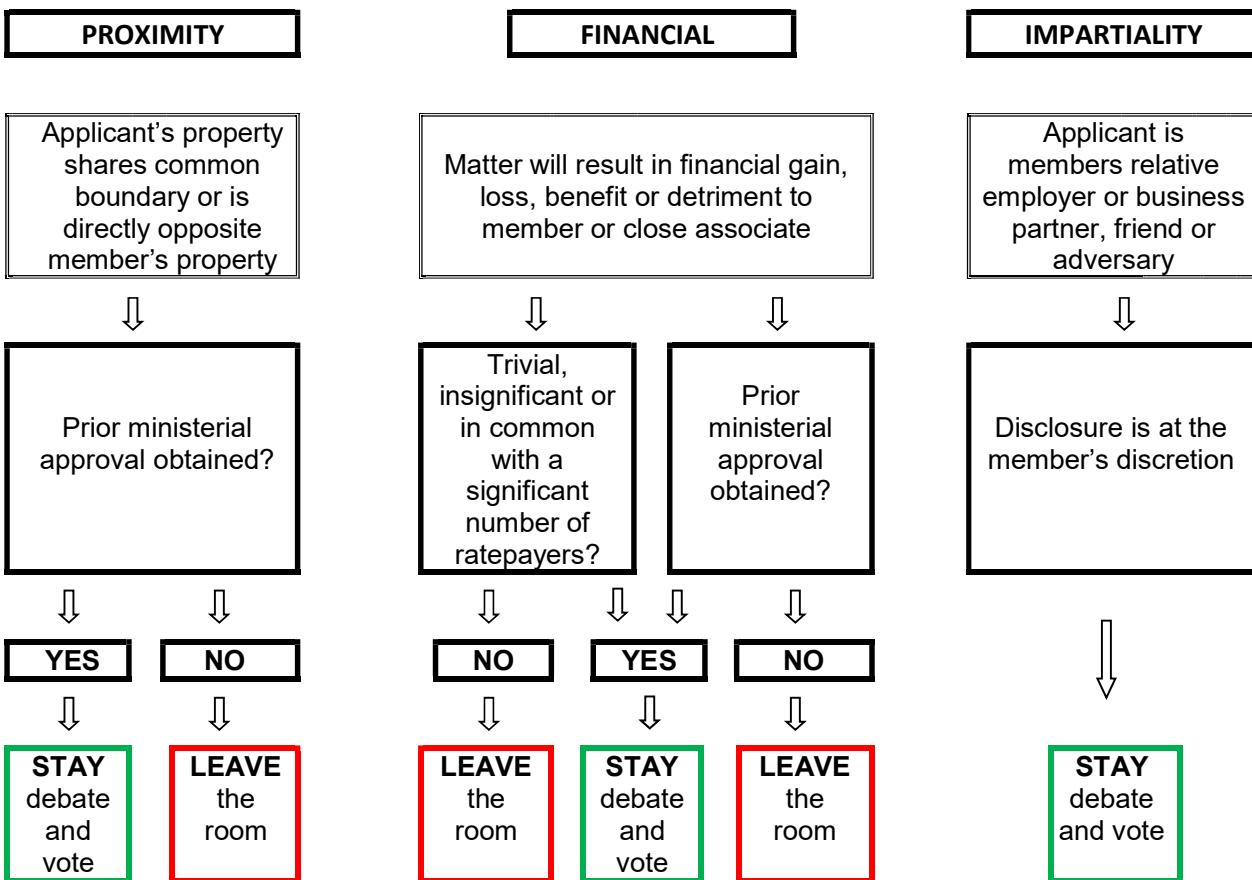
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In particular and without derogating in any way from the broader disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Upper Gascoyne during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Upper Gascoyne. The Shire of Upper Gascoyne warns that anyone who has an application lodged with the Shire of Upper Gascoyne must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attached to the decision made by the Shire of Upper Gascoyne in respect of the application.



John McCleary, JP
CHIEF EXECUTIVE OFFICER

* Declaring an Interest



Local Government Act 1995 - Extract

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defense to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3) This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply).

'Local Government (Administration) Regulations 1996 - Extract

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.



SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION
SHIRE OFFICES ON WEDNESDAY THE 15TH of DECEMBER 2022 9:30AM

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SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION SHIRE
OFFICES ON WEDNESDAY THE 15TH OF DECEMBER 2022 9:30AM

1. DECLARATION OF OPENING / ANNOUNCEMENTS OF VISITORS

The Deputy President welcomed those present and declared the meeting
Open at ____am.

2. APOLOGIES AND APPROVED LEAVE OF ABSENCE

2.1 Councillors

Cr. J. Caunt	Deputy President
Cr. B. Walker	Councillor

Staff

John McCleary JP	Chief Executive Officer
Sa Toomalatai	Manager of Finance and Corporate Services

Visitors

Conley Manifis	Audit Director, William Buck
Travis Bate	Principal Accountant, RSM Australia Pty Ltd

Note: Meeting will be scheduled as an online zoom meeting, however if connectivity is poor, visitors will be attending via teleconference.

2.2 Absentees

Nil

2.3 Leave of Absence previously approved

Cr D. Hammarquist OAM	JP Shire President
Cr A. McKeough	Councillor

3. APPLICATION FOR LEAVE OF ABSENCE

Nil

4. PUBLIC QUESTION TIME

4.1 Questions on Notice

Nil

4.2 Questions without Notice

Nil

5. DISCLOSURE OF INTEREST

Nil

6. PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil

7. ANNOUNCEMENTS BY THE PERSON PRESCIDING WITHOUT DISCUSSION

Nil

8. MATTERS FOR WHICH THE MEETING MAY GO BEHIND CLOSED DOORS

Nil

9. CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS

Committee Resolution No: AC 01122022			
MOVED:	CR:	SECONDED:	CR:
That the Unconfirmed Minutes from the previous Audit Committee Meeting held on the 23 rd of November 2022 be confirmed as a true and correct record of proceedings.			
FOR:	CR	AGAINST:	CR
F/A:	0/0		

10. REPORTS OF OFFICERS

10.1 2021/2022 ANNUAL FINANCIAL REPORT	
Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	Nil
Author/s:	Sa Toomalatai – Manager, Finance & Corporate Services William Buck Auditors & Office of the Auditor General (OAG)
Date:	12 th December 2022
Matters for Consideration:	<ul style="list-style-type: none">To accept the Annual Financial Report for the year ended 30 June 2022 containing the Independent Auditors Report from the Office of the Auditor General (OAG), as contained in Appendix 1.Management Control Issues – To accept the attached Final Management Letter under Appendix 2 and note that these matters have already been discussed with and addressed by Shire management staff.

Background:

At the previous Audit Committee Meeting held on the 23rd November 2022 an Exit Meeting was conducted between the committee, the Office of the Auditor General (OAG) and the Auditors from William Buck to discuss the following matters:

- The draft Financial Statements for the Year ended 30 June 2022.
- The Shire of Upper Gascoyne Report to the Audit Committee from William Buck for the Year ended 30 June 2022.
- The Final Management Letter
- Other pending audit matters.

The Auditors updated the committee on the progress of the 2021/22 End of Year audit and the finalisation of our Annual Financial Report. The general advice received was that the Auditors were happy with how the audit process was tracking and the recommendation was to issue Council with an Unqualified Opinion.

Given the compliance timeframe, it was agreed that staff and the Auditors would work towards having the final draft of the financial report signed off as soon as possible.

<p>Comments:</p>	<p>I am pleased to advise the Audit Committee that the End of Year Audit for 2021/22 is now complete and the following reports have been finalised –</p> <ul style="list-style-type: none"> • The audited 2021/2022 Annual Financial Report signed by the CEO on the 23rd November 2022 • The OAG's Independent Auditors Report issued on the 8th December 2022 <p>Both reports have been combined to form one document and are attached to this agenda under Appendix 1.</p> <p>Furthermore, a Final copy of the Final Management Letter has been issued by the Auditors and is provided to the Audit Committee for review under Appendix 2. The Management Letter identifies some areas that require improvement with regard to the Shire's internal processes and procedures and other areas of recommendation where the Shire might consider an increase in how often the Shire reviews the fair value of their assets.</p> <p>These areas have been discussed at length by staff and the Auditors, and were also raised at the Exit Meeting last month. During these discussions at the Exit Meeting, staff confirmed that changes had been implemented to immediately address these areas of risk or concern and future considerations will be made when assessing the fair value of our asset groups moving forward – this has been noted in the attached report.</p> <p>In addition, it must also be noted that the Auditors advised the Audit Committee, that the finding in relation to the frequency of valuations was not unique to our Shire but had also been stated in the management letters of other Councils. For the 2021/22 period, the Shire still remains compliant with the relevant legislation regarding the timeframe in which Councils are to review and apply fair values, however the recommendation from the Auditors is suggested in preparation of future annual financial statements and to avoid any significant material variances in valuations despite whether or not that particular asset group is due in that year. More of a best practice application for consideration moving forward.</p> <p>Regulation 51 (2) of Section 6.4 of the Local Government Financial Management Regulations 1996, states that after the Annual Financial Report has been audited in accordance with the Act and is signed by the CEO, a copy of the report is to be provided to the Department of Local Government within 30 days of the Local Government receiving the Auditors Report.</p>
<p>Statutory Environment:</p>	<p>Local Government Act 1995 – Division 3 – Conduct of Audit Local Government (Financial Management) Regulations 1996, Part 4, section 6.4</p>
<p>Policy Implications:</p>	<p>Nil</p>

Financial Implications:		Nil			
Strategic Implications:		Civic Leadership – To responsibly manage Council’s financial resources to ensure optimum value for money and sustainable asset management.			
Risk:					
Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk	Risk Action Plan (Controls or Treatment proposed)
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation
Consultation:		Various discussions have taken place between the Shire’s Management team, the Principal Accountant from RSM, the Auditors from William Buck and the OAG during the process undertaken for the 2021/22 Audit.			
Voting requirement:		Simple Majority			
Officer’s Recommendation:		<p><i>That the Audit Committee –</i></p> <ol style="list-style-type: none"> <i>Receive the audited and signed Annual Financial Report for the year ended 30 June 2022 as contained in Appendix 1.</i> <i>Receive the Final Management Letter for the year ended 30 June 2022 as contained in Appendix 2.</i> <i>By way of delegation to the CEO, forwards a copy of the audited and signed 2021/2022 Annual Financial Report, to the Department of Local Government, Sport and Cultural Industries within 30 Days of receiving the report.</i> <i>Recommends that a copy of the audited and signed 2021/2022 Annual Financial Report be presented and received at the next Ordinary Meeting of Council to be held on the 15th December 2022.</i> 			
Council Resolution No: AC02122022					
MOVED:		SECONED:			
FOR:	CR	AGAINST:	CR		
F/A:	0/0				

11. MEETING CLOSURE

The Deputy President closed the meeting at ____pm.

APPENDIX 1

(2021/2022 AUDITED ANNUAL FINANCIAL REPORT)

SHIRE OF UPPER GASCOYNE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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The Shire of Upper Gascoyne conducts the operations of a local government with the following community vision:

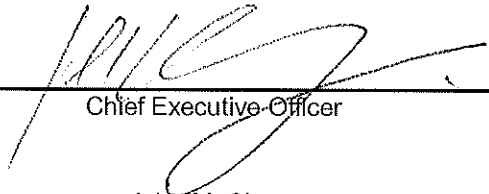
The Shire of Upper Gascoyne will be a sustainable service base supporting the pastoral, tourism sector, mining industries and the local community

Principal place of business:
4 Scott Street
Gascoyne Junction, WA 6705

SHIRE OF UPPER GASCOYNE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The attached financial report of the Shire of Upper Gascoyne for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the Shire of Upper Gascoyne at 30 June 2022 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 23rd day of NOVEMBER 2022



Chief Executive Officer

John McCleary

Name of Chief Executive Officer



**SHIRE OF UPPER GASCOYNE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
Revenue				
Rates	30(a),2(a)	589,190	481,034	417,881
Operating grants, subsidies and contributions	2(a)	19,407,718	20,673,275	18,146,539
Fees and charges	29(c),2(a)	31,198	28,346	31,694
Interest earnings	2(a)	9,246	19,000	16,290
Other revenue	2(a)	452,448	334,907	264,716
		20,489,800	21,536,562	18,877,120
Expenses				
Employee costs		(1,416,268)	(1,519,235)	(1,125,687)
Materials and contracts		(14,669,262)	(18,560,674)	(16,797,800)
Utility charges		(160,636)	(156,385)	(148,154)
Depreciation	10(a)	(3,241,695)	(3,204,622)	(3,149,104)
Finance costs	2(b)	(205,918)	(44,844)	(47,360)
Insurance		(245,069)	(250,306)	(228,448)
Other expenditure	2(b)	(54,499)	(70,800)	(79,185)
		(19,993,347)	(23,806,866)	(21,575,738)
		496,453	(2,270,304)	(2,698,618)
Capital grants, subsidies and contributions	2(a)	8,598,678	7,679,889	3,421,669
Profit on asset disposals	10(d)	33,000	33,000	-
Loss on asset disposals	10(d)	-	(2,000)	(9,852)
Fair value adjustments to financial assets at fair value through profit or loss		3,292	-	-
Loss on revaluation of land and buildings	8(a)	(165,244)	-	-
		8,469,726	7,710,889	3,411,817
Net result for the period	29(b)	8,966,179	5,440,585	713,199
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	(405,287)	-	-
Total other comprehensive income for the period		(405,287)	-	-
Total comprehensive income for the period		8,560,892	5,440,585	713,199

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

**SHIRE OF UPPER GASCOYNE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents	3	9,653,321	5,273,970
Trade and other receivables	5	476,243	801,393
Inventories	6	135,451	102,670
Other assets	7	1,715,110	2,631,539
TOTAL CURRENT ASSETS		11,980,125	8,809,572
NON-CURRENT ASSETS			
Other financial assets	4(a)	38,902	35,610
Property, plant and equipment	8	10,764,482	11,284,648
Infrastructure	9	87,407,224	82,023,230
Right-of-use assets	11(a)	16,621	-
TOTAL NON-CURRENT ASSETS		98,227,229	93,343,488
TOTAL ASSETS		110,207,354	102,153,060
CURRENT LIABILITIES			
Trade and other payables	12	2,125,206	2,549,395
Other liabilities	14	1,820,117	2,788,897
Lease liabilities	11(b)	6,693	-
Short term borrowings	13	2,814,946	1,887,991
Borrowings	15	126,842	133,365
Employee related provisions	16	299,805	231,030
TOTAL CURRENT LIABILITIES		7,193,609	7,590,678
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	9,973	-
Borrowings	15	858,426	985,267
Employee related provisions	16	70,384	63,045
TOTAL NON-CURRENT LIABILITIES		938,783	1,048,312
TOTAL LIABILITIES		8,132,392	8,638,990
NET ASSETS		102,074,962	93,514,070
EQUITY			
Retained surplus		48,013,008	39,446,185
Reserve accounts	33	2,436,485	2,037,129
Revaluation surplus	17	51,625,469	52,030,756
TOTAL EQUITY		102,074,962	93,514,070

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



William Buck Audit (WA) Pty Ltd

**SHIRE OF UPPER GASCOYNE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	RETAINED SURPLUS	RESERVE ACCOUNTS	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2020		39,400,577	1,369,538	52,030,756	92,800,871
Comprehensive income for the period					
Net result for the period		713,199	-	-	713,199
Total comprehensive income for the period		713,199	-	-	713,199
Transfers from reserves	33	100,000	(100,000)	-	-
Transfers to reserves	33	(767,591)	767,591	-	-
Balance as at 30 June 2021		39,446,185	2,037,129	52,030,756	93,514,070
Comprehensive income for the period					
Net result for the period		8,966,179	-	-	8,966,179
Other comprehensive income for the period	17	-	-	(405,287)	(405,287)
Total comprehensive income for the period		8,966,179	-	(405,287)	8,560,892
Transfers from reserves	33	384,770	(384,770)	-	-
Transfers to reserves	33	(784,126)	784,126	-	-
Balance as at 30 June 2022		48,013,008	2,436,485	51,625,469	102,074,962

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

William Buck Audit (WA) Pty Ltd



**SHIRE OF UPPER GASCOYNE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		603,372	481,034	411,367
Operating grants, subsidies and contributions		20,572,561	20,673,275	15,218,502
Fees and charges		34,637	28,346	126,838
Interest received		9,246	19,000	16,290
Goods and services tax received		51,319	-	136,232
Other revenue		452,448	334,907	264,716
		21,723,583	21,536,562	16,173,945
Payments				
Employee costs		(1,353,271)	(1,519,235)	(1,063,941)
Materials and contracts		(15,112,903)	(18,560,674)	(15,676,293)
Utility charges		(160,636)	(156,385)	(148,154)
Finance costs		(205,918)	(44,844)	(47,670)
Insurance paid		(245,069)	(250,306)	(228,448)
Other expenditure		(46,915)	(70,800)	(79,185)
		(17,124,712)	(20,602,244)	(17,243,691)
Net cash provided by / (used in) operating activities	18(b)	4,598,871	934,318	(1,069,746)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(816,954)	(2,193,314)	(935,049)
Payments for construction of infrastructure	9(a)	(7,870,776)	(6,500,872)	(6,499,419)
Non-operating grants, subsidies and contributions		7,629,898	7,679,889	3,421,669
Proceeds from sale of property, plant & equipment	10(d)	48,000	53,000	25,227
Net cash provided by / (used in) investing activities		(1,009,832)	(961,297)	(3,987,572)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	32(a)	(133,364)	(123,011)	(98,083)
Payments for principal portion of lease liabilities	32(d)	(3,279)	-	-
Proceeds from new borrowings	32(a)	-	-	450,000
Net cash provided by / (used in) financing activities		(136,643)	(123,011)	351,917
Net increase / (decrease) in cash held		3,452,396	(149,990)	(4,705,401)
Cash at beginning of year		3,385,979	3,385,975	8,091,380
Cash and cash equivalents at the end of the year	18(a)	6,838,375	3,235,985	3,385,979

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

William Buck Audit (WA) Pty Ltd



SHIRE OF UPPER GASCOYNE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual	2022 Budget	2021 Actual
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	31(b)	\$ (577,196)	\$ (353,499)	\$ 3,232,910
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Rates (excluding general rate)	30(b)	67,742	(40,414)	(33,749)
Operating grants, subsidies and contributions		19,407,718	20,673,275	18,146,539
Fees and charges		31,198	28,346	31,694
Interest earnings		9,246	19,000	16,290
Other revenue		452,448	334,907	264,716
Profit on asset disposals	10(d)	33,000	33,000	-
Fair value adjustments to financial assets at fair value through profit or loss		3,292	-	-
		20,004,644	21,048,114	18,425,490
Expenditure from operating activities				
Employee costs		(1,416,268)	(1,519,235)	(1,125,687)
Materials and contracts		(14,669,262)	(18,560,674)	(16,797,800)
Utility charges		(160,636)	(156,385)	(148,154)
Depreciation		(3,241,695)	(3,204,622)	(3,149,104)
Finance costs		(205,918)	(44,844)	(47,360)
Insurance		(245,069)	(250,306)	(228,448)
Other expenditure		(54,499)	(70,800)	(79,185)
Loss on asset disposals	10(d)	-	(2,000)	(9,852)
Loss on revaluation of non-current assets		(165,244)	-	-
		(20,158,591)	(23,808,866)	(21,585,590)
Non-cash amounts excluded from operating activities	31(a)	3,377,986	3,161,186	3,201,610
Amount attributable to operating activities		3,224,039	400,434	41,510
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		8,598,678	7,679,889	3,421,669
Proceeds from disposal of assets	10(d)	48,000	53,000	25,227
Purchase of property, plant and equipment	8(a)	(816,954)	(2,193,314)	(935,049)
Purchase and construction of infrastructure	9(a)	(7,870,776)	(6,500,872)	(6,499,419)
Amount attributable to investing activities		(41,052)	(961,297)	(3,987,572)
FINANCING ACTIVITIES				
Repayment of borrowings	32(a)	(133,364)	(123,011)	(98,083)
Proceeds from borrowings	32(a)	-	-	450,000
Payments for principal portion of lease liabilities	32(d)	(3,279)	-	-
Transfers to reserves (restricted assets)	33	(784,126)	(86,780)	(767,591)
Transfers from reserves (restricted assets)	33	384,770	602,705	100,000
Amount attributable to financing activities		(535,999)	392,914	(315,674)
Surplus/(deficit) before imposition of general rates		2,069,792	(521,448)	(1,028,826)
Total amount raised from general rates	30(a)	521,448	521,448	451,630
Surplus/(deficit) after imposition of general rates	31(b)	2,591,240	-	(577,196)

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

William Buck Audit (WA) Pty Ltd



**SHIRE OF UPPER GASCOYNE
FOR THE YEAR ENDED 30 JUNE 2022
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**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

1. BASIS OF PREPARATION

Basis of preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings and other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost. 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 financial 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.

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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 of the financial report.

Judgements and 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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets.
- impairment of financial assets.
- estimation of fair values of land and buildings, and infrastructure.
- estimation uncertainties made in relation to lease accounting.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Rates	General rates.	Over time.	Payment dates adopted by Council during the year.	None.	When rates notice is issued.
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services.	Over time.	Fixed terms transfer of funds based on agreed milestones and reporting.	Contract obligation if project not complete.	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared.
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government.	Over time.	Fixed terms transfer of funds based on agreed milestones and reporting.	Contract obligation if project not complete.	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared.
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment.	No obligations.	Not applicable.	Not applicable.	When assets are controlled.
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time.	Full payment prior to issue.	None.	On payment and issue of the licence, registration or approval.
Other inspections	Regulatory Food, Health and Safety.	Single point in time.	Full payment prior to inspection.	None.	Revenue recognised after inspection event occurs.
Waste management collection	Kerbside collection service.	Over time.	Payment on an annual basis in advance.	None.	Output method based on regular weekly and fortnightly period as proportionate to collection service.
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites.	Single point in time.	Payment in advance at gate or on normal trading terms if credit provided.	None.	On entry to facility.
Property hire and entry	Use of halls and facilities.	Single point in time.	In full in advance.	Refund if event cancelled within 7 days.	On entry or at conclusion of hire.
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works.	Single point in time.	Payment in full in advance.	None.	Output method based on provision of service or completion of works.

Consideration from contracts with customers is included in the transaction price.

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature or types of goods or services is provided in the table below:

For the year ended 30 June 2022

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	-	-	589,190	-	589,190
Operating grants, subsidies and contributions	19,407,718	-	-	-	19,407,718
Fees and charges	31,198	-	-	-	31,198
Interest earnings	-	-	3,881	5,365	9,246
Other revenue	452,448	-	-	-	452,448
Non-operating grants, subsidies and contributions	-	8,598,678	-	-	8,598,678
Total	19,891,364	8,598,678	593,071	5,365	29,088,478

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

For the year ended 30 June 2021

Nature or type	Contracts with	Capital	Statutory	Other	Total
	customers	grant/contributions	Requirements		
	\$	\$	\$	\$	\$
Rates	-	-	417,881	-	417,881
Operating grants, subsidies and contributions	18,146,539	-	-	-	18,146,539
Fees and charges	31,694	-	-	-	31,694
Interest earnings	-	-	7,929	8,361	16,290
Other revenue	264,716	-	-	-	264,716
Non-operating grants, subsidies and contributions	-	3,421,669	-	-	3,421,669
Total	18,442,949	3,421,669	425,810	8,361	22,298,789

Note	2022	2022	2021
	Actual	Budget	Actual
	\$	\$	\$
Assets and services acquired below fair value			
Contributed assets	-	-	-
Recognised volunteer services	-	-	-
Interest earnings			
Interest on reserve funds	78	5,000	1,796
Rates instalment and penalty interest (refer Note 30(f))	3,881	4,000	7,929
Other interest earnings	5,287	10,000	6,565
	9,246	19,000	16,290
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report	37,700	48,000	45,000
- Other services	3,000	-	-
	40,700	48,000	45,000
Finance costs			
Borrowings	32(a)	22,650	29,844
WA Treasury loan guarantee fee		7,298	-
ATO		-	191
Interest on overdraft		175,869	15,000
Lease liabilities	32(d)	101	-
		205,918	44,844
Other expenditure			
Impairment losses / (writeback) on rates receivables		(4,145)	-
Impairment losses on receivables from contracts with customers		7,584	-
Sundry expenses		51,060	70,800
		54,499	70,800
			47,360
			6,189
			14,065
			58,931
			79,185

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand
Term deposits
Total cash and cash equivalents

Held as
- Unrestricted cash and cash equivalents
- Restricted cash and cash equivalents

Note	2022	2021
	\$	\$
	7,216,747	3,236,843
	2,436,574	2,037,127
18(a)	9,653,321	5,273,970
	5,346,077	102,823
18(a)	4,307,244	5,171,147
	9,653,321	5,273,970

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 and which are subject to an insignificant risk of changes in value.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

Details of restrictions on financial assets can be found at Note 18.

4. OTHER FINANCIAL ASSETS

(a) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2022	2021
	\$	\$
	38,902	35,610
	38,902	35,610
	38,902	35,610
	38,902	35,610

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.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 28 (i)) due to the observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

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 27.

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

5. TRADE AND OTHER RECEIVABLES

	Note	2022 \$	2021 \$
Current			
Rates receivable		51,923	66,317
Trade and other receivables		521,054	777,052
GST receivable		66	51,385
Receivables for employee related provisions	16	23,082	23,082
Allowance for credit losses of trade and other receivables	27(b)	(111,468)	(103,884)
Allowance for credit losses of rates receivables	27(b)	(8,414)	(12,559)
		476,243	801,393
Rates outstanding			
Past due and not impaired		43,509	53,758
Impaired		8,414	12,559
		51,923	66,317
Sundry debtors			
Past due and not impaired		409,586	673,168
Impaired		111,468	103,884
		521,054	777,052

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 grants, contributions, reimbursements, and goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

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 27.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire 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.

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

6. INVENTORIES

Current

Fuel and materials
Land held for resale
Cost of acquisition

2022	2021
\$	\$
132,951	100,170
2,500	2,500
135,451	102,670

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year
Additions to inventory
Balance at end of year

102,670	137,223
(16,339)	(48,970)
49,120	14,417
135,451	102,670

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.

Land held for resale

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

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

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

7. OTHER ASSETS

Other assets - current

Contract assets

2022	2021
\$	\$
1,715,110	2,631,539
1,715,110	2,631,539

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.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

Contract assets

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at note 2 (b).

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Note	Land \$	Buildings - non- specialised \$	Buildings - specialised \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Total property, plant and equipment \$
Balance at 1 July 2020		834,000	1,545,326	6,305,288	8,684,614	69,372	2,193,173	10,947,159
Additions		-	195,953	213,278	409,231	-	525,818	935,049
Disposals		-	-	-	-	-	(35,079)	(35,079)
Depreciation	10(a)	-	(17,154)	(116,173)	(133,327)	(23,531)	(405,623)	(562,481)
Balance at 30 June 2021		834,000	1,724,125	6,402,393	8,960,518	45,841	2,278,289	11,284,648
Comprises:								
Gross balance amount at 30 June 2021		834,000	1,812,678	6,815,454	9,462,132	105,883	3,346,948	12,914,963
Accumulated depreciation at 30 June 2021		-	(88,553)	(413,061)	(501,614)	(60,042)	(1,068,659)	(1,630,315)
Balance at 30 June 2021		834,000	1,724,125	6,402,393	8,960,518	45,841	2,278,289	11,284,648
Additions		-	403,729	177,577	581,306	6,645	229,003	816,954
Disposals		-	-	-	-	-	(15,000)	(15,000)
Revaluation increments / (decrements) transferred to revaluation surplus		(283,000)	(602,881)	480,594	(405,287)	-	-	(405,287)
Revaluation (loss) / reversals transferred to profit or loss		-	(165,244)	-	(165,244)	-	-	(165,244)
Depreciation	10(a)	-	(7,229)	(138,215)	(145,444)	(20,346)	(395,360)	(561,150)
Transfers		-	-	(190,439)	(190,439)	-	-	(190,439)
Balance at 30 June 2022		551,000	1,352,500	6,731,910	8,635,410	32,140	2,096,932	10,764,482
Comprises:								
Gross balance amount at 30 June 2022		551,000	1,352,893	6,731,910	8,635,803	112,528	3,530,953	12,279,284
Accumulated depreciation at 30 June 2022		-	(393)	-	(393)	(80,388)	(1,434,021)	(1,514,802)
Balance at 30 June 2022		551,000	1,352,500	6,731,910	8,635,410	32,140	2,096,932	10,764,482

* Asset additions included additions received at substantially less than fair value:

During the year ended 30 June 2021	-	-	-	-	-	-	-	-
During the year ended 30 June 2022	-	-	-	-	-	-	-	-

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings						
Land		2	Market approach using recent observable market data for similar properties	Independent registered valuer	2022	Price per hectare or sales comparison
Buildings - non-specialised		2	Market approach using recent observable market data for similar properties	Independent registered valuer	2022	Price per square metre / market borrowing rate
Buildings - specialised		3	Cost approach using depreciated replacement cost	Independent registered valuer	2022	Construction costs and current condition, residual values and remaining useful life assessments 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

(ii) Cost

Furniture and equipment

Cost Purchase cost

Plant and equipment

Cost Purchase cost

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Note	Infrastructure - roads	Other infrastructure	Work in progress	Total Infrastructure
Balance at 1 July 2020		\$ 73,257,004	\$ 4,730,499	\$ 122,931	\$ 78,110,434
Additions		4,934,480	1,564,939	-	6,499,419
Depreciation	10(a)	(2,444,358)	(142,265)	-	(2,586,623)
Balance at 30 June 2021		75,747,126	6,153,173	122,931	82,023,230
Comprises:					
Gross balance at 30 June 2021		124,120,115	6,559,610	122,931	130,802,656
Accumulated depreciation at 30 June 2021		(48,372,989)	(406,437)	-	(48,779,426)
Balance at 30 June 2021		75,747,126	6,153,173	122,931	82,023,230
Additions		6,218,952	1,651,824	-	7,870,776
Depreciation	10(a)	(2,458,579)	(218,642)	-	(2,677,221)
Transfers		-	190,439	-	190,439
Balance at 30 June 2022		79,507,499	7,776,794	122,931	87,407,224
Comprises:					
Gross balance at 30 June 2022		130,339,067	8,439,058	122,931	138,901,056
Accumulated depreciation at 30 June 2022		(50,831,568)	(662,264)	-	(51,493,832)
Balance at 30 June 2022		79,507,499	7,776,794	122,931	87,407,224

* Asset additions included additions received at substantially less than fair value:

During the year ended 30 June 2021	-	-	-	-	-
During the year ended 30 June 2022	-	-	-	-	-

SHIRE OF UPPER GASCOYNE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value	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 (gross valuation method)	Management valuation	2020	Construction costs and current condition, residual values and remaining useful life assessments inputs
	Other infrastructure	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments 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.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS

(a) Depreciation

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings - non-specialised	8(a)	7,229	-	17,154
Buildings - specialised	8(a)	138,215	130,500	116,173
Furniture and equipment	8(a)	20,346	23,400	23,531
Plant and equipment	8(a)	395,360	461,322	405,623
Infrastructure - roads	9(a)	2,458,579	2,444,400	2,444,358
Other infrastructure	9(a)	218,642	145,000	142,265
Right-of-use assets - plant and equipment	11(a)	3,324	-	-
		3,241,695	3,204,622	3,149,104

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 80 years*
Furniture and equipment	1 to 20 years
Plant and equipment	1 to 25 years
Other infrastructure	5 to 50 years
Sealed roads and streets	
formation	not depreciated
pavement	39 years
seal	20 years
Formed subgrade	not depreciated
Unformed subgrade	not depreciated
Gravel roads	
formation	not depreciated
pavement	28 years
Footpaths - slab	40 years
Drainage	30 - 108 years
Bridges	100 years

* The estimated useful lives and residual values of the Buildings asset class have been revised at 30 June 2022. Refer to note 34 for details of the change in accounting estimate.

(b) Temporarily Idle or retired from use assets

The Shire did not hold any temporarily idle or retired assets not classified as for sale at balance date.

(c) Fully Depreciated Assets in Use

	2022 \$	2021 \$
The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.		
Buildings - non-specialised	393	393
Furniture and equipment	34,450	24,950
Plant and equipment	263,203	201,203
Other infrastructure	35,000	-
	333,046	226,546

SHIRE OF UPPER GASCOYNE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

(d) Disposals of assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	15,000	48,000	33,000	-	22,000	53,000	33,000	(2,000)	35,079	25,227	-	(9,852)
	15,000	48,000	33,000	-	22,000	53,000	33,000	(2,000)	35,079	25,227	-	(9,852)

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
Plant and Equipment				
Transport				
Roller: Bomag BW216D-4	15,000	48,000	33,000	-
	15,000	48,000	33,000	-

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, 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 that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates 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 revaluation date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

At the end of each period the carrying amount for each asset class 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 land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

Revaluation (continued)

For property, plant and equipment and infrastructure, 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. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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 on revaluation

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

- (i) 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
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

SHIRE OF UPPER GASCOYNE
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11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Note	Right-of-use assets - plant and equipment \$	Right-of-use assets Total \$
Balance at 1 July 2020		-	-
Balance at 30 June 2021		-	-
Additions		19,945	19,945
Depreciation	10(a)	(3,324)	(3,324)
Balance at 30 June 2022		16,621	16,621

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	Note	2022 Actual \$	2021 Actual \$
Depreciation on right-of-use assets	10(a)	3,324	-
Interest expense on lease liabilities	32(d)	101	-
Total amount recognised in the statement of comprehensive income		3,425	-
Total cash outflow from leases		(3,178)	-
(b) Lease Liabilities			
Current		6,693	-
Non-current	32(d)	9,973	-
		16,666	-

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 32(d).

Right-of-use assets - valuation measurement

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

**SHIRE OF UPPER GASCOYNE
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12. TRADE AND OTHER PAYABLES

Current

Sundry creditors	1,050,824	2,229,472
Prepaid rates	-	212
Accrued payroll liabilities	37,339	50,456
Bonds and deposits held	50,642	50,642
Retentions held for the Gascoyne River Bridge Project	6,171	6,171
Accrued expenses	980,230	212,442
	2,125,206	2,549,395

	2022	2021
	\$	\$
Sundry creditors	1,050,824	2,229,472
Prepaid rates	-	212
Accrued payroll liabilities	37,339	50,456
Bonds and deposits held	50,642	50,642
Retentions held for the Gascoyne River Bridge Project	6,171	6,171
Accrued expenses	980,230	212,442
	2,125,206	2,549,395

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are initially recognised at fair value when the Shire becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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.

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 of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

13. SHORT-TERM BORROWINGS

Unsecured

Bank overdraft	2,814,946	1,887,991
Represented by:		
Unrestricted – WANDRRA* overdraft ^(a)	2,814,946	-
Restricted funds held	-	-
	2,814,946	1,887,991

	2022	2021
	\$	\$
Bank overdraft	2,814,946	1,887,991
Represented by:		
Unrestricted – WANDRRA* overdraft ^(a)	2,814,946	-
Restricted funds held	-	-
	2,814,946	1,887,991

The following restrictions have been imposed by regulations or other externally imposed requirements:

Unspent Grants	-	-
Unspent Loans	-	-
	-	-

* Western Australia Natural Disaster Relief and Recovery

(a) The bank overdraft is repayable on demand and forms an integral part of the Shire's cash management. The overdraft was established for the purpose of managing cash flow for road flood damage repairs in 2017. The amount of the overdraft brought forward on 1 July 2021 was \$1,887,991. The overdraft has increased by \$926,955 during the financial year. At 30 June 2022 the balance of the overdraft was \$2,814,946. The interest rate on the overdraft at 30 June 2022 was 7.28% (2021: 6.53%).

Sensitivity analysis

Profit or loss is sensitive to higher/lower interest income from overdrafts as a result of changes in interest rates.

Impact of a 1% movement in interest rates on profit and loss and equity*

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	28,149	18,880

* Holding all other variables constant

SIGNIFICANT ACCOUNTING POLICIES

Bank overdrafts that form an integral part of the Shire's cash management are included as a component of cash and cash equivalents.

Cash flows exclude movements between items that

constitute cash or cash equivalents because these components are part of the cash management of the Shire rather than part of its operating, investing and financing activities. The reconciliation of cash and cash equivalents is outlined in Note 18.

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

14. OTHER LIABILITIES

Current

Capital grant/contributions liabilities

Reconciliation of changes in capital grant/contribution liabilities

Opening balance

Additions

Revenue from capital grant/contributions held as a liability at the start of the period

Expected satisfaction of capital grant/contribution liabilities

Less than 1 year

	2022	2021
	\$	\$
Capital grant/contributions liabilities	1,820,117	2,788,897
	<u>1,820,117</u>	<u>2,788,897</u>
Opening balance	2,788,897	-
Additions	1,820,117	2,788,897
Revenue from capital grant/contributions held as a liability at the start of the period	(2,788,897)	-
	<u>1,820,117</u>	<u>2,788,897</u>
Less than 1 year	1,820,117	2,788,897
	<u>1,820,117</u>	<u>2,788,897</u>

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 28(i)) due to the unobservable inputs, including own credit risk.

**SHIRE OF UPPER GASCOYNE
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15. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Loans		126,842	858,426	985,268	133,365	985,267	1,118,632
Total secured borrowings	32(a)	126,842	858,426	985,268	133,365	985,267	1,118,632

Secured liabilities and assets pledged as security

The Shire of Upper Gascoyne has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

SIGNIFICANT ACCOUNTING POLICIES

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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 28(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 27.

Details of individual borrowings required by regulations are provided at Note 32(a).

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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16. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual Leave

Long Service Leave

Non-current provisions

Long Service Leave

	2022	2021
	\$	\$
	148,315	123,666
	151,490	107,364
	299,805	231,030
	70,384	63,045
	70,384	63,045
	370,189	294,075

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

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

Note	2022	2021
	\$	\$
	175,766	207,948
	194,423	86,127
	370,189	294,075

Expected reimbursements of employee related provisions from other WA local governments included within other receivables

5	(23,082)	(23,082)
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SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

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

Long-term employee benefits provisions 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 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.

SHIRE OF UPPER GASCOYNE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

17. REVALUATION SURPLUS

	2022	2022	2022	2022	2022	2021	2021	2021	2021	2021	2021	2021	2021
	Opening	Revaluation	Revaluation	Total	2022	Opening	Revaluation	Revaluation	Total	Opening	Revaluation	Revaluation	2021
	Balance	Increment	(Decrement)	Movement on	Closing	Balance	Increment	(Decrement)	Movement on	Balance	Increment	(Decrement)	Closing
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	293,272	-	(283,000)	(283,000)	10,272	293,272	-	-	-	293,272	-	-	293,272
Buildings	122,287	480,594	(602,881)	(122,287)	-	122,287	-	-	-	122,287	-	-	122,287
Infrastructure - roads	51,132,688	-	-	-	51,132,688	51,132,688	-	-	-	51,132,688	-	-	51,132,688
Other infrastructure	482,509	-	-	-	482,509	482,509	-	-	-	482,509	-	-	482,509
	52,030,756	480,594	(885,881)	(405,287)	51,625,469	52,030,756	-	-	-	52,030,756	-	-	52,030,756

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.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	9,653,321	3,235,985	5,273,970
Short-term borrowings - bank overdraft	13	(2,814,946)	-	(1,887,991)
		<u>6,838,375</u>	<u>3,235,985</u>	<u>3,385,979</u>

Restrictions

The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents	3	4,307,244	1,520,689	5,171,147
		<u>4,307,244</u>	<u>1,520,689</u>	<u>5,171,147</u>

The restricted financial assets are a result of the following specific purposes to which the assets may be used:

Restricted reserve accounts	33	2,436,485	1,520,689	2,037,129
Contract liabilities form contracts with customers	14	1,820,117	-	2,788,897
Bonds and deposits held	12	50,642	-	50,642
Unspent loans	32(c)	-	-	294,479
Total restricted financial assets		<u>4,307,244</u>	<u>1,520,689</u>	<u>5,171,147</u>

(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities

Net result		8,966,179	5,440,585	713,199
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(3,292)	-	-
Depreciation		3,241,695	3,204,622	3,149,104
(Profit)/loss on sale of asset		(33,000)	(31,000)	9,852
Loss on revaluation of fixed assets		165,244	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		325,150	-	23,537
(Increase)/decrease in other assets		916,429	-	-
(Increase)/decrease in contract assets		-	-	74,890
(Increase)/decrease in inventories		(32,781)	-	34,553
Increase/(decrease) in trade and other payables		(424,189)	-	1,106,050
Increase/(decrease) in employee related provisions		76,114	-	37,964
Increase/(decrease) in accrued interest		-	-	(310)
Increase/(decrease) in other liabilities		(968,780)	-	(2,796,916)
Non-operating grants, subsidies and contributions		(7,629,898)	(7,679,889)	(3,421,669)
Net cash provided by/(used in) operating activities		<u>4,598,871</u>	<u>934,318</u>	<u>(1,069,746)</u>

**(c) Undrawn Borrowing Facilities
Credit Standby Arrangements**

Bank overdraft limit		4,200,000		4,200,000
Bank overdraft at balance date		(2,814,946)		(1,887,991)
WATC short term lending facility limit		3,000,000		3,000,000
WATC short term lending facility at balance date		-		-
Credit card limit		10,000		10,000
Credit card balance at balance date		-		(9,763)
Total amount of credit unused		<u>4,395,054</u>		<u>5,312,246</u>

Loan facilities

Loan facilities - current		126,842		133,365
Loan facilities - non-current		858,426		985,267
Total facilities in use at balance date		<u>985,268</u>		<u>1,118,632</u>

Unused loan facilities at balance date

NIL NIL

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

19. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities.

20. CAPITAL COMMITMENTS

	2022	2021
	\$	\$
Contracted for:		
- capital expenditure projects	849,974	3,171,245
- plant & equipment purchases	96,525	-
	946,499	3,171,245
Payable:		
- not later than one year	946,499	3,171,245

21. JOINT ARRANGEMENTS

The Shire is not involved in any joint arrangements at the reporting date.

22. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Shire.

23. TRUST FUNDS

The Shire did not have any funds held at balance date over which it has no control.

24. MAJOR LAND TRANSACTIONS

The Shire did not have any major land transactions during the financial year.

25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire was not involved in any trading undertakings or major trading undertakings during the financial year.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

26. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cr. Donald Hammarquist			
President's annual allowance	20,063	20,063	20,063
Meeting attendance fees	19,534	19,534	19,534
Other expenses	146	286	177
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	1,477	1,500	159
Annual allowance for travel and accommodation expenses	5,663	3,500	5,861
	50,383	48,383	49,294
Cr. James Caunt			
Deputy President's annual allowance	5,015	5,015	5,015
Meeting attendance fees	9,504	9,504	9,504
Other expenses	1,814	286	-
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	427	1,500	133
Annual allowance for travel and accommodation expenses	802	3,500	974
	21,062	23,305	19,126
Cr. Blanche Walker			
Meeting attendance fees	9,504	9,504	9,504
Other expenses	-	286	177
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	427	1,500	133
	13,431	14,790	13,314
Cr. Gregory Watters			
Meeting attendance fees	9,504	9,504	9,504
Other expenses	164	286	177
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	1,055	1,500	981
Annual allowance for travel and accommodation expenses	4,972	3,500	5,638
	19,195	18,290	19,800
Cr. Raymond Hoseason-Smith			
Meeting attendance fees	9,504	9,504	9,504
Other expenses	-	286	-
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	591	1,500	380
Annual allowance for travel and accommodation expenses	1,943	3,500	1,727
	15,538	18,290	15,111
Cr. Leane Alys McKeough			
Meeting attendance fees	9,504	9,504	9,504
Other expenses	4,461	285	22
ICT expenses	-	-	257
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	1,579	1,500	3,883
Annual allowance for travel and accommodation expenses	1,858	3,500	1,980
	20,902	18,289	19,146
Cr. Hamish McTaggart			
Meeting attendance fees	9,504	9,504	9,504
Other expenses	-	285	585
Annual allowance for ICT expenses	3,500	3,500	3,500
Travel and accommodation expenses	1,131	1,500	133
Annual allowance for travel and accommodation expenses	727	3,500	178
	14,862	18,289	13,900
	155,373	159,636	149,691

**SHIRE OF UPPER GASCOYNE
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26. RELATED PARTY TRANSACTIONS (Continued)

(a) Elected Member Remuneration (Continued)

Fees, expenses and allowances to be paid or reimbursed to elected council members.

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
President's annual allowance	20,063	20,063	20,063
Deputy President's annual allowance	5,015	5,015	5,015
Meeting attendance fees	76,558	76,558	76,558
Other expenses	6,585	2,000	1,138
ICT expenses	-	-	257
Annual allowance for ICT expenses	24,500	24,500	24,500
Travel and accommodation expenses	6,687	10,500	5,802
Annual allowance for travel and accommodation expenses	15,965	21,000	16,358
26(b)	155,373	159,636	149,691

(b) Key Management Personnel (KMP) Compensation

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

	2022 Actual	2021 Actual
	\$	\$
Short-term employee benefits	504,403	456,691
Post-employment benefits	56,213	51,521
Employee - other long-term benefits	38,887	72,200
Council member costs	155,373	149,691
26(a)	754,876	730,103

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

(c) 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 guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2022 Actual	2021 Actual
	\$	\$
Sale of goods and services		
- Other related parties	579	400
	579	400
Purchase of goods and services		
- Other related parties	114,722	302,094
Amounts payable to related parties:		
Trade and other payables		
- Other related parties	13,621	-

SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30 JUNE 2022

26. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties (Continued)

Purchases of goods and services from other related parties, relate to five (2021: five) companies controlled by related parties of elected members contracted on terms and conditions equivalent for those that prevail in arm's length transactions under the Shire's procurement processes. Details in relation to these transactions are as follows:

A company controlled by a related party of an elected member was awarded a contract under a tender process for bull dozer services and plant hire with a value of \$35,862 (2021: \$247,156).

A company controlled by a related party of an elected member provided labour hire grader operator services and road signage installation with a value of \$38,747 (2021: \$44,679).

A company controlled by a related party of an elected member provided emergency works and maintenance grading services with a value of \$31,883 (2021: \$0).

A company controlled by a related party of an elected member provided accommodation and catering with a value of \$5,260 (2021: \$2,922).

A company controlled by a related party of an elected member provided catering service with a value of \$2,970 (2021 \$2,110).

A company controlled by a related party of an elected member provided machinery hire services with a value of \$5,227 in 2021. No services were provided in 2022.

(d) 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 council member, are considered key management personnel.

ii. Other Related Parties

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

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

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.

**SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30 JUNE 2022**

27. 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 rates	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, term deposits, and Treasury bonds 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
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	0.62%	9,653,321	2,436,574	7,215,847	900
2021					
Cash and cash equivalents	0.13%	5,273,970	-	5,273,070	900

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	72,158	52,740

* Holding all other variables constant

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 32(a).

SHIRE OF UPPER GASCOYNE
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27. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other 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 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 2021 or 1 July 2022 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.

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	16.18%	16.23%	16.23%	16.22%		
Gross carrying amount	346	32,092	7,851	11,572	51,861	
Loss allowance	56	5,207	1,274	1,877	8,414	5
30 June 2021						
Rates receivable						
Expected credit loss	18.94%	18.94%	18.94%	18.94%		
Gross carrying amount	44,049	11,073	6,095	5,100	66,317	
Loss allowance	8,342	2,097	1,154	966	12,559	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Less than 1 year past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	Note
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	54.98%		
Gross carrying amount	304,824	13,503	-	202,726	521,053	
Loss allowance	-	-	-	111,468	111,468	5
30 June 2021						
Trade and other receivables						
Expected credit loss	1.69%	0.00%	100.00%	99.44%		
Gross carrying amount	468,706	211,862	6,552	89,932	777,052	
Loss allowance	7,900	-	6,552	89,432	103,884	5

SHIRE OF UPPER GASCOYNE
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27. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	Rates receivable		Trade and other receivables	
	2022	2021	2022	2021
	Actual	Actual	Actual	Actual
Opening loss allowance as at 1 July	\$ 12,559	\$ (6,370)	\$ 103,884	\$ (89,919)
Increase in loss allowance recognised in profit or loss during the year	(4,145)	(6,189)	7,584	(14,065)
Closing loss allowance at 30 June	8,414	(12,559)	111,468	(103,884)

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Shire, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Contract Assets

The Shire's contract assets represent work completed, which have not been invoiced at year end. This is due to the Shire not having met all the performance obligations in the contract which give an unconditional right to receive consideration. The Shire applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Shire has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

27. 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 18(c).

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
	\$	\$	\$	\$	\$
<u>2022</u>					
Trade and other payables	2,125,206	-	-	2,125,206	2,125,206
Short-term borrowings	2,814,946	-	-	2,814,946	2,814,946
Borrowings	156,014	624,057	321,447	1,101,518	985,268
Lease liabilities	6,693	9,973	-	16,666	16,666
Contract Liabilities	1,820,117	-	-	1,820,117	1,820,117
	6,922,976	634,030	321,447	7,878,453	7,762,203
<u>2021</u>					
Trade and other payables	2,549,395	-	-	2,549,395	2,549,395
Short-term borrowings	1,887,991	-	-	1,887,991	1,887,991
Borrowings	156,014	624,057	477,462	1,257,533	1,118,632
Contract Liabilities	2,788,897	-	-	2,788,897	2,788,897
	7,382,297	624,057	477,462	8,483,816	8,344,915

28. 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) Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost 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).

i) 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.

j) 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 regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

It is not expected these standards will have an impact on the financial report.

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

29. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Shire operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective

Description

Governance

To provide a decision making process for the efficient allocation of scarce resources.

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and rate payers on matters which do not concern specific council services.

General purpose funding

To collect revenue to allow for the provision of services.

Rates, general purpose government grants and interest revenue.

Law, order, public safety

To provide services to help ensure a safer and environmentally conscious community.

Supervision and enforcement of various local laws relating to fire prevention animal control and other aspects of public safety including emergency services.

Health

Monitoring and control health standards within the community.

Control the quality of food and water. Environmental Health Officer twice per year.

Education and welfare

To provide services to disadvantaged persons, the elderly, children and youth.

Provide a range of appropriate services via the Community Resource Centre.

Housing

Maintain staff housing to facilitate attraction and retention of staff in this remote areas.

Provide housing for staff.

Community amenities

To provide services required by the community.

Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

Recreation and culture

To establish and effectively manage infrastructure and resources which will help the social well-being of the community.

Maintenance of public use buildings and areas including various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

Transport

Facilitate safe, effective and efficient transport options for the community.

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

Economic services

To help promote the shire and its economic well-being.

Tourism and area promotion. Building control.

Other property and services

To monitor and control council's overheads operating accounts.

Private works operation, plant repaired operation costs and engineering operation costs.

SHIRE OF UPPER GASCOYNE
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29. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022	2022	2021
	Actual	Budget	Actual
	\$	\$	\$
Income excluding grants, subsidies and contributions			
Governance	21,444	87,694	124,103
General purpose funding	606,076	505,034	441,491
Law, order, public safety	44,068	12,196	10,227
Health	180	1,000	236
Education and welfare	42,666	42,200	35,713
Housing	760	-	570
Community amenities	4,119	4,200	4,200
Recreation and culture	16,241	11,600	17,741
Transport	188,987	63,158	10,065
Economic services	157,137	168,264	85,573
Other property and services	36,695	940	662
	1,118,373	896,286	730,581
Grants, subsidies and contributions			
General purpose funding	3,819,432	1,369,578	2,888,552
Law, order, public safety	114,308	3,668	4,052
Education and welfare	99,802	123,430	109,667
Recreation and culture	178,517	41,913	276,656
Transport	21,847,825	23,009,575	17,666,127
Economic services	1,888,807	3,745,000	563,369
Other property and services	57,706	60,000	59,785
	28,006,397	28,353,164	21,568,208
Total Income	29,124,770	29,249,450	22,298,789
Expenses			
Governance	(476,202)	(706,422)	(460,119)
General purpose funding	(497,858)	(88,033)	(180,716)
Law, order, public safety	(193,143)	(114,159)	(213,997)
Health	(21,155)	(26,038)	(21,364)
Education and welfare	(257,685)	(526,296)	(261,966)
Housing	(358,530)	(247,973)	(337,005)
Community amenities	(110,055)	(108,167)	(144,961)
Recreation and culture	(349,999)	(293,706)	(291,383)
Transport	(17,174,277)	(20,889,242)	(19,289,660)
Economic services	(691,539)	(746,638)	(356,933)
Other property and services	(28,148)	(62,191)	(27,486)
Total expenses	(20,158,591)	(23,808,865)	(21,585,590)
Net result for the period	8,966,179	5,440,585	713,199

SHIRE OF UPPER GASCOYNE
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29. FUNCTION AND ACTIVITY (Continued)

(c) Fees and Charges

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Governance	50	1,000	200
General purpose funding	-	-	246
Law, order, public safety	8,272	8,196	8,253
Health	180	1,000	236
Education and welfare	40	-	186
Housing	665	-	570
Community amenities	4,119	4,200	4,200
Recreation and culture	16,240	11,100	17,240
Economic services	1,698	2,600	563
Other property and services	(66)	250	-
	31,198	28,346	31,694

(d) Total Assets

	2022	2021
	\$	\$
Governance	1,354,082	1,032,610
General purpose funding	7,255,734	3,296,050
Law, order, public safety	111,200	-
Education and welfare	621,076	620,128
Housing	1,606,387	2,047,010
Community amenities	101,900	106,862
Recreation and culture	1,792,808	1,600,225
Transport	84,501,796	82,911,073
Economic services	8,902,170	7,714,209
Other property and services	3,960,201	2,824,893
	110,207,354	102,153,060

SHIRE OF UPPER GASCOYNE
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30. RATING INFORMATION

(a) General Rates

RATE TYPE Rate Description	Basis of valuation	Rate in \$	Number of Properties	2021/22		2021/22		2021/22		2021/22		2021/22		2020/21	
				Actual Rateable Value *	Actual Rate	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue			
Gross rental valuations GRV - Gascoyne Junction	Gross rental valuation	0.088935	19	147,254	13,096	-	-	13,096	-	-	13,096	-	-	12,847	
Unimproved valuations UV - Pastoral UV - Mining	Unimproved valuation Unimproved valuation	0.046865 0.181090	26 109	1,736,392 2,166,923	81,376 392,408	-	-	81,376 392,408	-	-	81,376 392,408	-	-	127,725 280,059	
Sub-Total			154	4,050,569	486,880	-	-	486,880	-	-	486,880	-	-	420,631	
Minimum payment															
Gross rental valuations GRV - Gascoyne Junction	Gross rental valuation	206	4	2,499	824	-	-	824	-	-	824	-	-	800	
Unimproved valuations UV - Pastoral UV - Mining	Unimproved valuation Unimproved valuation	412 450	12 64	23,774 85,804	4,944 28,800	-	-	4,944 28,800	-	-	4,944 28,800	-	-	4,532 25,667	
Sub-Total			80	112,077	34,568	-	-	34,568	-	-	34,568	-	-	30,999	
Exempt properties Gross rental valuations GRV - Gascoyne Junction	Gross rental valuation		76 76	45,600 45,600	-	-	-	-	-	-	-	-	-	-	
Sub-Total			310	4,208,246	521,448	-	-	521,448	-	-	521,448	-	-	451,630	
Total amount raised from general rates														451,630	
* Rateable value is based on the value of properties at the time the rate is raised.															
Ex-gratia Rates Ex-gratia Rates Rates written-off Interim and back rates															
Sub-Total															
Total amount raised from rates (excluding general rates)															
(b) Total Rates															

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 Income for not-for-profit entities .

**SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30 JUNE 2022**

30. RATING INFORMATION (Continued)

(c) Specified Area Rate

The Shire did not impose any specified area rates during the 2021/22 financial year.

(d) Service Charges

The Shire did not impose any service charges during the 2021/22 financial year.

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

The Shire did not grant any discounts, waivers or concessions during the 2021/22 financial year.

(f) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan		Instalment Interest Rate %	Unpaid Rates Interest Rate %	
		Admin Charge \$	Plan %		Interest \$	Rate %
Option One						
Single full payment	4/10/2021	-	-	-	-	7.00%
Option Two						
First instalment	4/10/2021	-	-	-	-	7.00%
Second instalment	6/12/2021	3.0	3.00%	3.00%	3.00%	7.00%
Third instalment	7/02/2022	3.0	3.00%	3.00%	3.00%	7.00%
Fourth instalment	11/04/2022	3.0	3.00%	3.00%	3.00%	7.00%
Interest on unpaid rates						
Interest on instalment plan						
Charges on instalment plan						
		3,945	5,000		8,175	

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

31. RATE SETTING STATEMENT INFORMATION

		2021/22 Budget	2021/22	2020/21		
	2021/22 (30 June 2022 Carried Forward)	(30 June 2022 Carried Forward)	(1 July 2021 Brought Forward)	(30 June 2021 Carried Forward)		
Note	\$	\$	\$	\$		
(a) Non-cash amounts excluded from operating activities						
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> .						
Adjustments to operating activities						
	Less: Profit on asset disposals	10(d)	(33,000)	(33,000)	-	-
	Movement in land held for resale		-	-	5,000	5,000
	Movement in employee benefit provisions (non-current)		7,339	-	17,858	17,858
	Movement in employee benefit provisions (current)		-	(12,436)	20,106	20,106
	Add / (Less): Reclassification of accrued interest on borrowings		-	-	(310)	(310)
	Add: Loss on disposal of assets	10(d)	-	2,000	9,852	9,852
	Add: Loss on revaluation of fixed assets	8(a)	165,244	-	-	-
	Add: Depreciation	10(a)	3,241,695	3,204,622	3,149,104	3,149,104
	Non-cash movements in non-current assets and liabilities: Financial assets at fair value through profit and loss		(3,292)	-	-	-
	Non-cash amounts excluded from operating activities		3,377,986	3,161,186	3,201,610	3,201,610
(b) Surplus/(deficit) after imposition of general rates						
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.						
Adjustments to net current assets						
	Less: Reserve accounts	33	(2,436,485)	(1,520,689)	(2,037,129)	(2,037,129)
	Less: Current assets not expected to be received at end of year - Land held for resale	6	(2,500)	(2,500)	(2,500)	(2,500)
	Add: Current liabilities not expected to be cleared at end of year - Current portion of borrowings	15	126,842	127,316	133,365	133,365
	- Leave Reserve		97,474	97,223	110,174	110,174
	- Current portion of lease liabilities	11(b)	6,693	-	-	-
	- Employee benefit provisions		12,700	-	-	-
	Total adjustments to net current assets		(2,195,276)	(1,298,650)	(1,796,090)	(1,796,090)
	Net current assets used in the Rate Setting Statement		11,980,125	6,768,547	8,809,572	8,809,572
	Total current assets		11,980,125	6,768,547	8,809,572	8,809,572
	Less: Total current liabilities		(7,193,609)	(5,469,897)	(7,590,678)	(7,590,678)
	Less: Total adjustments to net current assets		(2,195,276)	(1,298,650)	(1,796,090)	(1,796,090)
	Net current assets used in the Rate Setting Statement		2,591,240	-	(577,196)	(577,196)

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

32. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Institution	Interest Rate	Actual			Budget							
				Principal at 1 July 2020	New Loans During 2020-21	Actual Interest Expense During 2020-21	Principal Repayments During 2020-21	Actual Interest Expense During 2021-22*	New Loans During 2021-22	Principal Repayments During 2021-22	Budget Interest Expense During 2021-22	Budget Interest Repayments During 2021-22	Principal at 30 June 2022	
Housing				276,990	-	7,223	(33,333)	(7,612)	(34,337)	-	(94,337)	4,680	(4,880)	206,200
Staff Housing				-	450,000	3,928	(21,360)	(3,187)	(43,069)	-	(43,069)	4,545	(4,545)	385,571
Economic services				486,035	-	22,353	(43,390)	(23,015)	(45,605)	-	(45,605)	20,419	(20,419)	392,036
Tourism precinct				767,025	450,000	33,504	(98,083)	(33,814)	(123,011)	-	(123,011)	26,844	(26,844)	985,807
Total Borrowings	15			1,519,055	900,000	67,004	(174,806)	(67,528)	(168,616)	-	(168,616)	76,498	(76,698)	1,349,814

* WA Treasury Corporation

* Principal repayments in statement of cashflows include movement in accrued interest:
Principal payment (123,011)
Movement in accrued interest (10,353)
(133,364)

Total Interest Repayments 2(b) (33,814) 22,650

(b) New Borrowings - 2021/22

The Shire had no new borrowings in the 2021/22 financial year.

(c) Unspent Borrowings

Particulars	Institution	Date Borrowed	Unspent Balance 1 July 2021	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2022
Loan 30 - Staff Housing	WATC	2/11/2020	294,479	-	(294,479)	-
			(98,083)	-	(294,479)	-

* WA Treasury Corporation

(d) Lease Liabilities

Purpose	Note	Actual			Budget			
		Principal at 1 July 2020	New Leases During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2022	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
Fuel Bowser		-	-	-	-	-	-	-
Total Lease Liabilities		-	-	-	-	-	-	-
Lease Interest Repayments		-	-	-	19,945	(3,279)	16,666	-
		-	-	-	(3,279)	16,666	-	-

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Lease Term
Fuel Bowser		Transport	1	Refuel Australia	1.10%	101	-	3 years
Total Interest Repayments	2(b)					101	-	

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

33. RESERVE ACCOUNTS

	2022		2022		2022		2022		2021		2021		2021	
	Actual	Actual	Actual	Transfer (from)	Budget	Transfer to	Opening Balance	Budget Closing Balance	Actual	Opening Balance	Actual	Transfer (from)	Actual	Closing Balance
Restricted by council														
(a) Leave reserve	110,174	5	(12,705)		109,659	269	97,223		90,068	20,106	-	-	110,174	
(b) Plant replacement reserve	567,262	582,291	(150,000)		567,262	1,393	418,655		353,076	214,186	-	-	567,262	
(c) Airport reserve	41,067	1	-		41,067	101	41,168		41,013	54	-	-	41,067	
(d) Tourism precinct reserve	280,360	15	(196,061)		280,360	688	91,048		379,862	498	(100,000)	-	280,360	
(e) Building reserve	153,885	5	(26,004)		153,885	378	154,263		53,866	100,019	-	-	153,885	
(f) Works reserve	244,941	5	-		244,941	601	245,542		14,223	230,718	-	-	244,941	
(g) Economic development reserve	440,767	177,796	-		440,767	58,862	249,629		263,985	176,782	-	-	440,767	
(h) Roads flood damage reserve	152,995	7	-		152,995	376	153,371		152,795	200	-	-	152,995	
(i) Bridge maintenance reserve	45,678	24,001	-		45,678	24,112	69,790		20,650	25,028	-	-	45,678	
	2,037,129	784,126	(384,770)		2,036,614	86,780	1,520,689		1,369,538	767,591	(100,000)		2,037,129	

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

In accordance with Council resolutions or adopted budget 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) Leave reserve	as required	to be used to fund annual and long service leave requirements.
(b) Plant replacement reserve	as required	to be used to be used for the purchase of major plant and also to fund major mechanical breakdowns.
(c) Airport reserve	30 Jun 25	to fund the resealing of the Gascoyne Junction Airport.
(d) Tourism precinct reserve	as required	to be used for future significant repairs or upgrades on an as required basis.
(e) Building reserve	as required	to be used for new buildings, future repairs or upgrades on an as required basis (excluding the Tourism Precinct).
(f) Works reserve	as required	to be used to support funding of major infrastructure projects.
(g) Economic development reserve	as required	to set aside funds for economic development initiatives.
(h) Roads flood damage reserve	as required	to be used towards the required Shire contribution for Western Australia Natural Disaster Relief funding.
(i) Bridge maintenance reserve	as required	to be used for repairs and maintenance of Killilli Bridge as required.

**SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

34. CHANGE IN ACCOUNTING ESTIMATE

On 30 June 2022, the Shire revalued the Land and Buildings classes of property, plant and equipment using an independent registered valuer. For the Buildings - Specialised Asset Class, the valuer provided estimated effective working lives. Furthermore, all assets were valued on the basis of having nil residual values at the end of their estimated effective working lives.

The Shire has reviewed the useful lives and residual values of the Buildings asset classes, considering the inputs used by the independent registered valuer in the valuation report. As a result of this review, the following changes in accounting estimates have been applied:

	<u>Note</u>	<u>Previous</u>	<u>New</u>
Buildings - change in Useful Lives	10(a)	20 to 50 years	3 to 80 years
Residual values		Yes	No

The impact on the Statement of Comprehensive Income in future years is anticipated to be an increase in depreciation on the Buildings Asset Class of \$54,313 per annum:

	<u>Previous</u>	<u>New</u>
	<u>\$</u>	<u>\$</u>
Depreciation Expense	145,280	199,593



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Shire of Upper Gascoyne

To the Councillors of the Shire of Upper Gascoyne

Opinion

I have audited the financial report of the Shire of Upper Gascoyne (Shire) which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 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

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to

the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report 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
- 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.

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my 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 my 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. 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, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Upper Gascoyne for the year ended 30 June 2022 included in the annual report 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. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.



Jordan Langford-Smith
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
8 December 2022

APPENDIX 2

(2021/2022 FINAL MANAGEMENT LETTER)

SHIRE OF UPPER GASCOYNE

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Accounts Payable Suspense Accounts		✓	
2. Fair value of Infrastructure Assets	✓		

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 2022
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Accounts Payable Suspense Accounts

Finding

As at 30 June 2022, the Shire had numerous suspense accounts which amounted to \$13,081. These arose mainly as a result of miscellaneous payments to be refunded from unreconciled rates and/or other collections received. The suspense accounts were not reconciled as at 8 September 2022 due to timing around confirming payment details with recipients. However, as of 31 October 2022, the majority of these amounts had been cleared.

A similar finding was identified last year.

Rating: Moderate

Implication

The suspense account balance (if not reconciled on a timely basis) will continue to grow and there is an increased risk that the reconciliation will become onerous. Consequently, the payments owed will be further delayed if the reconciliation is not performed.

Recommendation

We recommend that the reconciliation of the reconciliation of accounts payable suspense account be performed on a timely basis.

Management Comment

Reconciling the Suspense account is part of our standard End of Month procedures and we recognise the importance of clearing this account on a regular basis due to the reasons highlighted by the Auditors. As we are now a full complement of staff, we have been consistent with the reconciliation process and actively monitor this account to ensure we can clear any pending balances as soon as possible. The balance outstanding as at 8 September was a combination of miscellaneous payments and other items initially received without remittance advice – staff spent a considerable amount of time identifying recipients and then confirming payment details, due to this lengthy process staff were not able to clear some of these items in a timely fashion. However, as noted above, majority of these amounts have been cleared as of 31 October 2022.

Responsible Person: Mativa Toomalatai

Completion Date: 31/12/2022

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 2022
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Fair Value of Infrastructure Assets - Frequency of Valuations

Finding

The Shire has performed an assessment to determine whether its infrastructure assets represent fair value. This assessment has relied on the Shire's internal assessment by management of the current market conditions. This review indicated there were no significant movements or impacts on its infrastructure assets relevant to 30 June 2022.

Whilst acknowledging management's assessment, we note that this conclusion appears somewhat inconsistent with the outcomes (revaluation increments) of independent valuations that were obtained for other assets.

Rating: Significant

Implication

Without a robust assessment of fair value of Shire's Infrastructure Assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

We recommend that the Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. This process is to ensure that the Shire's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year.

Management comment

Management performed an assessment of impairment factors and fair value for all Property, Plant and Equipment and Infrastructure Asset Classes as at 30 June 2022 as documented in the Asset Valuation and Impairment Memo provided to your auditors. The main focus of this assessment was in regard to impairment triggers and downside risks to fair value. The assessment undertaken was consistent with that performed in prior years.

The comment above in relation to revaluation increments for other assets is not consistent with the revaluations performed by Shire of Upper Gascoyne. The Land and Buildings asset classes were revalued at 30 June 2022, which resulted in a \$570,150 revaluation decrement for these asset classes (\$405,827 reduction in asset revaluation reserve to \$nil and a further \$165,244 recognised through profit or loss). The decrement equates to 6.3% of the 30 June 2021 Land and Buildings asset class carrying values.

Whilst the Land and Buildings revaluation is one factor to consider in assessing the fair value of other asset classes, for Shire of Upper Gascoyne, this factor in isolation would not suggest that infrastructure asset classes may have materially increased as is contended by finding.

SHIRE OF UPPER GASCOYNE

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Notwithstanding, the Shire acknowledges changes in the macro economic environment, such as inflation, may impact on replacement costs and will ensure such factors are explicitly addressed in future assessments.

Responsible person: John McCleary

Completion date: 30/06/2023