



AGENDA

14th December 2020

AUDIT MEETING

DISCLAIMER

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

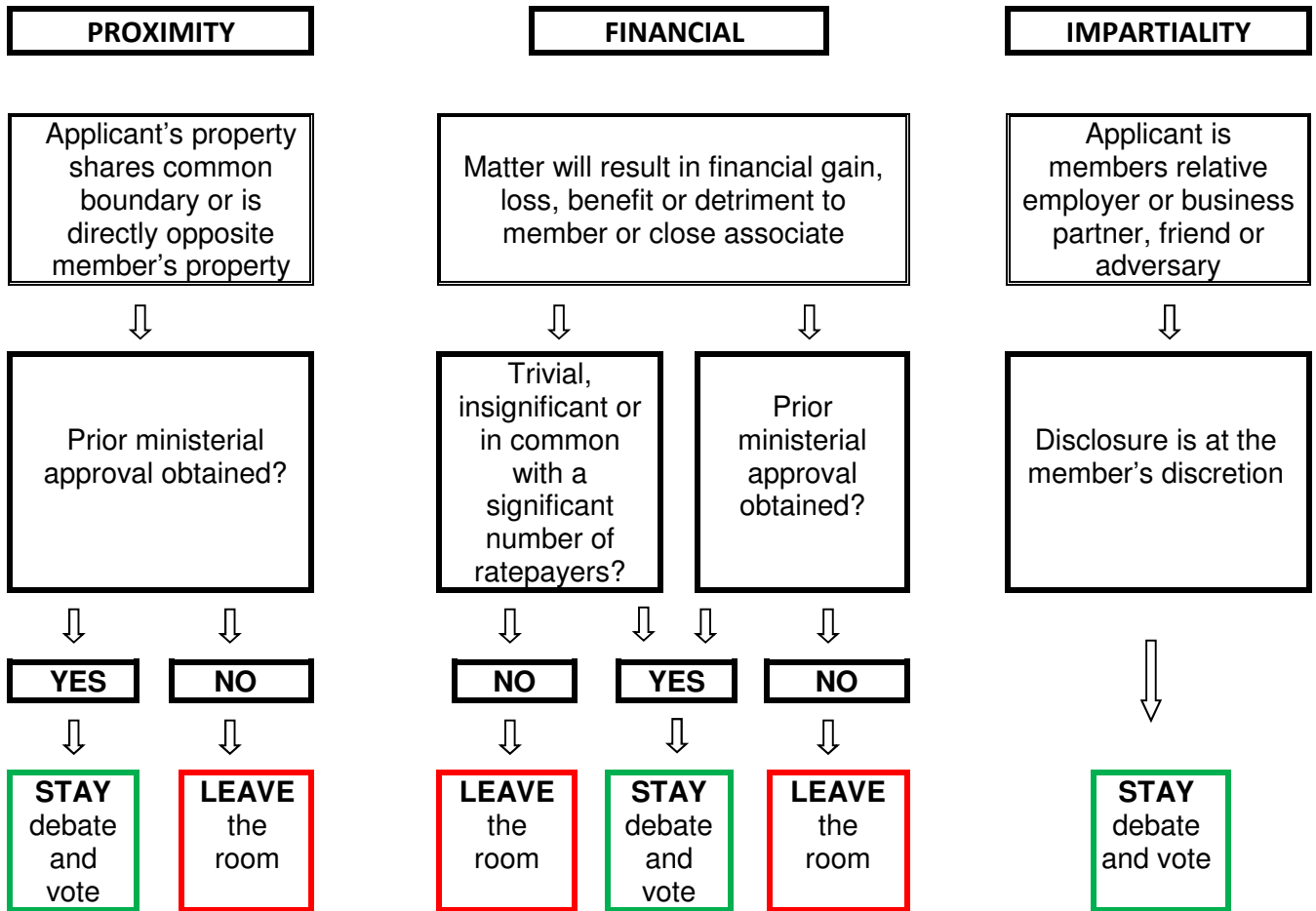
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John McCleary, JP
CHIEF EXECUTIVE OFFICER

* 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 MONDAY THE 14th of DECEMBER 2020 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 MONDAY THE 14th of DECEMBER 2020 9:30AM

1. DECLARATION OF OPENING / ANNOUNCEMENTS OF VISITORS

The President welcomed those present and declared the meeting open at __am

2. APOLOGIES AND APPROVED LEAVE OF ABSENCE

2.1 Councillors

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

Staff

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

Visitors

Mahmoud Salahat	Assistant Direct, Office of the Auditor General
Wen-Shien Chai	Partner, Moore Australia Audit (WA)
Gilles Chan	Manager, Moore Australia Audit (WA)
Travis Bate	RSM (Shire contract accountants)

2.2 Absentees

Nil

2.3 Leave of Absence previously approved

Nil

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

MOVED:

SECONDED:

That the minutes from previous Audit Meeting held on 24th June 2020 are a true and correct record.

F/A 0/0

10. REPORTS OF OFFICERS

10.1 EXIT MEETING WITH OFFICE OF THE AUDITOR GENERAL – AUDIT CONCLUDING YEAR ENDING 30 JUNE 2020

Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	None
Author:	Sa Toomalatai – Manager of Finance & Corporate Services
Date:	7 th December 2020
Matters for Consideration:	<p>To conduct an exit meeting via teleconference with Assistant Director Mamoud Salahat from the Office of the Auditor General (OAG), Wen-Shien Chai (Chai) and Gilles Chan from Moore Australia (WA) and members of the Shire’s Audit Committee.</p> <p>To review and discuss the:</p> <ul style="list-style-type: none">• Moore Australia Audit Concluding Memorandum for the Year ended 30 June 2020 as contained in Appendix 1.• OAG’s Independent Auditors Report to the Shire Council as contained in Appendix 2.• Moore Australia’s Independent Auditors Report to the OAG as contained in Appendix 3.• Final Draft 2019/2020 Annual Financial Report as contained in Appendix 4.

Background:	<p>The Auditor General has reviewed the findings of the Shire's 2019/20 End of Year Audit and the draft Annual Financial Report, and have provided an Independent Auditors Report as is required under the relevant provisions of the Local Government Act 1995.</p> <p>Prior to finalising the annual audit process, the OAG conduct a concluding (Exit) audit meeting with the Shire's Audit Committee. This provides an opportunity to present an overview of their findings and receive feedback.</p>				
Comments:	<p>The Audit Concluding Memorandum, Independent Auditors Reports and 2019/20 Draft Annual Financial Report is now presented to the Audit Committee for their information.</p>				
Statutory Environment:	<p>Local Government Act 1995 – Division 3 – Conduct of Audit Local Government (Financial Management) Regulations 1996, Part 4, section 6.4</p>				
Policy Implications:	<p>Nil</p>				
Financial Implications:	<p>Nil</p>				
Strategic Implications:	<p>Civic Leadership – To responsibly manage Council's financial resources to ensure optimum value for money and sustainable asset management.</p>				
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:	Nil		
Voting requirement:	Simple Majority		
Officer's Recommendation:	<p><i>That the Audit Committee</i></p> <ol style="list-style-type: none"> 1. <i>Receive the Audit Concluding Memorandum for the year ended 30 June 2020 as contained in Appendix 1.</i> 2. <i>Receive the draft Auditors Independent and Management Report for the year ended 30 June 2020 as contained in Appendix 2 and 3.</i> 3. <i>Recommends that the signed and finalised copies of the 2019/2020 Annual Financial Report, including the Independent Auditors Report be referred to the next Audit Committee Meeting to be held on the 17th December 2020.</i> 		
Council Resolution No: AC01122020			
MOVED:		SECONED:	
CARRIED: 0/0			

11. MEETING CLOSURE

The Shire President closed the meeting at ____pm.

APPENDIX 1

(Audit Concluding Memorandum)

AUDIT CONCLUDING MEMORANDUM

Shire of Upper Gascoyne

Year ended 30 June 2020



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1. Executive Summary

Introduction

Moore Australia has been engaged by the Office of Auditor General (OAG) Western Australia to perform an audit of the Shire of Upper Gascoyne (the Shire) annual financial report for the year ended 30 June 2020.

The key purposes of this memorandum is to promote effective communication between the auditor and those charged with governance regarding the completion of the current year's audit.

We request management and the Audit Committee to review this document to help ensure:

- the Shire concurs with the matters raised, and
- there are no further significant considerations or matters that could impact the audit and the financial report.

This document is strictly confidential and although it has been made available to management and those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Shire arising under our audit contract with the OAG.

The contents of this document should not be disclosed to third parties without our prior written consent.

Audit Status and Report

We are pleased to advise we have completed our audit of the Shire's financial report for the year ended 30 June 2020.

We will recommend to the OAG to issue an unmodified opinion on the audit of the Shire's financial report.

In addition, we noted the following matter to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

- There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio and the Own Source Revenue Coverage Ratio have been below the industry benchmark for the past 3 years.

Key Audit Risks or Focus Areas

We identified key audit risks or audit focus areas as part of our risk assessment procedures undertaken throughout the audit.

We are pleased to advise we have satisfactorily completed our audit procedures designed to address those risks and met our audit objectives. Particulars of the key audit risks and results of the relevant procedures performed are detailed in Section 2 of this memorandum.

Summary of Audit Differences

We did not identify any non-trivial uncorrected audit differences.

Internal Controls Relevant to Audit

We did not identify any significant deficiencies in internal control other than those matters noted during our interim audit which were included in the formal management letter issue after the interim audit.

Other Key Matters

We confirm we have had no issues in relation to our independence as auditor of the Shire, irregularities and illegal acts, non-compliance with laws and regulations, appropriateness of accounting policies and liaison with management.

2. Key Audit Risks and Focus Areas

As part of our risk assessment, we identified key audit risks based on our extensive knowledge of the Shire, the industry and issues faced by regional local governments. This risk assessment process is designed to ensure that we focus our audit work on the areas of highest risk.

This risk assessment and our responses have been updated throughout the engagement to ensure that all areas of material risk are addressed by our audit.

Set out below is an overview of what we have identified as the key audit risks and focus areas for the audit of the Shire's financial report for the year ended 30 June 2020. The table below also includes our audit procedures performed to address these risks together with the outcomes.

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
PROPERTY, PLANT & EQUIPMENT AND INFRASTRUCTURE		
<p>As at 30 June 2020, the Shire reported total property, plant and equipment and infrastructure of \$89.1m.</p> <p>This is a significant industry risk given the nature of assets held and judgement applied in determining fair values as well as depreciation expense.</p> <p>The Shire has revalued the roads assets this year. The valuation of the Shire's roads assets resulted in an increment of \$11.9m this year.</p> <p>Amendments to the Local Government (Financial Management) Regulations 1996 were gazetted on 6 November 2020 with the initial application date being 1 July 2019. The changes involved Regulation 16 being deleted and a number of amendments to Regulation 17A. The deletion of Regulation 16 triggered the derecognition of certain crown/vested land assets through the revaluation surplus.</p>	<p>Property, Plant & Equipment and Infrastructure</p> <ul style="list-style-type: none"> Documented and tested key audit controls around Property, Plant & Equipment and Infrastructure balances. Assessed accounting policies and ensured they are in accordance with accounting standards. Sample testing of assets additions and disposals. Reviewed management's impairment assessment against the Shire's circumstances. Reviewed fair value disclosures to ensure they are in accordance with AASB 13 requirements. Reviewed disclosures and accounting adjustments pertaining to changes to the Local Government (Financial Management) Regulations 1996. <p>Depreciation and amortisation</p> <ul style="list-style-type: none"> Reviewed depreciation policy for the various asset classes and assessed the reasonableness of rates used. Documented and tested key audit controls around the calculation of depreciation/amortisation. Performed depreciation recalculations based on our sampling approach. 	<p>Based on work performed, we are satisfied that the Shire's property, plant and equipment and infrastructure are fairly stated and disclosed in the 2020 financial report.</p> <p>Changes to regulations did not have a significant impact on the financial report as the Shire did not have any crown/vested land assets in its fixed asset register.</p>

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS																
EMPLOYEE BENEFIT PROVISIONS																		
<p>Provisions for annual leave and long service leave involve a degree of management estimation and uncertainty in their calculation in respect of inflation rates, discount factors, timing and probabilities of settlement. There is risk that these liabilities may not be captured completely and recognised in accordance with AASB 119: Employee Benefits.</p> <p>As at 30 June 2020, the Shire reported a total provision of \$233K.</p>	<p>We performed walkthroughs of the systems and tested key audit controls with a view to rely on the internal controls.</p> <p>We performed substantive test of details on the calculation of the provisions utilising our sampling methodology as well as year-end analytical review to obtain the required level of audit assurance obtained.</p> <p>We also reviewed the disclosure of the provisions to ensure they are consistent with AASB 119.</p>	<p>Based on work performed, we are satisfied the Shire's employee benefits provisions are fairly stated and disclosed in the 2020 financial report.</p>																
REVENUE																		
<p>The Shire's main sources of revenue are:</p> <ul style="list-style-type: none"> • Rates; • Government grants and contributions; and • Other fee for service revenue streams. <p>Given the variety of revenue streams, there is a risk that revenue, contract assets and contract liabilities may not be recognised in accordance with AASB 15 and AASB 1058 which were effective from 1 July 2019.</p> <p>For the year ended 30 June 2020, the Shire has recognised:</p> <table border="1"> <tbody> <tr> <td>Rates</td> <td>\$389K</td> </tr> <tr> <td>Operating grants, subsidies and contributions</td> <td>\$17.5m</td> </tr> <tr> <td>Fees and charges</td> <td>\$36K</td> </tr> <tr> <td>Interest earnings</td> <td>\$36K</td> </tr> <tr> <td>Non- Operating grants, subsidies and contributions</td> <td>\$1.9m</td> </tr> <tr> <td>Other revenue</td> <td>\$389K</td> </tr> <tr> <td>Contract assets</td> <td>\$2.7m</td> </tr> <tr> <td>Contract liabilities</td> <td>\$5.6m</td> </tr> </tbody> </table>	Rates	\$389K	Operating grants, subsidies and contributions	\$17.5m	Fees and charges	\$36K	Interest earnings	\$36K	Non- Operating grants, subsidies and contributions	\$1.9m	Other revenue	\$389K	Contract assets	\$2.7m	Contract liabilities	\$5.6m	<p>We reviewed the Shire's assessment of revenue recognition with respect to the new recognition requirements of AASB 15 and AASB 1058.</p> <p>Given the nature of local government grants, we substantively tested this revenue to third party documentation and vouched receipt of funds in accordance with our established sampling methodology.</p> <p>We also tested the recognition of contract liabilities and contract assets to ensure proper accounting with AASB 15 and AASB 1058.</p> <p>For rates, and fees & charges, we documented and performed walkthroughs of the key audit controls. We also performed substantive test of details utilising our sampling methodology. In addition, we performed analytical review to obtain the required level of assurance.</p> <p>We also reviewed the design and implementation of controls of all other main sources of revenue.</p> <p>We considered the nature, complexity and materiality of the revenue transactions in the process of identifying the risk of fraud in revenue.</p>	<p>Based on work performed, we concluded the presumption of fraud risk related to revenue is not applicable and are satisfied that the Shire's revenue is fairly stated and disclosed in the 2020 financial report.</p>
Rates	\$389K																	
Operating grants, subsidies and contributions	\$17.5m																	
Fees and charges	\$36K																	
Interest earnings	\$36K																	
Non- Operating grants, subsidies and contributions	\$1.9m																	
Other revenue	\$389K																	
Contract assets	\$2.7m																	
Contract liabilities	\$5.6m																	

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS						
EXPENDITURE								
<p>Expenditure forms a large part of a local government's operations. This takes the form of both operating and capital.</p> <p>For the year ended 30 June 2020, the Shire has recognised:</p> <table border="1"> <tr> <td>Employee costs</td> <td>\$1.3m</td> </tr> <tr> <td>Materials and contracts</td> <td>\$15.1m</td> </tr> <tr> <td>Depreciation</td> <td>\$3.1m</td> </tr> </table>	Employee costs	\$1.3m	Materials and contracts	\$15.1m	Depreciation	\$3.1m	<p>For the testing of expenditure, we performed walkthroughs of the systems and tested key audit controls with a view to rely on internal controls.</p> <p>We performed substantive test of details based on our sampling methodology as well as year-end analytical review to obtain the required level of assurance obtained.</p> <p>We paid particular attention to the cost allocation methodology associated with administration allocations, Public Works Overheads and Plant Operating Costs to ensure these are properly allocated as they impacted the split between operational and capital expenditure.</p> <p>Specific attention was also paid to credit cards expenses and changes to creditors' details.</p>	<p>Based on work performed, we are satisfied that the Shire's expenditure is fairly stated and disclosed in the 2020 financial report.</p>
Employee costs	\$1.3m							
Materials and contracts	\$15.1m							
Depreciation	\$3.1m							
MANAGEMENT OVERRIDE OF CONTROLS								
<p>Management is involved in day to day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.</p>	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud; Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices; and For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets. 	<p>Based on work performed, we are satisfied that the risk of fraud due to management override has been reduced to an acceptable level.</p>						
RELATED PARTY DISCLOSURE								
<p>The Shire has disclosed the following related party transactions for the year ended 30 June 2020:</p> <table border="1"> <tr> <td>Elected Members Remuneration</td> <td>\$145K</td> </tr> <tr> <td>KMP Compensation</td> <td>\$548K</td> </tr> <tr> <td>Transactions with related parties</td> <td>\$217K</td> </tr> </table>	Elected Members Remuneration	\$145K	KMP Compensation	\$548K	Transactions with related parties	\$217K	<p>We reviewed the processes to ensure a robust system is in place. We also ensured the required disclosures were adequately addressed and related party transactions are at arms' length.</p> <p>We also remained alert for any undisclosed related party relationships/transactions whilst performing other audit procedures.</p>	<p>Based on work performed, we are satisfied that related party transactions are properly disclosed and at arms' length.</p>
Elected Members Remuneration	\$145K							
KMP Compensation	\$548K							
Transactions with related parties	\$217K							

2. Key Audit Risks and Focus Areas

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
SIGNIFICANT ADVERSE TRENDS		
<p>Statutory reporting of any material matters that indicate significant adverse trends in the financial position of the Shire as per the requirements of Local Government (Audit) Regulation 10(3)(a).</p>	<p>We reviewed the calculation of the current year statutory ratios and compared the reported ratios over the 3 years against industry benchmarks in accordance with OAG guidelines. We also assessed how the ratios impact the operations of the Shire.</p>	<p>Based on work performed, we noted a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio and Own Source Revenue Ratio have been below the industry benchmark for the past 3 years.</p>
IT GENERAL CONTROLS		
<p>The Shire uses Synergy as the key accounting package for its financial reporting purposes.</p> <p>The integrity of financial information relies on the security, integrity and reliability of an organisation's information technology environment.</p>	<p>We assessed the Information Technology General Controls (ITGC) environment to determine the extent to be which financial information can be relied upon.</p> <p>We conducted a high level ITGC review, including the assessment of the key controls relating to:</p> <ul style="list-style-type: none"> • System Security; • Technology Framework; • Service Management, Operations and Change Control; • Security Governance and Reporting; and • Security Training 	<p>As a result of the review, no significant weaknesses were identified in the information technology environment.</p>

3. Summary of Audit Differences

We are required by the auditing standards to communicate all unadjusted differences (other than clearly trivial) that we noted during the audit.

The table below provides a summary of this matter:

Unadjusted differences	Effect on net result Increase/(decrease) \$
N/A	Nil

4. Internal Controls Relevant to Audit

As part of our planned audit approach, we have evaluated the Shire's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

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

We are pleased to advise that we did not note any significant deficiencies in internal controls during the final audit.

The following significant matter was noted during the interim audit:

FINDING	RECOMMENDATION	CONCLUSIONS
REVENUE HAS NOT BEEN RECOGNISED IN ACCORDANCE WITH AASB 15 OR AASB 1058		
<p>Our sample testing of revenue transactions (rates, grants and fees and charges) noted some revenue has not been recognised in accordance with the new accounting standards for revenue, AASB 15 : 'Revenue from Contracts with Customers' and AASB 1058: 'Income of Not-for-Profit Entities'.</p> <p>Furthermore, impact of the application of AASB 15 and AASB 1058 has not been recognised at 1 July 2019.</p>	<p>The Shire should complete a detailed revenue recognition assessment of all revenue streams against the requirements of the new standards. This should conclude if a particular revenue stream or transaction arises from an enforceable contract with a customer and has sufficiently specific performance obligations. This assessment will trigger the revenue recognition requirements under AASB 15, or if it falls outside this scope, under AASB 1058, so that revenue is not misstated for the 2019-20 financial year.</p>	<p>Based on our testing completed during the year end audit, we are satisfied the Shire has appropriately recognised its revenue in accordance with AASB 15 and AASB 1058.</p>

The above matter and any non-significant deficiencies noted were already included in the formal management letter issued by OAG after the interim audit.

5. Other Key Matters

In accordance with Auditing Standards, we are required to communicate a number of matters with those charged with governance which is covered in the table below.

Matters Considered	Outcome
Ethics and Independence	<p>We have obtained independence declarations from all staff engaged in the audit.</p> <p>We confirmed that to the best of our knowledge, we met the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report.</p> <p>We have further considered the safeguards the Moore Australia network has in place and we are not aware of any services being provided that would compromise our independence as external auditor.</p>
Fraud and Compliance with Laws and Regulations	<p>We have enquired with management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.</p> <p>Based on confirmation obtained from management and the work performed, we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and have not identified any reportable matters for your attention.</p>
Appropriateness of Accounting Policies	<p>Based on the work performed, we are satisfied that accounting policies used for the preparation of financial report are acceptable financial reporting framework and in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.</p>
Appropriateness of the Use of Going Concern Basis of Accounting	<p>Based on the audit evidence obtained up to the date of our auditor's report, we are not aware of material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern.</p>
Liaison with Management	<p>We had no disagreements with management about significant audit, accounting or disclosures matters.</p> <p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>

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APPENDIX 2

(2020 Independent Auditor's Report - OAG)

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Upper Gascoyne

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Upper Gascoyne which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Upper Gascoyne:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 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 of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matters – Basis of Accounting

I draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual 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 annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. Operating Surplus Ratio and the Own Source Revenue Coverage Ratio as reported in Note 35 of the annual financial report are below the Department of Local Government, Sport and Cultural Industries' standards for the last three financial years.
- (ii) There was no matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law identified during the course of my audit.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2018 in Note 35 of the financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Upper Gascyone for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.

CAROLINE SPENCER
Auditor General for Western Australia
Perth, Western Australia
December 2020

APPENDIX 3

(2020 Independent Auditor's Report – Moore Australia WA)

**INDEPENDENT AUDITOR'S REPORT
TO THE OFFICE OF THE AUDITOR GENERAL FOR WESTERN AUSTRALIA
SHIRE OF UPPER GASCOYNE**

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the Shire of Upper Gascoyne (the Shire), which comprises the Statement of Financial Position as at 30 June 2020, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and the Rate Setting Statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

In our opinion, the financial report of the Shire of Upper Gascoyne:

- a) is based on proper accounts and reports; and
- b) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matters – Basis of Accounting

We draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). Our opinion is not modified in respect of these matters:

- a) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost.
- b) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

INDEPENDENT AUDITOR'S REPORT TO THE OFFICE OF THE AUDITOR GENERAL FOR WESTERN AUSTRALIA SHIRE OF UPPER GASCOYNE (CONTINUED)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standard Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our audit report.

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, there is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio and Own Source Revenue Coverage Ratio have been below the DLGSCI standard for the past 3 years.
- b) All required information and explanations were obtained by us.
- c) All audit procedures were satisfactorily completed in conducting our audit.
- d) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**INDEPENDENT AUDITOR'S REPORT
TO THE OFFICE OF THE AUDITOR GENERAL FOR WESTERN AUSTRALIA
SHIRE OF UPPER GASCOYNE (CONTINUED)**

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Upper Gascoyne for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

WEN-SHIEN CHAI
PARTNER

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 15th day of December 2020.

APPENDIX 4

(2019/2020 Annual Financial Report - Draft)

SHIRE OF UPPER GASCOYNE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

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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 30TH JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Upper Gascoyne for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Upper Gascoyne at 30 June 2020 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 _____ day of _____ 2020

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 30TH JUNE 2020

	2020	2020	2019
Note	Actual	Budget	Actual
	\$	\$	\$
Revenue			
Rates	27(a) 388,578	346,852	359,330
Operating grants, subsidies and contributions	2(a) 17,500,347	23,276,153	21,086,899
Fees and charges	2(a) 36,148	31,547	46,949
Interest earnings	2(a) 36,004	30,304	44,027
Other revenue	2(a) 388,543	180,850	1,959,001
	<u>18,349,620</u>	<u>23,865,706</u>	<u>23,496,206</u>
Expenses			
Employee costs	(1,269,297)	(1,221,296)	(1,188,876)
Materials and contracts	(15,102,073)	(23,276,015)	(19,604,768)
Utility charges	(154,816)	(142,543)	(134,701)
Depreciation on non-current assets	11(d) (3,097,868)	(2,335,130)	(2,328,011)
Interest expenses	2(b) (54,422)	(121,359)	(139,664)
Insurance expenses	(213,682)	(232,563)	(227,591)
Other expenditure	(72,911)	(73,273)	(78,041)
	<u>(19,965,069)</u>	<u>(27,402,179)</u>	<u>(23,701,652)</u>
	(1,615,449)	(3,536,473)	(205,446)
Non-operating grants, subsidies and contributions	2(a) 1,909,163	1,642,025	1,296,496
Profit on asset disposals	11(a) 0	46,940	0
(Loss) on asset disposals	11(a) (18,469)	(5,000)	(57,085)
Impairment of intangible assets	7 0	0	(96,473)
	<u>1,890,694</u>	<u>1,683,965</u>	<u>1,142,938</u>
	275,245	(1,852,508)	937,492
Net result for the period			
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in asset revaluation surplus	12 11,934,332	0	243,031
Total other comprehensive income for the period	<u>11,934,332</u>	<u>0</u>	<u>243,031</u>
Total comprehensive income for the period	<u><u>12,209,577</u></u>	<u><u>(1,852,508)</u></u>	<u><u>1,180,523</u></u>

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

SHIRE OF UPPER GASCOYNE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Governance		127,289	1,000	60,077
General purpose funding		3,235,922	1,779,993	3,293,340
Law, order, public safety		153,487	149,538	198,761
Health		0	1,000	672
Education and welfare		140,195	119,800	122,751
Community amenities		4,200	4,400	3,960
Recreation and culture		13,264	15,500	20,443
Transport		14,514,301	21,702,775	19,625,808
Economic services		87,533	26,700	103,977
Other property and services		73,429	65,000	66,417
		<u>18,349,620</u>	<u>23,865,706</u>	<u>23,496,206</u>
Expenses				
Governance		(534,779)	(539,251)	(474,830)
General purpose funding		(78,919)	(160,108)	(121,967)
Law, order, public safety		(372,405)	(396,596)	(430,889)
Health		(22,643)	(26,753)	(20,681)
Education and welfare		(257,801)	(255,822)	(247,818)
Housing		(397,904)	(387,789)	(382,648)
Community amenities		(119,066)	(134,602)	(115,508)
Recreation and culture		(262,983)	(253,443)	(252,788)
Transport		(16,984,311)	(24,757,858)	(20,952,234)
Economic services		(389,913)	(321,755)	(316,954)
Other property and services		(489,924)	(46,843)	(245,671)
		<u>(19,910,647)</u>	<u>(27,280,820)</u>	<u>(23,561,988)</u>
Finance Costs				
General purpose funding		(20,827)	(71,100)	(102,853)
Housing		(8,626)	(8,976)	(9,579)
Economic services		(24,969)	(41,283)	(27,232)
	2(b)	<u>(54,422)</u>	<u>(121,359)</u>	<u>(139,664)</u>
		<u>(1,615,449)</u>	<u>(3,536,473)</u>	<u>(205,446)</u>
Non-operating grants, subsidies and contributions	2(a)	1,909,163	1,642,025	1,296,496
Profit on disposal of assets	11(a)	0	46,940	0
(Loss) on disposal of assets	11(a)	(18,469)	(5,000)	(57,085)
Impairment of intangible assets	7	0	0	(96,473)
		<u>1,890,694</u>	<u>1,683,965</u>	<u>1,142,938</u>
		<u>275,245</u>	<u>(1,852,508)</u>	<u>937,492</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	11,934,332	0	243,031
		<u>11,934,332</u>	<u>0</u>	<u>243,031</u>
Total comprehensive income for the period				
		<u>12,209,577</u>	<u>(1,852,508)</u>	<u>1,180,523</u>

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

SHIRE OF UPPER GASCOYNE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2020

	Note	2020	2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	8,091,380	3,260,351
Trade receivables	5	801,849	2,182,862
Inventories	6	137,223	144,245
Contract assets	2(a)	2,706,429	0
TOTAL CURRENT ASSETS		<u>11,736,881</u>	<u>5,587,458</u>
NON-CURRENT ASSETS			
Financial assets	8	35,610	35,034
Property, plant and equipment	9(a)	10,947,159	10,942,333
Infrastructure	10(a)	78,110,434	65,943,586
TOTAL NON-CURRENT ASSETS		<u>89,093,203</u>	<u>76,920,953</u>
TOTAL ASSETS		<u>100,830,084</u>	<u>82,508,411</u>
CURRENT LIABILITIES			
Trade and other payables	13	1,454,009	820,546
Contract liabilities	16	5,585,814	0
Borrowings	14(a)	76,723	73,642
Employee related provisions	15	187,842	187,367
TOTAL CURRENT LIABILITIES		<u>7,304,388</u>	<u>1,081,555</u>
NON-CURRENT LIABILITIES			
Borrowings	14(a)	679,638	756,361
Employee related provisions	15	45,187	26,823
TOTAL NON-CURRENT LIABILITIES		<u>724,825</u>	<u>783,184</u>
TOTAL LIABILITIES		<u>8,029,213</u>	<u>1,864,739</u>
NET ASSETS		<u>92,800,871</u>	<u>80,643,672</u>
EQUITY			
Retained surplus		39,400,577	38,370,482
Reserves - cash backed	4	1,369,538	1,674,894
Revaluation surplus	12	52,030,756	40,598,296
TOTAL EQUITY		<u>92,800,871</u>	<u>80,643,672</u>

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

**SHIRE OF UPPER GASCOYNE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2020**

	Note	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		37,590,080	1,517,804	40,355,265	79,463,149
Comprehensive income					
Net result for the period		937,492	0	0	937,492
Other comprehensive income	12	0	0	243,031	243,031
Total comprehensive income		937,492	0	243,031	1,180,523
Transfers from/(to) reserves		(157,090)	157,090	0	0
Balance as at 30 June 2019		<u>38,370,482</u>	<u>1,674,894</u>	<u>40,598,296</u>	<u>80,643,672</u>
Change in accounting policy	32	449,494	0	(501,872)	(52,378)
Restated total equity at 1 July 2019		<u>38,819,976</u>	<u>1,674,894</u>	<u>40,096,424</u>	<u>80,591,294</u>
Comprehensive income					
Net result for the period		275,245	0	0	275,245
Other comprehensive income	12	0	0	11,934,332	11,934,332
Total comprehensive income		275,245	0	11,934,332	12,209,577
Transfers from/(to) reserves		305,356	(305,356)	0	0
Balance as at 30 June 2020		<u>39,400,577</u>	<u>1,369,538</u>	<u>52,030,756</u>	<u>92,800,871</u>

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

**SHIRE OF UPPER GASCOYNE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2020**

	2020	2020	2019
Note	Actual	Budget	Actual
	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates	374,207	346,852	353,054
Operating grants, subsidies and contributions	16,169,588	25,294,359	21,083,931
Fees and charges	36,148	31,547	46,949
Interest received	36,004	30,304	44,027
Other revenue	411,150	180,850	1,923,967
	<u>17,027,097</u>	<u>25,883,912</u>	<u>23,451,928</u>
Payments			
Employee costs	(1,237,153)	(1,221,296)	(1,198,664)
Materials and contracts	(8,892,812)	(23,276,015)	(19,530,285)
Utility charges	(154,816)	(142,543)	(134,701)
Interest expenses	(55,586)	(121,359)	(139,664)
Insurance paid	(213,682)	(232,563)	(227,591)
Goods and services tax paid	(50,951)	0	(29,759)
Other expenditure	(72,911)	(73,273)	(64,317)
	<u>(10,677,911)</u>	<u>(25,067,049)</u>	<u>(21,324,981)</u>
Net cash provided by (used in) operating activities	17 <u>6,349,186</u>	816,863	2,126,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment	9(a) (1,043,578)	(916,000)	(338,752)
Payments for construction of infrastructure	10(a) (2,482,555)	(2,820,375)	(2,079,277)
Non-operating grants, subsidies and contributions	2(a) 1,909,163	1,642,025	1,296,496
Proceeds from sale of property, plant & equipment	11(a) 172,455	175,000	22,727
Net cash provided by (used in) investment activities	<u>(1,444,515)</u>	<u>(1,919,350)</u>	<u>(1,098,806)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	14(b) (73,642)	(73,642)	(70,691)
Net cash provided by (used in) financing activities	<u>(73,642)</u>	<u>(73,642)</u>	<u>(70,691)</u>
Net increase (decrease) in cash held	4,831,029	(1,176,129)	957,450
Cash at beginning of year	3,260,351	3,258,146	2,302,901
Cash and cash equivalents at the end of the year	17 <u><u>8,091,380</u></u>	<u><u>2,082,017</u></u>	<u><u>3,260,351</u></u>

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

SHIRE OF UPPER GASCOYNE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus	28 (b)	2,931,301	3,001,557	2,244,178
		<u>2,931,301</u>	<u>3,001,557</u>	<u>2,244,178</u>
Revenue from operating activities (excluding rates)				
Governance		127,289	1,000	60,077
General purpose funding		2,847,343	1,433,141	2,934,009
Law, order, public safety		153,487	149,538	198,761
Health		0	1,000	672
Education and welfare		140,195	119,800	122,751
Community amenities		4,200	4,400	3,960
Recreation and culture		13,264	15,500	20,443
Transport		14,514,301	21,749,715	19,625,808
Economic services		87,533	26,700	103,977
Other property and services		73,429	65,000	66,417
		<u>17,961,041</u>	<u>23,565,794</u>	<u>23,136,875</u>
Expenditure from operating activities				
Governance		(534,779)	(539,251)	(474,830)
General purpose funding		(99,746)	(231,208)	(252,053)
Law, order, public safety		(372,405)	(396,596)	(430,889)
Health		(22,643)	(26,753)	(20,681)
Education and welfare		(257,801)	(255,822)	(247,818)
Housing		(406,529)	(396,765)	(392,226)
Community amenities		(119,066)	(134,602)	(115,508)
Recreation and culture		(262,983)	(253,443)	(252,788)
Transport		(17,002,780)	(24,762,858)	(21,009,319)
Economic services		(414,882)	(363,038)	(413,427)
Other property and services		(489,924)	(46,843)	(245,671)
		<u>(19,983,538)</u>	<u>(27,407,179)</u>	<u>(23,855,210)</u>
Non-cash amounts excluded from operating activities	28(a)	3,137,665	2,294,082	2,425,093
Amount attributable to operating activities		<u>4,046,469</u>	<u>1,454,254</u>	<u>3,950,936</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,909,163	1,642,025	1,244,118
Proceeds from disposal of assets	11(a)	172,455	175,000	22,727
Purchase of property, plant and equipment	9(a)	(1,043,578)	(916,000)	(338,752)
Purchase and construction of infrastructure	10(a)	(2,482,555)	(2,820,375)	(2,079,277)
Amount attributable to investing activities		<u>(1,444,515)</u>	<u>(1,919,350)</u>	<u>(1,151,184)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(73,642)	(73,642)	(70,691)
Transfers to reserves (restricted assets)	4	(519,644)	(588,114)	(329,910)
Transfers from reserves (restricted assets)	4	825,000	780,000	172,820
Amount attributable to financing activities		<u>231,714</u>	<u>118,244</u>	<u>(227,781)</u>
Surplus/(deficit) before imposition of general rates		<u>2,833,668</u>	<u>(346,852)</u>	<u>2,571,971</u>
Total amount raised from general rates	27(a)	<u>388,578</u>	<u>346,852</u>	<u>359,330</u>
Surplus/(deficit) after imposition of general rates	28(b)	<u>3,222,246</u>	<u>0</u>	<u>2,931,301</u>

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

SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30TH JUNE 2020

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1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the Shire. This was not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

From 1 July 2019, the Shire has applied AASB 16 *Leases* which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to specify that vested land is a right-of-use asset to be measured at cost. 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) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or 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 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.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

Specific impacts of AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*, have not been identified.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 to these financial statements.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates.	Over time	Payment dates adopted by Council during the year.	None.	Adopted by council annually.	When taxable event occurs.	Not applicable.	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.	Set by mutual agreement with the customer.	Based on the progress of works to match performance obligations.	Returns limited to repayment of transaction price of terms breached.	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.	Set by mutual agreement with the customer.	Based on the progress of works to match performance obligations.	Returns limited to repayment of transaction price of terms breached.	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.	Cash received.	On receipt of funds.	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.	Set by State legislation or limited by legislation to the cost of provision.	Based on timing of issue of the associated rights.	No refunds.	On payment and issue of the licence, registration or approval.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

REVENUE RECOGNITION POLICY

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	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Other inspections.	Regulatory Food, Health and Safety.	Single point in time.	Full payment prior to inspection.	None.	Set by State legislation or limited by legislation to the cost of provision.	Applied fully on timing of inspection .	Not applicable.	Revenue recognised after inspection event occurs.
Waste management collections.	Kerbside collection service.	Over time.	Payment on an annual basis in advance.	None.	Adopted by council annually.	Apportioned equally across the collection period.	Not applicable.	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.	Adopted by council annually.	Based on timing of entry to facility.	Not applicable.	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.	Adopted by council annually.	Based on timing of entry to facility.	Returns limited to repayment of transaction price.	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.	Adopted by council annually.	Applied fully based on timing of provision .	Not applicable.	Output method based on provision of service or completion of works.

2. REVENUE AND EXPENSES (CONTINUED)

(a) Revenue

Grant Revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	2,804,612	1,397,837	2,851,337
Law, order, public safety	143,689	137,541	187,041
Education and welfare	97,000	96,000	96,000
Transport	14,382,447	21,579,775	17,887,822
Other property and services	72,599	65,000	64,699
	<u>17,500,347</u>	<u>23,276,153</u>	<u>21,086,899</u>
Non-operating grants, subsidies and contributions			
Recreation and culture	52,805	0	62,273
Transport	1,841,963	1,642,025	1,234,223
Economic services	14,395	0	0
	<u>1,909,163</u>	<u>1,642,025</u>	<u>1,296,496</u>
Total grants, subsidies and contributions	<u>19,409,510</u>	<u>24,918,178</u>	<u>22,383,395</u>
Fees and charges			
Governance	6,200	0	100
General purpose funding	1,365	0	490
Law, order, public safety	7,828	8,047	8,101
Health	0	1,000	672
Community amenities	4,200	4,400	3,960
Recreation and culture	13,264	15,500	20,443
Economic services	3,066	2,600	11,465
Other property and services	225	0	1,718
	<u>36,148</u>	<u>31,547</u>	<u>46,949</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Contracts with customers and transfers for recognisable non-financial assets			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Operating grants, subsidies and contributions	13,207,382	20,920,063	16,712,757
Non-operating grants, subsidies and contributions	1,909,163	1,642,025	1,296,496
	15,116,545	22,562,088	18,009,253

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Contracts with customers included as a contract liability at the start of the period	52,378	0	0
Other revenue from contracts with customers recognised during the year	15,116,545	20,920,063	16,712,757
Other revenue from performance obligations satisfied during the year	(52,378)	1,642,025	1,296,496
	15,116,545	22,562,088	18,009,253

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers	833,550	0	0
Contract assets	2,706,429	0	0
Contract liabilities from contracts with customers	(5,585,814)	0	0

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2020.

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

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

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

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Revenue from statutory requirements			
Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:			
General rates	385,869	365,962	363,020
	385,869	365,962	363,020
Other revenue			
Reimbursements and recoveries	208,845	122,000	1,773,802
Works income	18,702	0	10,146
Other	160,996	58,850	175,053
	388,543	180,850	1,959,001
Interest earnings			
Reserve accounts interest	17,644	15,754	29,167
Rates instalment and penalty interest (refer Note 28(e))	9,027	4,550	4,161
Other interest earnings	9,333	10,000	10,699
	36,004	30,304	44,027

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2020	2020	2019
	Actual	Budget	Actual
	\$	\$	\$
Auditors remuneration			
Audit of the annual financial report	37,675	37,000	37,000
	<u>37,675</u>	<u>37,000</u>	<u>37,000</u>
Interest expenses (finance costs)			
Borrowings (refer Note 14(b))	33,595	50,259	36,811
WA Treasury loan guarantee fee	5,429	6,100	8,961
Interest on overdraft	15,398	65,000	93,892
	<u>54,422</u>	<u>121,359</u>	<u>139,664</u>
Other expenditure			
Impairment loss on trade and other receivables	23,183	0	13,724
Sundry expenses	49,728	73,273	64,317
	<u>72,911</u>	<u>73,273</u>	<u>78,041</u>

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

3. CASH AND CASH EQUIVALENTS

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		\$	\$
Cash at bank and on hand		6,721,842	1,585,457
Term deposits		1,369,538	1,674,894
		<u>8,091,380</u>	<u>3,260,351</u>
Comprises:			
Unrestricted cash and cash equivalents		1,085,386	1,473,362
Restricted cash and cash equivalents		7,005,994	1,786,989
		<u>8,091,380</u>	<u>3,260,351</u>

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

Cash backed reserves	4	1,369,538	1,674,894
Bonds and deposits held	13	50,642	59,717
Unspent grants, subsidies and contributions	16	5,585,814	52,378
Total restricted cash and cash equivalents		<u>7,005,994</u>	<u>1,786,989</u>

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 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.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed 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.

4. RESERVES - CASH BACKED

	Opening balance	Transfer to	Transfer (from)	Closing balance
	\$	\$	\$	\$
(a) 30 June 2020 - Actual				
(a) Leave reserve	89,028	1,040	0	90,068
(b) Plant replacement reserve	744,656	133,420	(525,000)	353,076
(c) Airport reserve	40,539	474	0	41,013
(d) Tourism precinct reserve	375,474	304,388	(300,000)	379,862
(e) Building reserve	53,705	161	0	53,866
(f) Works reserve	13,599	624	0	14,223
(g) Economic development reserve	260,936	3,049	0	263,985
(h) Roads flood damage reserve	76,545	76,250	0	152,795
(i) Bridge maintenance reserve	20,412	238	0	20,650
	1,674,894	519,644	(825,000)	1,369,538
(b) 30 June 2020 - Budget				
(a) Leave reserve	89,028	892	0	89,920
(b) Plant replacement reserve	744,656	203,411	(480,000)	468,067
(c) Airport reserve	40,539	408	0	40,947
(d) Tourism precinct reserve	375,475	303,765	(300,000)	379,240
(e) Building reserve	53,705	540	0	54,245
(f) Works reserve	13,598	136	0	13,734
(g) Economic development reserve	260,936	2,617	0	263,553
(h) Roads flood damage reserve	76,545	76,141	0	152,686
(i) Bridge maintenance reserve	20,412	204	0	20,616
	1,674,894	588,114	(780,000)	1,483,008
(c) 30 June 2019 - Actual				
(a) Leave reserve	87,231	1,797	0	89,028
(b) Plant replacement reserve	434,806	309,850	0	744,656
(c) Airport reserve	62,371	988	(22,820)	40,539
(d) Tourism precinct reserve	367,897	7,577	0	375,474
(e) Building reserve	53,042	663	0	53,705
(f) Works reserve	72,457	1,142	(60,000)	13,599
(g) Economic development reserve	345,000	5,936	(90,000)	260,936
(h) Roads flood damage reserve	75,000	1,545	0	76,545
(i) Bridge maintenance reserve	20,000	412	0	20,412
	1,517,804	329,910	(172,820)	1,674,894

4. RESERVES - CASH BACKED (Continued)

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave reserve	Note 1	to be used to fund annual and long service leave requirements.
(b) Plant replacement reserve	Note 1	to be used for the purchase of major plant and also to fund major mechanical breakdowns.
(c) Airport reserve	30 Jun 2025	to fund the resealing of the Gascoyne Junction Airport.
(d) Tourism precinct reserve	Note 1	to be used for future significant repairs or upgrades on an as required basis.
(e) Building reserve	Note 1	to be used for new buildings, future repairs or upgrades on an as required basis (excluding the Tourism Precinct).
(f) Works reserve	Note 1	to be used to support funding of major infrastructure projects.
(g) Economic development reserve	Note 1	to set aside funds for economic development initiatives.
(h) Roads flood damage reserve	Note 1	to be used towards the required Shire contribution for WANDRRA funding.
(i) Bridge maintenance reserve	Note 1	to be used for repairs and maintenance of Killili Bridge as required.

Note 1: Reserve not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

5. TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
Current		
Rates receivable	64,488	45,219
Sundry receivables	645,933	55,776
ATO receivables	187,617	136,669
Accrued income	0	2,018,204
Allowance for impairment of receivables	(96,189)	(73,006)
	801,849	2,182,862

Information with respect to the impairment or otherwise of the totals of rates outstanding, sundry debtors, and accrued income are as follows:

	2020	2019
	\$	\$
Rates outstanding		
Past due and not impaired	58,118	3,159
Impaired	6,370	42,060
	64,488	45,219
Allowance for impairment of receivables	42,060	29,445
Movement in allowance for the impairment of receivables	(35,690)	12,615
Carrying amount at 30 June	6,370	42,060

Sundry debtors		
Past due and not impaired	556,114	24,830
Impaired	89,819	30,946
	645,933	55,776
Allowance for impairment of receivables	30,946	29,837
Movement in allowance for the impairment of receivables	58,873	1,109
Carrying amount at 30 June	89,819	30,946

Allowance for impairment of receivables		
Rates receivable	6,370	42,060
Sundry receivables	89,819	30,946
	96,189	73,006

Accrued income

The following illustrates the accrued income aging analysis:

Up to one month	0	2,018,204
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5. TRADE AND OTHER RECEIVABLES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 29.

Classification and subsequent measurement

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

6. INVENTORIES

Current

Fuel and materials
 Land held for resale

	2020	2019
	\$	\$
	129,723	134,245
	7,500	10,000
	<u>137,223</u>	<u>144,245</u>

The following inventory movements occurred during the year:

Carrying amount at 1 July

Write down of land held for sale to net realisable value
 Movement in stock on hand

Carrying amount at 30 June

	144,245	99,799
	0	(10,785)
	(7,022)	55,231
	<u>137,223</u>	<u>144,245</u>

6. INVENTORIES (Continued)

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.

7. INTANGIBLE ASSETS

Other non-current assets

Liquor licence
 Impairment of asset

	2020	2019
	\$	\$
	0	96,473
	0	(96,473)
	0	0

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.

General

Intangible assets acquired as part of a business combination, other than goodwill, are initially measure at their fair value at

General (Continued)

the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured at the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

8. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
Financial assets at fair value through profit and loss		
Units in LG housing trust (unlisted equity investment)	35,610	35,034
	<u>35,610</u>	<u>35,034</u>

Local government house trust

The Shire holds 2 of 620 units in the local government house trust which purchased the Local Government House.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The Shire classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 29.

SHIRE OF UPPER GASCOYNE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in carrying amounts

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

	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	834,000	882,762	6,877,521	7,760,283	8,594,283	101,265	2,265,478	144,681	11,105,707
Additions	0	28,359	69,025	97,384	97,384	0	241,368	0	338,752
(Disposals)	0	0	0	0	0	(9,228)	(66,584)	0	(75,812)
Revaluation adjustments									
Increments / (decrements) to surplus	0	0	0	0	0	7,080	235,951	0	243,031
Depreciation (expense)	0	(12,631)	(108,756)	(121,387)	(121,387)	(27,667)	(405,610)	0	(554,664)
Transfers	0	658,466	(628,466)	30,000	30,000	0	0	(144,681)	(114,681)
Carrying amount at 30 June 2019	834,000	1,556,956	6,209,324	7,766,280	8,600,280	71,450	2,270,603	0	10,942,333
Comprises:									
Gross carrying amount at 30 June 2019	834,000	1,603,158	6,403,124	8,006,282	8,840,282	71,450	2,270,603		11,182,335
Accumulated depreciation at 30 June 2019	0	(46,202)	(193,800)	(240,002)	(240,002)			0	(240,002)
Carrying amount at 30 June 2019	834,000	1,556,956	6,209,324	7,766,280	8,600,280	71,450	2,270,603	0	10,942,333
Additions	0	13,567	199,052	212,619	212,619	34,433	796,526	0	1,043,578
(Disposals)	0	0	0	0	0	0	(190,923)	0	(190,923)
Depreciation (expense)	0	(25,197)	(103,088)	(128,285)	(128,285)	(36,511)	(683,033)	0	(847,829)
Carrying amount at 30 June 2020	834,000	1,545,326	6,305,288	7,850,614	8,684,614	69,372	2,193,173	0	10,947,159
Comprises:									
Gross carrying amount at 30 June 2020	834,000	1,616,726	6,602,176	8,218,902	9,052,902	105,883	2,872,129	0	12,030,914
Accumulated depreciation at 30 June 2020	0	(71,400)	(296,888)	(368,288)	(368,288)	(36,511)	(678,956)	0	(1,083,755)
Carrying amount at 30 June 2020	834,000	1,545,326	6,305,288	7,850,614	8,684,614	69,372	2,193,173	0	10,947,159

SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30TH JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair value measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
Land and buildings					
Land - freehold land	Level 2	Market approach using recent observable market data for similar properties	Independent registered valuer	2017	Price per hectare or sales comparison
Buildings - non-specialised	Level 3	Improvements to land valued using cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs
Buildings - specialised	Level 3	Improvements to land valued using cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment					
Furniture and equipment	Level 2	Market approach using recent observable market data for similar assets (gross valuation method)	Independent registered valuer	2019	Market data, recent sales data, second-hand dealer's websites
Plant and equipment					
Plant and equipment	Level 2	Market approach using recent observable market data for similar assets (gross valuation method)	Independent registered valuer	2019	Market data, recent sales data, vehicle guides, cost books, data supplied by the Shire

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.

Following a change to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

SHIRE OF UPPER GASCOYNE
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10. INFRASTRUCTURE

(a) Movements in carrying amounts

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

	Infrastructure - roads	Infrastructure - other	Works in progress	Total infrastructure
	\$	\$		\$
Balance at 1 July 2018	60,715,827	4,811,148	0	65,526,975
Additions	2,038,590	32,437	8,250	2,079,277
(Disposals)	0	(4,000)	0	(4,000)
Depreciation (expense)	(1,642,881)	(130,466)	0	(1,773,347)
Transfers	0	0	114,681	114,681
Carrying amount at 30 June 2019	61,111,536	4,709,119	122,931	65,943,586
Comprises:				
Gross carrying amount at 30 June 2019	89,927,559	4,839,585	122,931	94,890,075
Accumulated depreciation at 30 June 2019	(28,816,023)	(130,466)	0	(28,946,489)
Carrying amount at 30 June 2019	61,111,536	4,709,119	122,931	65,943,586
Additions	2,327,469	155,086	0	2,482,555
(Disposals)	0	0	0	0
Revaluation adjustments				
Increments / (decrements) to surplus	11,934,332	0	0	11,934,332
Depreciation (expense)	(2,116,333)	(133,706)	0	(2,250,039)
Transfers	0	122,931	(122,931)	0
Carrying amount at 30 June 2020	73,257,004	4,853,430	0	78,110,434
Comprises:				
Gross carrying amount at 30 June 2020	119,185,636	5,117,602	0	124,303,238
Accumulated depreciation at 30 June 2020	(45,928,632)	(264,172)	0	(46,192,804)
Carrying amount at 30 June 2020	73,257,004	4,853,430	0	78,110,434

10. INFRASTRUCTURE (Continued)

(b) Fair value measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
Infrastructure - roads	Level 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
Infrastructure - other	Level 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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 no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of 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 valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

In accordance with the then *Local Government (Financial Management) Regulation 16(a)(ii)*, the Shire was previously required to include as an asset (by 30 June 2013), vested Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

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

Land under roads prior to 1 July 2019

In Western Australia, most land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the then *Local Government (Financial Management) Regulation 16(a)(i)* which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, the then *Local Government (Financial Management) Regulation 16(a)(i)* prohibited local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of *AASB 1051, Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the Shire.

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, are treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related right-of-use assets at zero cost.

SHIRE OF UPPER GASCOYNE
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11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of assets

(i) 30 June 2020 - Actual	Net book value	Sale proceeds	Disposal profit	Disposal loss
Plant and equipment	\$	\$	\$	\$
Transport				
Caterpillar 140M grader	144,986	127,000	0	(17,986)
Toyota landcruiser dual-cab	45,937	45,455	0	(483)
	190,923	172,455	0	(18,469)
(ii) 30 June 2020 - Budget				
Plant and equipment				
Transport				
Caterpillar 140M grader	96,618	120,000	23,382	0
Toyota landcruiser dual-cab	31,442	55,000	23,558	0
Toyota hilux	5,000	0	0	(5,000)
	133,060	175,000	46,940	(5,000)
(iii) 30 June 2019 - Actual				
Furniture and equipment				
Governance				
Regulation 17A assets	4,489	0	0	(4,489)
Housing				
Regulation 17A assets	85	0	0	(85)
Transport				
Regulation 17A assets	4,654	0	0	(4,654)
Plant and equipment				
Transport				
Utility (Mazda) BT50 4WD (GU31)	29,442	22,727	0	(6,715)
Steig Tractor	17,601	0	0	(17,601)
HT Camp Trailer (GU983)	10,020	0	0	(10,020)
Regulation 17A assets	9,521	0	0	(9,521)
Infrastructure - other				
Transport				
Regulation 17A assets	4,000	0	0	(4,000)
	79,812	22,727	0	(57,085)

(b) Fully Depreciated Assets in Use

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

	2020 \$	2019 \$
Buildings - non specialised	393	393
Furniture and equipment	21,850	0
Plant and equipment	148,803	0
	171,046	393

(c) Temporarily Idle Assets

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

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

(d) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	25,197	18,947	12,631
Buildings - specialised	103,088	163,143	108,756
Furniture and equipment	36,511	33,980	27,667
Plant and equipment	683,033	395,450	405,610
Infrastructure - roads	2,116,333	1,642,880	1,642,881
Infrastructure - other	133,706	80,730	130,466
	3,097,868	2,335,130	2,328,011

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation rates

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

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

Depreciation (Continued)

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

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

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12. REVALUATION SURPLUS

	Opening balance	Change in Accounting Policy	2020		Total movement	Closing balance
	\$		Revaluation increment	Revaluation (decrement)	\$	\$
(a) 30 June 2020 - Actual						
Land	293,272	0	0	0	0	293,272
Buildings	122,287	0	0	0	0	122,287
Furniture and equipment	7,080	(7,080)	0	0	0	0
Plant and equipment	494,792	(494,792)	0	0	0	0
Infrastructure - roads	39,198,356	0	11,934,332	0	11,934,332	51,132,688
Infrastructure - other	482,509	0	0	0	0	482,509
	40,598,296	(501,872)	11,934,332	0	11,934,332	52,030,756
(b) 30 June 2019 - Actual						
Land	293,272	0	0	0	0	293,272
Buildings	122,287	0	0	0	0	122,287
Furniture and equipment	0	0	7,080	0	7,080	7,080
Plant and equipment	258,841	0	235,951	0	235,951	494,792
Infrastructure - roads	39,198,356	0	0	0	0	39,198,356
Infrastructure - other	482,509	0	0	0	0	482,509
	40,355,265	0	243,031	0	243,031	40,598,296

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

13. TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Current		
Sundry creditors	1,080,468	126,948
Rates paid in advance	4,897	0
Retentions held for the Gascoyne River Bridge Project	6,171	6,171
Accrued interest on debentures	10,664	11,829
Accrued salaries and wages	26,674	13,368
Accrued expenses	274,493	602,473
Deposits and bonds	50,642	59,757
	<u>1,454,009</u>	<u>820,546</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

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.

SHIRE OF UPPER GASCOYNE
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14. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	76,723	73,642
Non-current	679,638	756,361
	<u>756,361</u>	<u>830,003</u>

(b) Repayments - Borrowings

(i) 30 June 2020 - Actual

	Loan number	Institution	Interest rate	Principal 1 July 2019	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$
Housing							
Staff housing	29	WATC*	2.99%	308,228	32,359	8,626	275,869
Economic services							
Tourism precinct	28	WATC*	5.04%	521,775	41,283	24,969	480,492
				<u>830,003</u>	<u>73,642</u>	<u>33,595</u>	<u>756,361</u>

(ii) 30 June 2020 - Budget

	Loan number	Institution	Interest rate	Principal 1 July 2019	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$
Housing							
Staff housing	29	WATC*	2.99%	308,228	32,358	8,976	275,870
Economic services							
Tourism precinct	28	WATC*	5.04%	521,774	41,284	41,283	480,490
				<u>830,002</u>	<u>73,642</u>	<u>50,259</u>	<u>756,360</u>

(iii) 30 June 2019 - Actual

	Loan number	Institution	Interest rate	Principal 1 July 2018	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$
Housing							
Staff housing	29	WATC*	2.99%	339,640	31,412	9,579	308,228
Economic services							
Tourism precinct	28	WATC*	5.04%	561,054	39,279	27,232	521,775
				<u>900,694</u>	<u>70,691</u>	<u>36,811</u>	<u>830,003</u>

* - Western Australian Treasury Corporation.

All borrowing repayments were financed by general purpose revenue.

SHIRE OF UPPER GASCOYNE
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FOR THE YEAR ENDED 30TH JUNE 2020

14. INFORMATION ON BORROWINGS (Continued)

(c) New borrowings - 2019/20

The Shire did not have any new borrowings as at 30 June 2020.

(d) Unspent borrowings - 2019/20

The Shire did not have any unspent borrowings as at 30 June 2020.

(e) Undrawn borrowing facilities

Credit standby arrangements

	<u>2020</u>	<u>2019</u>
	\$	\$
Bank overdraft limit	4,200,000	4,200,000
WANDRRA overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	(5,045)	(1,205)
Total amount of credit unused	4,204,955	4,208,795

Loan facilities

Loan facilities - current	76,723	73,642
Loan facilities - non-current	679,638	756,361
Total facilities in use at balance date	756,361	830,003

Undrawn loan at balance date	0	0
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SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Borrowing costs 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.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 29.

15. EMPLOYEE RELATED PROVISIONS

Employee related provisions

	Provision for annual leave	Provision for long service leave	Total
	\$	\$	\$
Opening balance at 1 July 2019			
Current provisions	82,876	104,491	187,367
Non-current provisions	0	26,823	26,823
	<u>82,876</u>	<u>131,314</u>	<u>214,190</u>
Additional provision	18,772	18,364	37,136
Amounts used	(4,197)	(14,100)	(18,297)
Balance at 30 June 2020	<u>97,451</u>	<u>135,578</u>	<u>233,029</u>
Comprises			
Current	97,451	90,391	187,842
Non-current	0	45,187	45,187
	<u>97,451</u>	<u>135,578</u>	<u>233,029</u>

Amounts are expected to be settled on the following basis:

	2020	2019
	\$	\$
Less than 12 months after the reporting date	187,842	187,367
More than 12 months from reporting date	76,720	48,356
Expected reimbursements from other WA local governments	(31,533)	(21,533)
	<u>233,029</u>	<u>214,190</u>

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

15. EMPLOYEE RELATED PROVISIONS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

16. CONTRACT LIABILITIES

	<u>2020</u>	<u>2019</u>
	\$	\$
Current		
Contract liabilities from contracts with customers	5,585,814	0
	<u>5,585,814</u>	<u>0</u>
Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:		
Less than 1 year	<u>5,585,814</u>	
	<u>5,585,814</u>	

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

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

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	8,091,380	2,083,767	3,260,351
Bank overdraft	0	(1,750)	0
	<u>8,091,380</u>	<u>2,082,017</u>	<u>3,260,351</u>

Reconciliation of net cash provided by

Net result	275,245	(1,852,508)	937,492
Non-cash flows in net result:			
Depreciation	3,097,868	2,335,130	2,328,011
(Profit)/loss on sale of asset	18,469	(41,940)	57,085
Impairment of intangible assets	0	0	96,473
Changes in assets and liabilities:			
(Increase)/decrease in receivables	1,381,013	2,018,206	(25,279)
(Increase)/decrease in inventories	7,022	0	(44,446)
(Increase)/decrease in contract assets	(2,706,429)	0	0
(Increase)/decrease in financial assets	(576)	0	(35,034)
Increase/(decrease) in payables	581,084	0	118,874
Increase/(decrease) in contract liabilities	5,585,814	0	0
Increase/(decrease) in provisions	18,839	0	(9,733)
Non-operating grants, subsidies and contributions	(1,909,163)	(1,642,025)	(1,296,496)
Net cash from operating activities	<u>6,349,186</u>	<u>816,863</u>	<u>2,126,947</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	1,003,708	1,124,184
General purpose funding	6,757,452	1,620,491
Health	0	2,253
Education and welfare	630,689	706,850
Housing	1,753,192	1,610,661
Community amenities	109,015	161,257
Recreation and culture	1,202,447	1,089,393
Transport	80,211,259	65,686,027
Economic services	6,659,202	7,358,880
Other property and services	2,503,120	3,148,415
	100,830,084	82,508,411

19. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities.

20. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

	2020	2019
	\$	\$
Contracted for:		
Tourist Park Solar System	220,447	0
	220,447	0
Payable:		
not later than one year	220,447	0

(b) Operating Lease Commitments

The Shire did not have any operating lease commitments at reporting date.

21. JOINT VENTURE ARRANGEMENTS AND INVESTMENT IN ASSOCIATES

The Shire is not involved in any joint venture arrangements and did not have any investments in associates at the reporting date.

22. SUBSEQUENT EVENTS

The Shire evaluated events from 30 June 2020 through to the date the financial statements were issued. No subsequent events were noted that required disclosure.

23. MAJOR LAND TRANSACTIONS

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

24. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

25. INVESTMENT PROPERTIES

The Shire did not hold any investment properties at reporting date.

26. RELATED PARTY TRANSACTIONS

Elected members remuneration

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to Council members and/or the President.			
Meeting fees	73,130	74,662	74,675
President's allowance	19,570	19,570	19,570
Deputy President's allowance	4,893	4,893	4,893
Travelling expenses	23,218	29,000	29,575
Telecommunications allowance	23,917	24,500	24,500
	144,728	152,625	153,213

Key management personnel (KMP) compensation disclosure

	2020 Actual	2019 Actual
	\$	\$
The total remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	471,317	454,406
Post-employment benefits	53,353	82,092
Other long-term benefits	23,419	21,879
	548,089	558,377

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

26. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	583	2,288
Purchase of goods and services	216,129	239,354

Amounts payable to related parties:

Trade and other payables	5,948	1,277
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Related parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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27. RATING INFORMATION

(a) Rates

	Rate in	Number of properties	Rateable value	2019/20 Actual Rate revenue	Interim rates	Back rates	Total revenue	2019/20 Budget Total revenue	2018/19 Actual Total revenue
	\$	#	\$	\$	\$	\$	\$	\$	\$
Differential general rate									
Gross rental valuations									
GRV - Gascoyne Junction	0.0872	20	147,258	12,847	0	0	12,847	13,205	12,821
Unimproved valuations									
UV - Pastoral	0.0469	26	1,451,045	68,054	0	0	68,054	68,055	66,072
UV - Mining	0.1393	91	1,887,164	262,882	8,442	0	271,324	251,708	252,282
		137	3,485,467	343,783	8,442	0	352,225	332,968	331,175
Minimum payment									
Gross rental valuations									
GRV - Gascoyne Junction	200	4	1,045	800	0	0	800	600	585
Unimproved valuations									
UV - Pastoral	412	12	23,895	4,944	0	0	4,944	4,944	4,800
UV - Mining	450	62	77,724	27,900	0	0	27,900	27,450	26,460
Sub-total		78	102,664	33,644	0	0	33,644	32,994	31,845
		215	3,588,131	377,427	8,442	0	385,869	365,962	363,020
Discounts/concessions (refer Note 27(d))							0	0	0
Total amount raised from general rate							385,869	365,962	363,020
Ex-gratia rates							2,883	1,400	2,800
Rates written-off							(174)	(20,000)	(6,490)
Administration charges							0	(510)	0
Totals							388,578	346,852	359,330

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

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.

27. RATING INFORMATION (Continued)

(b) Specified area rate

The Shire did not impose any specified area rates during the 2019/2020 financial year.

(c) Service charges

The Shire did not impose any service charges during the 2019/2020 financial year.

(d) Discounts, incentives, concessions, and write-offs

The Shire did not grant any discounts, waivers, or concessions during the 2019/2020 financial year.

(e) Interest charges and instalments

Instalment options	Date due	Instalment plan admin charge	Instalment plan interest rate	Unpaid rates interest rate
		\$	%	%
Option One				
Single full payment	17 Oct 2019			11.0%
Option Two				
First instalment	17 Oct 2019	5	5.5%	11.0%
Second instalment	17 Dec 2019	5	5.5%	11.0%
Third instalment	17 Feb 2020	5	5.5%	11.0%
Fourth instalment	17 Apr 2020	5	5.5%	11.0%

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Interest charges			
- Interest on unpaid rates	5,893	4,000	3,611
- Interest on instalment plan	3,134	550	550
	9,027	4,550	4,161
Other charges			
- Charges on instalment plan	1,365	490	490
	1,365	490	490
Total charges	10,392	5,040	4,651

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28. RATE SETTING STATEMENT INFORMATION

Note	2019/20 (30 June 2020 carried forward) \$	2019/20 Budget (30 June 2020 carried forward) \$	2019/20 (1 July 2019 brought forward) \$	2019/20 (1 July 2019 carried forward) \$
(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	11(a)	0	(46,940)	0
Less: Movement in financial assets	8	(576)	0	(35,034)
Movement in land held for resale	6	2,500	0	2,000
Movement in employee benefit provisions (non-current)	15.	18,364	892	(25,239)
Movement in current leave reserve	4	1,040	0	1,797
Add: Loss on disposal of assets	11(a)	18,469	5,000	57,085
Add: Impairment of intangible asset	7	0	0	96,473
Add: Depreciation on assets	11(d)	3,097,868	2,335,130	2,328,011
Non cash amounts excluded from operating activities		3,137,665	2,294,082	2,425,093
(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: Reserves - restricted cash	3	(1,369,538)	(1,483,008)	(1,674,894)
Less: Land held for resale	6	(7,500)	(20,785)	(10,000)
Add: Current portion of borrowings	14(a)	76,723	73,642	73,642
Add: Employee leave reserve	4	90,068	89,920	89,028
Total adjustments to net current assets		(1,210,247)	(1,340,231)	(1,522,224)
Net current assets used in the rate setting statement				
Total current assets		11,736,881	2,417,260	5,587,458
Less: Total current liabilities		(7,304,388)	(1,077,029)	(1,133,933)
Less: Total adjustments to net current assets		(1,210,247)	(1,340,231)	(1,522,224)
Net current assets used in the rate setting statement		3,222,246	0	2,931,301
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards				
Total current liabilities at 30 June 2019				
- Contract liabilities from contracts with customers	31(a)			(1,081,555)
Total current liabilities at 1 July 2019				(52,378)
				(1,133,933)

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.3%	8,091,380	0	8,090,480	900
2019					
Cash and cash equivalents	1.2%	3,260,351	0	3,259,451	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.

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss*	80,914	32,604

* - 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 14(b).

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2020 and 1 July 2019 was determined as follows for rates receivable.

Rates receivable	Current	One to	Two to	Three or	Total
	\$ or %	two years	three years	more years	
30 June 2020					
Expected default rate	9.88%	9.88%	9.88%	9.88%	
Gross carrying amount	4,756	26,870	15,958	16,904	64,488
Expected credit loss	470	2,655	1,577	1,668	6,370
30 June 2019					
Expected default rate	94.8%	97.4%	83.5%	94.4%	
Gross carrying amount	792	18,177	10,833	15,417	45,219
Expected credit loss	751	17,710	9,041	14,558	42,060

The loss allowance as at 30 June 2020 and 1 July 2019 was determined as follows for sundry receivables.

Sundry receivables	Current	One to	Two to	Three or	Total
	\$ or %	two months	three months	more months	
30 June 2020					
Expected default rate	0.0%	0.0%	0.0%	99.66%	
Gross carrying amount	431,156	0	124,650	90,127	645,933
Expected credit loss	0	0	0	89,819	89,819
30 June 2019					
Expected default rate	0.0%	96.6%	100.0%	80.2%	
Gross carrying amount	20,651	8,208	7,267	19,650	55,776
Expected credit loss	0	7,929	7,267	15,750	30,946

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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 credit 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 type 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.

(c) Liquidity risk

Payables and borrowings

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

The contractual undiscounted cash flows of the Shire's payables, borrowings and obligations 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.

Payable type	Due	Due	Due	Total	Carrying
	within	between	after	contractual	values
	1 year	1 and 5 years	5 years	cash flows	
	\$	\$	\$	\$	\$
Payables	1,454,009	0	0	1,454,009	1,454,009
Borrowings	108,401	433,605	371,604	913,610	756,361
Contract liabilities	5,585,814	0	0	5,585,814	5,585,814
	<u>7,148,224</u>	<u>433,605</u>	<u>371,604</u>	<u>7,953,433</u>	<u>7,796,184</u>
2019					
Payables	820,546	0	0	820,546	820,546
Borrowings	108,401	433,605	480,004	1,022,010	830,003
	<u>928,947</u>	<u>433,605</u>	<u>480,004</u>	<u>1,842,556</u>	<u>1,650,549</u>

30. TRUST FUNDS

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

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in a change in accounting policies. In accordance with the transition provisions in AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the statement of financial position as at the date of initial application (1 July 2019):

Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
Contract liabilities - current			
Contract liabilities from contracts with customers	0	52,378	52,378
Adjustment to retained surplus from adoption of AASB 15	0	52,378	52,378

(b) AASB 1058: Income For Not-For-Profit Entities

The Shire adopted AASB 1058 *Income for Not-For-Profit Entities* (issued December 2016) on 1 July 2019 resulting in a change in accounting policies. In accordance with the transition provisions in AASB 1058, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods were not restated in accordance with the AASB 1058 transition requirements.

There were no uncompleted contracts or funds previously recognised as revenue, applicable under AASB 1058, at the date of initial application (1 July 2019).

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

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

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

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31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Non-operating grants, subsidies and contributions	2(a)	1,909,163	5,585,814	7,494,977
Rates	27(a)	388,578	4,897	393,475
Net result		275,245	5,590,711	5,865,956
Statement of Financial Position				
Contract assets	2(a)	2,706,429	(2,706,429)	0
Trade and other payables	13	1,454,009	(4,897)	1,449,112
Contract liabilities	16	5,585,814	(5,585,814)	0
Net assets		92,800,871	(8,297,140)	101,098,011
Statement of Changes in Equity				
Net result		275,245	5,590,711	5,865,956
Retained surplus		39,400,577	5,590,711	44,991,288

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

(c) AASB 16: Leases

The Shire adopted AASB 16 *Leases* retrospectively from 1 July 2019 which resulted in a change in accounting policies. In accordance with the transition provisions in AASB 16, the Shire applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised at 1 July 2019. Comparative information for prior reporting periods were not restated in accordance with the AASB 16 transition requirements.

There was no impact from the application of AASB 16 on the reported balances as the date of initial application (1 July 2019), as the Shire had no leases.

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32. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets are required to be measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. No such assets are held by the Shire.

In addition, the amended regulation 17A requires plant and equipment assets to be measured under the cost model, rather than at fair value. In applying the retrospective changes as at 1 July 2019, the Shire reversed plant and equipment revaluation reserve credit balance to retained earnings.

	<u>Note</u>	<u>Adjustments</u>	<u>2019</u>
			\$
Revaluation surplus - 30 June 2019			40,598,296
Adjustment to revaluation surplus from amendment to FM Reg 16	12	(501,872)	(501,872)
Adjustment to revaluation surplus from amendment to FM Reg 17		0	0
Revaluation surplus - 1 July 2019			40,096,424

Regulation 17A of the Local Government (Financial Management) Regulations 1996 was amended to require plant and equipment type assets to be measured under the cost model, rather than at fair value. Implementation of the cost model is effective from the beginning of the 2019/20 year.

In applying the retrospective changes as at 1 July 2019, the Shire reversed plant and equipment revaluation credit balances to retained surplus.

	<u>Note</u>	
Revaluation Surplus - Furniture and Equipment	12	7,080
Revaluation Surplus - Plant and Equipment	12	494,792
		501,872

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	<u>Note</u>	<u>Carrying amount</u>	<u>Reclassification</u>	<u>Carrying amount</u>
		30 June 2019	\$	01 July 2019
		\$	\$	\$
Revaluation surplus	12.	40,598,296	(501,872)	40,096,424
Retained earnings		38,370,482	449,494	38,819,976

(b) Impact of New Accounting Standards and changes in Accounting Policy on Retained Surplus

The impact on the Shire's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	<u>Note</u>	<u>Adjustments</u>	<u>2019</u>
			\$
Retained surplus - 30 June 2019			38,370,482
Adjustment to retained surplus from amendment to FM Reg 16		501,872	
Adjustment to retained surplus from adoption of AASB 15		(52,378)	
Adjustment to retained surplus from adoption of AASB 1058		0	449,494
Retained surplus - 1 July 2019			38,819,976

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33. 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

liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire's intentions to release for sale.

c) Rounding off figures

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

d) Comparative figures

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

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

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

f) Superannuation

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

34. ACTIVITIES / PROGRAMS

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

PROGRAM NAME / OBJECTIVE	ACTIVITIES
<p>GOVERNANCE</p> <p>To provide a decision making process for the efficient allocation of scarce resources.</p>	<p>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.</p>
<p>GENERAL PURPOSE FUNDING</p> <p>To collect revenue to allow for the provision of services.</p>	<p>Rates, general purpose government grants and interest revenue.</p>
<p>LAW, ORDER, PUBLIC SAFETY</p> <p>To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.</p>
<p>EDUCATION AND WELFARE</p> <p>To provide services to disadvantaged persons, the elderly, children and youth.</p>	<p>Provide a range of appropriate services via the Community Resource Centre.</p>
<p>HEALTH</p> <p>Monitoring and control of health standards within the community.</p>	<p>Control the quality of food and water. Environmental Health Officer twice per year.</p>
<p>HOUSING</p> <p>Maintain staff housing to facilitate attraction and retention of staff in this remote area.</p>	<p>Provide housing for staff.</p>
<p>COMMUNITY AMENITIES</p> <p>To provide services required by the community.</p>	<p>Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes, cemetery and public conveniences.</p>
<p>RECREATION AND CULTURE</p> <p>To establish and effectively manage infrastructure and resources which will help the social well-being of the community.</p>	<p>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.</p>
<p>TRANSPORT</p> <p>Facilitate safe, effective and efficient transport options for the community.</p>	<p>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.</p>
<p>ECONOMIC SERVICES</p> <p>To help promote the shire and its economic well-being.</p>	<p>Tourism and area promotion. Building Control.</p>
<p>OTHER PROPERTY AND SERVICES</p> <p>To monitor and control council's overheads operating accounts.</p>	<p>Private works operation, plant repair and operation costs and engineering operation costs.</p>

35. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	0.66	4.07	1.88
Asset consumption ratio	0.65	0.73	0.76
Asset renewal funding ratio	0.70	0.71	0.75
Asset sustainability ratio	1.01	0.99	0.70
Debt service cover ratio	12.38	10.47	11.65
Operating surplus ratio	(2.37)	(0.16)	(1.33)
Own source revenue coverage ratio	0.03	0.09	0.05

The above ratios are calculated as follows:

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