



**Shire of Mukinbudin  
ANNUAL FINANCIAL REPORT  
YEAR ENDING 30 JUNE 2020**

**SHIRE OF MUKINBUDIN**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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**COMMUNITY VISION**

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

Principal place of business:  
15 Maddock Street  
Mukinbudin WA 6479

**SHIRE OF MUKINBUDIN  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 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 Mukinbudin 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 Mukinbudin 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 17th day of December 2020

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

Dirk Sellenger  
\_\_\_\_\_  
Name of Chief Executive Officer



**SHIRE OF MUKINBUDIN**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	27(a)	1,251,078	1,234,526	1,159,694
Operating grants, subsidies and contributions	2(a)	1,847,373	1,000,966	1,855,093
Fees and charges	2(a)	546,656	543,829	500,997
Interest earnings	2(a)	34,978	32,100	37,270
Other revenue	2(a)	84,076	80,757	117,491
		<b>3,764,161</b>	<b>2,892,178</b>	<b>3,670,545</b>
<b>Expenses</b>				
Employee costs		(1,229,620)	(1,297,626)	(1,228,680)
Materials and contracts		(1,019,307)	(1,111,607)	(865,299)
Utility charges		(244,331)	(252,568)	(248,755)
Depreciation on non-current assets	11(c)	(1,648,073)	(1,605,372)	(1,604,799)
Interest expenses	2(b)	(41,276)	(28,583)	(33,018)
Insurance expenses		(113,804)	(110,109)	(102,356)
Other expenditure	2(b)	(86,867)	(99,475)	(88,629)
		<b>(4,383,278)</b>	<b>(4,505,340)</b>	<b>(4,171,536)</b>
		<b>(619,117)</b>	<b>(1,613,162)</b>	<b>(500,991)</b>
Non-operating grants, subsidies and contributions	2(a)	1,250,684	1,720,698	702,825
Profit on asset disposals	11(a)	13,360	0	21,719
(Loss) on asset disposals	11(a)	(67,500)	(5,000)	(52,547)
Fair value adjustments to financial assets at fair value through profit or loss		865	0	0
		<b>1,197,409</b>	<b>1,715,698</b>	<b>671,997</b>
<b>Net result for the period</b>		<b>578,292</b>	<b>102,536</b>	<b>171,006</b>
<b>Other comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>578,292</b>	<b>102,536</b>	<b>171,006</b>

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



**SHIRE OF MUKINBUDIN**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Governance	2(a)	0	1,200	825
General purpose funding		2,966,977	2,061,509	2,876,376
Law, order, public safety		14,007	26,371	28,633
Health		25,629	33,164	14,833
Education and welfare		12,313	17,850	13,173
Housing		182,756	225,790	205,293
Community amenities		89,591	106,197	100,713
Recreation and culture		29,293	38,922	41,509
Transport		143,830	147,884	141,248
Economic services		223,442	175,341	168,649
Other property and services		76,323	57,950	79,293
		<b>3,764,161</b>	<b>2,892,178</b>	<b>3,670,545</b>
<b>Expenses</b>				
Governance	2(b)	(349,540)	(415,035)	(325,747)
General purpose funding		(90,455)	(87,295)	(76,465)
Law, order, public safety		(105,233)	(101,275)	(94,432)
Health		(131,781)	(134,179)	(103,418)
Education and welfare		(88,890)	(96,743)	(100,926)
Housing		(271,301)	(330,299)	(301,965)
Community amenities		(241,059)	(289,360)	(244,525)
Recreation and culture		(746,992)	(848,122)	(806,944)
Transport		(1,905,155)	(1,788,030)	(1,708,885)
Economic services		(326,317)	(334,228)	(296,974)
Other property and services		(85,279)	(52,191)	(78,237)
		<b>(4,342,002)</b>	<b>(4,476,757)</b>	<b>(4,138,518)</b>
<b>Finance Costs</b>				
Education and welfare	2(b)	(3,479)	(836)	(1,094)
Housing		(19,505)	(8,924)	(7,570)
Recreation and culture		(1,615)	(1,983)	(2,670)
Economic services		(4,588)	(4,665)	(5,603)
Other property and services		(12,089)	(12,175)	(16,081)
		<b>(41,276)</b>	<b>(28,583)</b>	<b>(33,018)</b>
		<b>(619,117)</b>	<b>(1,613,162)</b>	<b>(500,991)</b>
Non-operating grants, subsidies and contributions	2(a)	1,250,684	1,720,698	702,825
Profit on disposal of assets	11(a)	13,360	0	21,719
(Loss) on disposal of assets	11(a)	(67,500)	(5,000)	(52,547)
Fair value adjustments to financial assets at fair value through profit or loss		865	0	0
		<b>1,197,409</b>	<b>1,715,698</b>	<b>671,997</b>
<b>Net result for the period</b>		<b>578,292</b>	<b>102,536</b>	<b>171,006</b>
<b>Other comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>578,292</b>	<b>102,536</b>	<b>171,006</b>

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



**SHIRE OF MUKINBUDIN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	NOTE	2020	2019
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	933,278	1,216,746
Trade and other receivables	6	154,514	120,423
Other financial assets	5(a)	484,209	606,500
Inventories	7	950	2,014
Other assets	8	21,762	8,140
<b>TOTAL CURRENT ASSETS</b>		<b>1,594,713</b>	<b>1,953,823</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	713	866
Other financial assets	5(a)	53,416	52,551
Inventories	7	365,614	500,614
Property, plant and equipment	9	14,293,678	12,523,359
Infrastructure	10	54,594,476	54,557,941
Right of use assets	12(a)	12,260	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>69,320,157</b>	<b>67,635,331</b>
<b>TOTAL ASSETS</b>		<b>70,914,870</b>	<b>69,589,154</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	343,615	237,198
Contract liabilities	15	52,438	0
Lease liabilities	16(a)	9,402	0
Borrowings	17(a)	199,477	137,910
Employee related provisions	18	102,029	88,387
<b>TOTAL CURRENT LIABILITIES</b>		<b>706,961</b>	<b>463,495</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	16(a)	3,288	0
Borrowings	17(a)	1,300,988	568,146
Employee related provisions	18	33,304	20,039
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,337,580</b>	<b>588,185</b>
<b>TOTAL LIABILITIES</b>		<b>2,044,541</b>	<b>1,051,680</b>
<b>NET ASSETS</b>		<b>68,870,329</b>	<b>68,537,474</b>
<b>EQUITY</b>			
Retained surplus		44,758,867	44,103,689
Reserves - cash backed	4	487,167	613,413
Revaluation surplus	13	23,624,295	23,820,372
<b>TOTAL EQUITY</b>		<b>68,870,329</b>	<b>68,537,474</b>

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



**SHIRE OF MUKINBUDIN**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2018</b>		<b>43,455,693</b>	<b>1,090,403</b>	<b>23,820,372</b>	<b>68,366,468</b>
Comprehensive income					
Net result for the period		171,006	0	0	171,006
Total comprehensive income		171,006	0	0	171,006
Transfers from reserves	4	543,730	(543,730)	0	0
Transfers to reserves	4	(66,740)	66,740	0	0
<b>Balance as at 30 June 2019</b>		<b>44,103,689</b>	<b>613,413</b>	<b>23,820,372</b>	<b>68,537,474</b>
Change in accounting policy	32(b)	(49,360)	0	(196,077)	(245,437)
<b>Restated total equity at 1 July 2019</b>		<b>44,054,329</b>	<b>613,413</b>	<b>23,624,295</b>	<b>68,292,037</b>
Comprehensive income					
Net result for the period		578,292	0	0	578,292
Total comprehensive income		578,292	0	0	578,292
Transfers from reserves	4	314,300	(314,300)	0	0
Transfers to reserves	4	(188,054)	188,054	0	0
<b>Balance as at 30 June 2020</b>		<b>44,758,867</b>	<b>487,167</b>	<b>23,624,295</b>	<b>68,870,329</b>

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

**SHIRE OF MUKINBUDIN**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,240,135	1,239,526	1,137,735
Operating grants, subsidies and contributions		1,857,741	1,015,966	1,835,314
Fees and charges		546,656	543,829	500,997
Interest received		34,978	32,100	37,270
Goods and services tax received		306,032	259,505	266,505
Other revenue		84,076	80,757	117,491
		4,069,618	3,171,683	3,895,312
<b>Payments</b>				
Employee costs		(1,142,276)	(1,302,626)	(1,224,064)
Materials and contracts		(995,295)	(1,119,714)	(839,975)
Utility charges		(244,331)	(252,568)	(248,755)
Interest expenses		(41,276)	(22,583)	(32,420)
Insurance paid		(113,804)	(110,109)	(102,356)
Goods and services tax paid		(326,907)	(266,505)	(253,801)
Other expenditure		(86,867)	(99,475)	(88,629)
		(2,950,756)	(3,173,580)	(2,790,000)
<b>Net cash provided by (used in) operating activities</b>	19	1,118,862	(1,897)	1,105,312
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for development of land held for resale		0	(10,830)	0
Payments for purchase of property, plant & equipment	9(a)	(2,471,384)	(2,530,670)	(838,225)
Payments for construction of infrastructure	10(a)	(1,419,755)	(1,515,600)	(1,409,059)
Non-operating grants, subsidies and contributions	2(a)	1,250,684	1,720,698	702,825
Proceeds from financial assets at amortised cost - term deposits		122,291	0	0
Proceeds from sale of property, plant & equipment	11(a)	260,189	364,000	198,273
Proceeds from sale of inventories	7	70,000	0	0
<b>Net cash provided by (used in) investment activities</b>		(2,187,975)	(1,972,402)	(1,346,186)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(165,591)	(137,910)	(173,124)
Payments for principal portion of lease liabilities	16(b)	(8,764)	(9,027)	0
Proceeds from new borrowings	17(b)	960,000	960,000	260,000
<b>Net cash provided by (used in) financing activities</b>		785,645	813,063	86,876
<b>Net increase (decrease) in cash held</b>		(283,468)	(1,161,236)	(153,998)
Cash at beginning of year		1,216,746	1,783,853	1,370,744
<b>Cash and cash equivalents at the end of the year</b>	19	933,278	622,617	1,216,746

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



**SHIRE OF MUKINBUDIN**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$	
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	28 (b)	1,053,852	1,092,129	784,505
		1,053,852	1,092,129	784,505
<b>Revenue from operating activities (excluding rates)</b>				
Governance	0	1,200	825	
General purpose funding	1,734,631	835,893	1,724,531	
Law, order, public safety	14,007	26,371	28,633	
Health	25,629	33,164	14,833	
Education and welfare	12,313	17,850	13,173	
Housing	182,756	225,790	205,293	
Community amenities	89,591	106,197	100,713	
Recreation and culture	29,293	38,922	41,509	
Transport	154,030	147,884	160,983	
Economic services	223,442	175,341	168,649	
Other property and services	79,483	57,950	81,277	
	2,545,175	1,666,562	2,540,419	
<b>Expenditure from operating activities</b>				
Governance	(349,540)	(415,035)	(325,747)	
General purpose funding	(90,455)	(87,295)	(76,465)	
Law, order, public safety	(105,233)	(101,275)	(94,432)	
Health	(131,781)	(134,179)	(103,418)	
Education and welfare	(154,369)	(97,579)	(102,020)	
Housing	(290,806)	(339,223)	(309,535)	
Community amenities	(241,059)	(289,360)	(244,525)	
Recreation and culture	(749,107)	(850,105)	(821,286)	
Transport	(1,905,155)	(1,793,030)	(1,708,885)	
Economic services	(330,905)	(338,893)	(343,260)	
Other property and services	(102,368)	(64,366)	(94,510)	
	(4,450,778)	(4,510,340)	(4,224,083)	
Non-cash amounts excluded from operating activities	28(a)	1,728,408	1,610,372	1,632,846
<b>Amount attributable to operating activities</b>		876,657	(141,277)	733,687
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	1,250,684	1,720,698	702,825
Proceeds from disposal of assets	11(a)	260,189	364,000	198,273
Proceeds from sale of inventories	7	70,000	0	0
Purchase land held for resale		0	(10,830)	0
Purchase of property, plant and equipment	9(a)	(2,471,384)	(2,530,670)	(838,225)
Purchase and construction of infrastructure	10(a)	(1,419,755)	(1,515,600)	(1,409,059)
<b>Amount attributable to investing activities</b>		(2,310,266)	(1,972,402)	(1,346,186)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(165,591)	(137,910)	(173,124)
Proceeds from borrowings	17(c)	960,000	960,000	260,000
Payments for principal portion of lease liabilities	16(b)	(8,764)	(9,027)	0
Transfers to reserves (restricted assets)	4	(188,054)	(239,000)	(66,740)
Transfers from reserves (restricted assets)	4	314,300	314,000	543,730
<b>Amount attributable to financing activities</b>		911,891	888,063	563,866
<b>Surplus/(deficit) before imposition of general rates</b>		(521,718)	(1,225,616)	(48,633)
<b>Total amount raised from general rates</b>	27(a)	1,233,211	1,225,616	1,151,845
<b>Surplus/(deficit) after imposition of general rates</b>	28(b)	<b>711,493</b>	<b>0</b>	<b>1,103,212</b>

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

**SHIRE OF MUKINBUDIN**  
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**FOR THE YEAR ENDED 30 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.

The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

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.

**SHIRE OF MUKINBUDIN**  
**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
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
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	On receipt of funds	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	None except in special circumstances	Adopted by council annually	On receipt of funds	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
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
Sale of stock	Construction supplies	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

**SHIRE OF MUKINBUDIN**  
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**2. REVENUE AND EXPENSES**

**(a) 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
	\$	\$	\$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,663,263	788,713	1,675,648
Law, order, public safety	5,060	18,971	21,112
Health	25,995	32,664	5,464
Education and welfare	1,372	3,510	1,000
Community amenities	8,240	26,624	25,624
Recreation and culture	4,254	0	4,733
Transport	128,984	128,984	120,680
Economic services	0	1,000	104
Other property and services	10,205	500	728
	<b>1,847,373</b>	<b>1,000,966</b>	<b>1,855,093</b>
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	0	90,658	0
Health	13,636	75,000	0
Education and welfare	458,138	672,852	0
Recreation and culture	48,607	68,451	4,000
Transport	730,303	813,737	698,825
	<b>1,250,684</b>	<b>1,720,698</b>	<b>702,825</b>
<b>Total grants, subsidies and contributions</b>	<b>3,098,057</b>	<b>2,721,664</b>	<b>2,557,918</b>
<b>Fees and charges</b>			
General purpose funding	17,256	6,220	3,792
Law, order, public safety	4,154	2,700	2,553
Health	0	500	451
Education and welfare	5,256	6,600	6,442
Housing	232,454	218,536	194,436
Community amenities	81,351	79,573	75,089
Recreation and culture	24,014	37,690	31,694
Transport	273	400	318
Economic services	169,577	172,060	166,637
Other property and services	12,321	19,550	19,585
	<b>546,656</b>	<b>543,829</b>	<b>500,997</b>

**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.

**SHIRE OF MUKINBUDIN**  
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**2. REVENUE AND EXPENSES (Continued)**

(a) Revenue (Continued)	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>			
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	55,126	83,269	58,765
Fees and charges	538,003	540,279	497,745
Other revenue	62,912	52,400	60,052
Non-operating grants, subsidies and contributions	1,250,684	1,720,698	702,825
	1,906,725	2,396,646	1,319,387
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	24,773	0	0
Other revenue from contracts with customers recognised during the year	656,041	675,948	616,562
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period	0	0	0
Other revenue from performance obligations satisfied during the year	1,225,911	1,720,698	702,825
	1,906,725	2,396,646	1,319,387
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	67,720		0
Contract liabilities from contracts with customers	(52,438)		0

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.



**SHIRE OF MUKINBUDIN**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

**3. CASH AND CASH EQUIVALENTS**

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		933,278	1,216,746
<b>Total cash and cash equivalents</b>		<b>933,278</b>	<b>1,216,746</b>
<b>Restrictions</b>			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		80,066	72,356
- Financial assets at amortised cost		484,209	606,500
		<b>564,275</b>	<b>678,856</b>

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

Reserves - cash backed	4	487,167	613,413
Contract liabilities from contracts with customers	15	52,438	0
Unspent grants, subsidies and contributions		0	26,050
Bonds and deposits held	14	24,670	39,393
<b>Total restricted assets</b>		<b>564,275</b>	<b>678,856</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. 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.



**SHIRE OF MUKINBUDIN  
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**4. RESERVES - CASH BACKED**

	2020 Actual		2020 Actual		2020 Budget		2020 Budget		2019 Actual		2019 Actual	
	Opening Balance	Transfer to	Actual Transfer (from)	Closing Balance	Opening Balance	Transfer to	Actual Transfer (from)	Closing Balance	Opening Balance	Transfer to	Actual Transfer (from)	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	138,718	3,037	0	141,755	138,718	2,640	0	141,358	136,441	2,277	0	138,718
(b) Unspent grants reserve	0	0	0	0	0	0	0	0	203,613	0	(203,613)	0
(c) Plant Reserve	237,789	89,500	(290,300)	36,989	237,790	89,680	(290,000)	37,470	454,855	6,566	(223,632)	237,789
(d) Building & Residential Land Reserve	89,365	72,218	(24,000)	137,583	83,365	123,800	(24,000)	183,165	170,197	35,653	(116,485)	89,365
(e) Senior Housing Reserve	20,415	447	0	20,862	20,414	360	0	20,774	20,079	336	0	20,415
(f) Swimming Pool Reserve	96,016	22,170	0	118,186	96,016	21,920	0	117,936	74,619	21,397	0	96,016
(g) Roadworks Reserve	31,110	682	0	31,792	31,110	600	0	31,710	30,599	511	0	31,110
	613,413	188,054	(314,300)	487,167	607,413	239,000	(314,000)	532,413	1,090,403	66,740	(543,730)	613,413

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	To be used to fund annual and long service leave requirements.
(b) Unspent grants reserve	Ongoing	To be used for any grant funding that may not be expended in the current financial year.
(c) Plant Reserve	Ongoing	To be used for the renewal, upgrade or purchase of new or used mobile plant and vehicles.
(d) Building & Residential Land Reserve	Ongoing	To be used for the renewal, upgrade, replacement and new construction of new buildings and associated infrastructure, to assist finance of building loans, future expansion and land development, and proceeds from the sale of subdivision blocks.
(e) Senior Housing Reserve	Ongoing	To be used for the renewal, upgrade, replacement and new construction of additional Aged Units and their maintenance. The surplus/deficit after rent and maintenance has been carried out for the financial year is to be transferred into/from (if required) the reserve.
(f) Swimming Pool Reserve	Ongoing	To be used for the renewal, upgrade, replacement and new construction for the Swimming Pool and associated infrastructure. All Volunteer Pool Levy income is to be transferred to this reserve.
(g) Roadworks Reserve	Ongoing	To be used for the renewal, upgrade, replacement and new construction of streets, roads, bridges, footpaths and storm water drainage.

**SHIRE OF MUKINBUDIN**  
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**5. OTHER FINANCIAL ASSETS**

	2020	2019
	\$	\$
<b>(a) Current assets</b>		
Financial assets at amortised cost	484,209	606,500
	484,209	606,500
<b>Other financial assets at amortised cost</b>		
Term deposits	484,209	606,500
	484,209	606,500
<b>(a) Non-current assets</b>		
Financial assets at fair value through profit and loss	53,416	52,551
	53,416	52,551
<b>Financial assets at fair value through profit and loss</b>		
Units in Local Government House Trust	53,416	52,551
	53,416	52,551

**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 MUKINBUDIN**  
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**6. TRADE AND OTHER RECEIVABLES**

**Current**

Rates receivable	
Sundry debtors	
GST receivable	
Allowance for impairment of receivables	

**Non-current**

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

	2020	2019
	\$	\$
	57,821	60,625
	67,720	54,908
	34,144	13,269
	(5,171)	(8,379)
	154,514	120,423
	713	866
	713	866

**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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**SHIRE OF MUKINBUDIN**  
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**7. INVENTORIES**

**Current**

Stock on Hand - Fuel

**Non-current**

Land held for resale

The following movements in inventories occurred during the year:

**Carrying amount at beginning of period**

Inventories expensed during the year

Transfer to freehold land (note 9(a))

Disposal of land held for resale (note 11(a))

Additions to inventory

**Carrying amount at end of period**

	2020	2019
	\$	\$
	950	2,014
	950	2,014
	365,614	500,614
	365,614	500,614
	502,628	614,622
	(1,064)	0
	(60,000)	(124,000)
	(75,000)	0
	0	12,006
	366,564	502,628

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Land held for resale**

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

**Land held for resale (Continued)**

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

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

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

## 8. OTHER ASSETS

### Other assets - current

Prepayments  
Accrued income

	2020	2019
	\$	\$
Prepayments	16,951	3,367
Accrued income	4,811	4,773
	<u>21,762</u>	<u>8,140</u>

### 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.

**SHIRE OF MUKINBUDIN  
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**9. PROPERTY, PLANT AND EQUIPMENT**

**(a) Movements in Carrying Amounts**

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	922,666	196,077	1,118,743	1,945,925	7,733,192	9,679,117	10,797,860	67,194	1,166,587	711	12,032,352
Additions	0	0	0	388,239	13,896	402,135	402,135	0	424,084	12,006	838,225
(Disposals)	(8,000)	0	(8,000)	0	(11,672)	(11,672)	(19,672)	0	(176,746)	0	(196,418)
Depreciation (expense)	0	0	0	(25,882)	(81,892)	(107,774)	(107,774)	(8,574)	(158,452)	0	(274,800)
Transfers (note 7)	124,000	0	124,000	0	0	0	124,000	0	0	0	124,000
<b>Carrying amount at 30 June 2019</b>	1,038,666	196,077	1,234,743	2,308,282	7,653,524	9,961,806	11,196,549	58,620	1,255,473	12,717	12,523,359
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	1,038,666	196,077	1,234,743	2,358,304	7,813,497	10,171,801	11,406,544	81,740	1,750,998	12,717	13,251,999
Accumulated depreciation at 30 June 2019	0	0	0	(50,022)	(159,973)	(209,995)	(209,995)	(23,120)	(495,525)	0	(728,640)
<b>Carrying amount at 30 June 2019</b>	1,038,666	196,077	1,234,743	2,308,282	7,653,524	9,961,806	11,196,549	58,620	1,255,473	12,717	12,523,359
Change in accounting policy	0	(196,077)	(196,077)	0	0	0	(196,077)	0	0	0	(196,077)
<b>Carrying amount at 1 July 2019</b>	1,038,666	0	1,038,666	2,308,282	7,653,524	9,961,806	11,000,472	58,620	1,255,473	12,717	12,327,282
Additions	0	0	0	24,938	136,084	161,022	161,022	36,247	561,140	1,712,975	2,471,384
(Disposals)	(62,000)	0	(62,000)	0	0	0	(62,000)	0	(247,329)	0	(309,329)
Depreciation (expense)	0	0	0	(28,495)	(81,818)	(110,313)	(110,313)	(13,057)	(132,289)	0	(255,659)
Transfers (note 7)	60,000	0	60,000	0	0	0	60,000	0	0	0	60,000
<b>Carrying amount at 30 June 2020</b>	1,036,666	0	1,036,666	2,304,725	7,707,790	10,012,515	11,049,181	81,810	1,436,995	1,725,692	14,293,678
<b>Comprises:</b>											
Gross carrying amount at 30 June 2020	1,036,666	0	1,036,666	2,383,242	7,949,581	10,332,823	11,369,489	117,987	1,989,387	1,725,692	15,202,555
Accumulated depreciation at 30 June 2020	0	0	0	(78,517)	(241,791)	(320,308)	(320,308)	(36,177)	(552,392)	0	(908,877)
<b>Carrying amount at 30 June 2020</b>	1,036,666	0	1,036,666	2,304,725	7,707,790	10,012,515	11,049,181	81,810	1,436,995	1,725,692	14,293,678

**SHIRE OF MUKINBUDIN  
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**9. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Fair Value Measurements**

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

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 MUKINBUDIN  
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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 - footpaths	Infrastructure - parks & ovals	Infrastructure - other	Total Infrastructure
<b>Balance at 1 July 2018</b>	\$ 49,112,170	\$ 937,963	\$ 847,485	\$ 3,613,946	\$ 54,511,564
Additions	1,324,425	59,488	11,300	13,846	1,409,059
(Disposals)	0	0	0	(32,683)	(32,683)
Depreciation (expense)	(1,172,541)	(32,154)	(29,094)	(96,210)	(1,329,999)
<b>Carrying amount at 30 June 2019</b>	<b>49,264,054</b>	<b>965,297</b>	<b>829,691</b>	<b>3,498,899</b>	<b>54,557,941</b>
<b>Comprises:</b>					
Gross carrying amount at 30 June 2019	71,737,993	1,658,325	1,346,127	4,734,948	79,477,393
Accumulated depreciation at 30 June 2019	(22,473,939)	(693,028)	(516,436)	(1,236,049)	(24,919,452)
<b>Carrying amount at 30 June 2019</b>	<b>49,264,054</b>	<b>965,297</b>	<b>829,691</b>	<b>3,498,899</b>	<b>54,557,941</b>
<b>Comprises:</b>					
Additions	1,326,327	51,540	5,995	35,893	1,419,755
Depreciation (expense)	(1,225,298)	(33,351)	(29,282)	(95,289)	(1,383,220)
<b>Carrying amount at 30 June 2020</b>	<b>49,365,083</b>	<b>983,486</b>	<b>806,404</b>	<b>3,439,503</b>	<b>54,594,476</b>
<b>Comprises:</b>					
Gross carrying amount at 30 June 2020	73,064,320	1,709,865	1,352,122	4,770,841	80,897,148
Accumulated depreciation at 30 June 2020	(23,699,237)	(726,379)	(545,718)	(1,331,338)	(26,302,672)
<b>Carrying amount at 30 June 2020</b>	<b>49,365,083</b>	<b>983,486</b>	<b>806,404</b>	<b>3,439,503</b>	<b>54,594,476</b>



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**10. INFRASTRUCTURE (Continued)**

**(b) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>Infrastructure - roads</b>	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - footpaths</b>	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - parks &amp; ovals</b>	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - other</b>	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

## 11. FIXED ASSETS

### 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 zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between 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.

The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

#### 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.

Refer to Note 12 that details the significant accounting policies applying to leases (including right of use assets).

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**11. FIXED ASSETS**

**(a) Disposals of Assets**

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land held for resale	75,000	70,000	0	(5,000)	0	0	0	0	0	0	0	0
Land - freehold land	62,000	0	0	(62,000)	47,000	47,000	0	0	8,000	0	0	(8,000)
Buildings - specialised	0	0	0	0	75,000	75,000	0	0	11,672	0	0	(11,672)
Plant and equipment	247,329	260,189	13,360	(500)	247,000	242,000	0	(5,000)	176,746	198,273	21,719	(192)
Infrastructure - other	0	0	0	0	0	0	0	0	32,683	0	0	(32,683)
	384,329	330,189	13,360	(67,500)	369,000	364,000	0	(5,000)	229,101	198,273	21,719	(52,547)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
<b>Recreation and culture</b>				
MP3-XL Pool Boss Auto Vac	500	0	0	(500)
<b>Transport</b>				
Cat Grader 12H	70,000	80,200	10,200	0
<b>Other property and services</b>				
Toyota Prado (CEO Vehicle)	58,599	59,091	492	0
Toyota Prado (CEO Vehicle)	59,306	59,534	228	0
Toyota Prado (CEO Vehicle)	58,924	61,364	2,440	0
	247,329	260,189	13,360	(500)
<b>Land</b>				
<b>Education and welfare</b>				
Lot 200 (6) Mallee Drive	32,000	0	0	(32,000)
Lot 217 (4) Mallee Drive	30,000	0	0	(30,000)
	62,000	0	0	(62,000)
<b>Land held for resale</b>				
<b>Other property and services</b>				
Lot 215 (14) Earl drive	30,000	27,273	0	(2,727)
Lot 250 (10) Earle Drive	45,000	42,727	0	(2,273)
	75,000	70,000	0	(5,000)
	384,329	330,189	13,360	(67,500)

**(b) Temporarily Idle Assets**

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

	2020	2019
	\$	\$
Buildings - specialised	44,875	46,917
	44,875	46,917

**SHIRE OF MUKINBUDIN**  
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**11. FIXED ASSETS**

**(c) Depreciation**

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	28,495	25,891	25,882
Buildings - specialised	81,818	81,921	81,892
Furniture and equipment	13,057	8,577	8,574
Plant and equipment	132,289	158,509	158,452
Infrastructure - roads	1,225,298	1,172,959	1,172,541
Infrastructure - footpaths	33,351	32,165	32,154
Infrastructure - parks & ovals	29,282	29,104	29,094
Infrastructure - other	95,289	96,246	96,210
Right of use assets - furniture and equipment	9,194	0	0
	1,648,073	1,605,372	1,604,799

**SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation**

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

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

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

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

**Depreciation rates**

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

Asset Class	Useful life
Buildings	13 to 71 years
Furniture and equipment	3 to 15 years
Plant and equipment	3 to 34 years
Land	Not depreciated
Road Subgrades/Formation	Not depreciated
Pavement Structure	16 to 120 years
Surface Structure	16 to 50 years
Other Infrastructure	17 to 59 years
Drainage	40 to 100 years
Footpath	30 to 90 years
Signs	10 to 28 years
Surface Water Channels	12 to 100 years

Right of use (furniture and equipment) Based on the remaining lease

Typical Useful Lives can vary significantly from asset to asset in the same class. This depends upon both the construction material and the condition asset.

**Depreciation on revaluation**

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.

## 12. LEASES

### (a) Right of Use Assets

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

	<u>Right of use assets - furniture and equipment</u>	<u>Right of use assets Total</u>
	\$	
Recognised on initial application of AASB 16	21,454	21,454
Depreciation (expense)	(9,194)	(9,194)
<b>Carrying amount at 30 June 2020</b>	<b>12,260</b>	<b>12,260</b>
<b>(b) Cash outflow from leases</b>		
Interest expense on lease liabilities	865	865
Lease principal expense	8,764	8,764
Total cash outflow from leases	9,629	9,629

The Shire has 1 lease relating to computer equipment. The lease term of the lease is 44 months with fixed lease payments. The measurement of lease liabilities does not include any future cash outflows associated with leases not yet commenced to which the Shire is committed.

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

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

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

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

Leases for right-of-use assets are secured over the asset being leased.

#### Right-of-use assets - valuation

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

Refer to Note 11 for details on the significant accounting policies applying to vested improvements.

#### Right-of-use assets - depreciation

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

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**13. REVALUATION SURPLUS**

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Total Revaluation Movement on	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Revaluation Movement on	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	701,977	(196,077)	0	0	0	505,900	701,977	0	0	0	701,977
Revaluation surplus - Buildings	5,243,351	0	0	0	0	5,243,351	5,243,351	0	0	0	5,243,351
Revaluation surplus - Plant and equipment	403,380	0	0	0	0	403,380	403,380	0	0	0	403,380
Revaluation surplus - Infrastructure - roads	13,795,995	0	0	0	0	13,795,995	13,795,995	0	0	0	13,795,995
Revaluation surplus - Infrastructure - footpaths	424,751	0	0	0	0	424,751	424,751	0	0	0	424,751
Revaluation surplus - Infrastructure - parks & ovals	773,737	0	0	0	0	773,737	773,737	0	0	0	773,737
Revaluation surplus - Infrastructure - other	2,477,181	0	0	0	0	2,477,181	2,477,181	0	0	0	2,477,181
	23,820,372	(196,077)	0	0	0	23,624,295	23,820,372	0	0	0	23,820,372

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

**SHIRE OF MUKINBUDIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**14. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors  
 Prepaid rates  
 Accrued salaries and wages  
 ATO liabilities  
 Bonds and deposits held  
 Accrued interest on borrowings  
 Accrued expenditure  
 Income received in advance

	2020	2019
	\$	\$
Sundry creditors	103,020	82,361
Prepaid rates	9,410	0
Accrued salaries and wages	18,017	10,756
ATO liabilities	84,502	31,326
Bonds and deposits held	24,670	39,393
Accrued interest on borrowings	12,290	10,726
Accrued expenditure	10,137	34,203
Income received in advance	81,569	28,433
	343,615	237,198

**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.

**15. CONTRACT LIABILITIES**

**Current**

Contract liabilities from contracts with customers

2020	2019
\$	\$
52,438	0
52,438	0

Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

52,438
52,438

**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.





**SHIRE OF MUKINBUDIN**  
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**17. INFORMATION ON BORROWINGS**

	2020	2019
	\$	\$
(a) Borrowings		
Current	199,477	137,910
Non-current	1,300,988	568,148
	1,500,465	706,056

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020			30 June 2020			30 June 2020			30 June 2020			30 June 2019			30 June 2019			
				Actual	Principal	Interest	Budget	Actual	Principal	Interest	Budget	Actual	Principal	Interest	Budget	Actual	Principal	Interest	Budget	Actual	Principal	Interest
<b>Education and welfare</b>																						
CRC	109	WATC*	5.85%	0	6,842	662	0	6,843	0	886	0	0	0	0	0	0	0	0	0	0	0	
Child Care Centre	125	WATC*	1.96%	0	5,767	2,817	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Housing</b>																						
8 Gimlett Way	124	WATC*	3.02%	0	22,977	8,798	0	22,977	0	8,924	0	0	0	0	0	0	0	0	0	0	0	
GROH Houses	126	WATC*	1.96%	0	21,915	10,707	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Recreation and culture</b>																						
Bowling Club	108	WATC*	5.85%	0	16,695	1,615	0	16,695	0	1,983	0	0	0	0	0	0	0	0	0	0	0	
<b>Economic services</b>																						
Land Purchase	116	WATC*	6.15%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Mukinbudin Cafe	119	WATC*	5.19%	0	8,456	4,568	0	8,456	0	4,665	0	0	0	0	0	0	0	0	0	0	0	
<b>Other property and services</b>																						
Trailer 11JP 062	114	WATC*	6.15%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Truck DAF MBL 250	115	WATC*	5.58%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Vibe Roller MBL 1677	118	WATC*	5.09%	0	15,845	1,920	0	15,845	0	2,169	0	0	0	0	0	0	0	0	0	0	0	
Skid Steer MBL 1724	120	WATC*	4.57%	0	6,796	1,712	0	6,796	0	1,859	0	0	0	0	0	0	0	0	0	0	0	
Grader MBL 95	121	WATC*	2.78%	0	35,795	4,482	0	35,795	0	4,830	0	0	0	0	0	0	0	0	0	0	0	
Roller MBL 811	122	WATC*	2.78%	0	19,477	2,433	0	19,477	0	2,628	0	0	0	0	0	0	0	0	0	0	0	
Tractor MBL 244	123	WATC*	3.32%	0	5,024	677	0	5,024	0	689	0	0	0	0	0	0	0	0	0	0	0	
				706,056	960,000	165,591	40,411	137,910	28,563	1,528,146	619,180	260,000	173,124	33,018	706,056	14,091	20,550	1,084	14,091	0	0	0

\* WA Treasury Corporation

All loan repayments were financed by general purpose revenue.

**SHIRE OF MUKINBUDIN**  
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**17. INFORMATION ON BORROWINGS (Continued)**

(c) New Borrowings - 2019/20

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2020 Actual	2020 Budget	2020 Actual	2020 Budget		
					\$	\$	\$	\$		
Child Care Centre	WATC*	Debenture	15	1.96%	200,000	200,000	200,000	200,000	31,810	0
GROH Houses	WATC*	Debenture	15	1.96%	760,000	760,000	760,000	760,000	120,878	0
* WA Treasury Corporation					960,000	960,000	960,000	960,000	152,688	0

(d) Undrawn Borrowing Facilities

	2020	2019
	\$	\$
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	250,000	250,000
Bank overdraft at balance date	0	0
Credit card limit	5,000	5,000
Credit card balance at balance date	(1,219)	(1,420)
<b>Total amount of credit unused</b>	<b>253,781</b>	<b>253,580</b>
<b>Loan facilities</b>		
Loan facilities - current	199,477	137,910
Loan facilities - non-current	1,300,988	568,146
Lease liabilities - current	9,402	0
Lease liabilities - non-current	3,288	0
<b>Total facilities in use at balance date</b>	<b>1,513,155</b>	<b>706,056</b>
<b>Unused loan facilities at balance date</b>	<b>0</b>	<b>0</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

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

**SHIRE OF MUKINBUDIN**  
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**18. EMPLOYEE RELATED PROVISIONS**

**(a) Employee Related Provisions**

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
<b>Opening balance at 1 July 2019</b>			
Current provisions	52,385	36,002	88,387
Non-current provisions	0	20,039	20,039
	52,385	56,041	108,426
Additional provision	86,197	15,187	101,384
Amounts used	(74,477)	0	(74,477)
<b>Balance at 30 June 2020</b>	64,105	71,228	135,333
<b>Comprises</b>			
Current	64,105	37,924	102,029
Non-current	0	33,304	33,304
	64,105	71,228	135,333
<b>Amounts are expected to be settled on the following basis:</b>	<b>2020</b>	<b>2019</b>	
	\$	\$	
Less than 12 months after the reporting date	63,024	60,736	
More than 12 months from reporting date	109,716	71,107	
Expected reimbursements from other WA local governments	(37,407)	(23,417)	
	135,333	108,426	

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

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

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.

## 19. 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	933,278	622,617	1,216,746

### Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	578,292	102,536	171,006
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(865)	0	0
Depreciation on non-current assets	1,648,073	1,605,372	1,604,799
(Profit)/loss on sale of asset	54,140	5,000	30,828
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(33,938)	13,000	(29,034)
(Increase)/decrease in other assets	(13,622)	0	8,712
(Increase)/decrease in inventories	1,064	0	(1,357)
Increase/(decrease) in payables	83,107	(7,107)	25,098
Increase/(decrease) in provisions	26,907	0	(1,915)
Increase/(decrease) in contract liabilities	26,388	(28,107)	0
Change in accounting policies transferred to retained surplus	0	28,107	0
Non-operating grants, subsidies and contributions	(1,250,684)	(1,720,698)	(702,825)
Net cash from operating activities	1,118,862	(1,897)	1,105,312

**20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	2020	2019
	\$	\$
Governance	6,092	0
General purpose funding	102,540	114,042
Law, order, public safety	424,000	382,269
Education and welfare	1,684,589	932,720
Housing	3,755,937	2,641,260
Community amenities	97,479	123,761
Recreation and culture	8,379,438	8,585,123
Transport	50,783,619	50,867,025
Economic services	1,928,369	2,253,288
Other property and services	2,540,150	2,286,510
Unallocated	1,212,657	1,403,156
	<b>70,914,870</b>	<b>69,589,154</b>

## 21. CONTINGENT ASSETS AND LIABILITIES

The Shire does not have any contingent assets or contingent liabilities to report as at 30 June 2020.

## 22. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

	2020	2019
	\$	\$
	85,216	0
	85,216	0

Payable:

- not later than one year

	85,216	0
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The capital expenditure projects outstanding at the end of the current reporting period represent the construction of an Early Childhood Centre \$49,976, the construction of staff housing at 12 Gimlett Way \$13,798 and the construction of staff housing at 4 Earl Drive \$21,442.

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year

- later than one year but not later than five years

	2020	2019
	\$	\$
	1,020	9,996
	1,190	13,328
	2,210	23,324

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

### Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.



## 23. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	28,712	32,301	26,944
President's allowance	10,000	10,000	10,000
Deputy President's allowance	2,500	2,500	2,500
Travelling expenses	3,763	4,500	4,973
Telecommunications allowance	3,221	4,500	3,792
	<u>48,196</u>	<u>53,801</u>	<u>48,209</u>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	459,590	490,512
Post-employment benefits	56,481	61,905
Other long-term benefits	39,803	9,989
	<u>555,874</u>	<u>562,406</u>

#### *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.

## 23. 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		
- Close Family members and entities controlled or jointly controlled by the Key Management Personnel	22,555	13,678
- Entities subject to significant influence by the Shire	3,902	6,000
Purchase of goods and services		
- Close Family members and entities controlled or jointly controlled by the Key Management Personnel	558,791	72,773
- Entities subject to significant influence by the Shire	50	4,211
<b>Amounts outstanding from related parties:</b>		
- Close Family members and entities controlled or jointly controlled by the Key Management Personnel	0	111
<b>Amounts payable to related parties:</b>		
- Close Family members and entities controlled or jointly controlled by the Key Management Personnel	14,263	315

### 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.

















## **25. MAJOR LAND TRANSACTIONS**

The Shire did not participate in any major land transactions during the financial years ending 30 June 2020 and 30 June 2019.

## **26. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The Shire did not participate in any trading undertakings or major trading undertakings during the financial years ending 30 June 2020 and 30 June 2019.



**SHIRE OF MUKINBUDIN  
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FOR THE YEAR ENDED 30 JUNE 2020**

**27. RATING INFORMATION (Continued)**

**(b) Discounts, Incentives, Concessions, & Write-offs**

**Rates Discounts**

The Shire of Mukinbudin did not offer any Rates Discounts during the year ended 30 June 2020.

**Waivers or Concessions**

**Rate or Fee and Charge to which the Waiver or Concession is Granted**

	Type	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$
Sporting Complex Hire	Discount	35% - 100%	0	803	0	277
Memorial Hall Hire	Discount	35% - 100%	0	239	0	1,336
Gymnasium Membership	Discount	50.00%	0	0	0	571
Caravan Park Fees and Charges	Discount	10.00%	0	19,765	0	3,177
Community Bus Hire	Discount	31.00%	0	759	0	776
Plant Hire	Discount	10.00%	0	0	0	0
Animal Registration	Discount	50% - 75%	0	888	0	3,005
Swimming Pool Entry	Discount	50% - 66%	0	3,249	0	3,595
				25,703	0	12,737
<b>Total discounts/concessions (Note 27(a))</b>				25,703	0	12,737

**Rate or Fee and Charge to which the Waiver or Concession is Granted**

**Circumstances in which the Waiver or Concession is Granted and to whom it was available**

**Objects of the Waiver or Concession**

**Reasons for the Waiver or Concession**

Sporting Complex Hire	Facility use by a local business, community group, for a private function or for a Wake and Funeral, Memorial and Church Services.	Nil	Support for the overall benefit of the community.
Memorial Hall Hire	Facility use by a local business, community group, for a private function, the Mukinbudin High School or for a Wake and Funeral, Memorial and Church Services.	Nil	Support for the overall benefit of the community.
Gymnasium Membership	Pensioner Discount	Nil	Support for the overall benefit of the community.
Caravan Park Fees and Charges	Pensioner or Caravan and Motorhome Club of Aust Ltd members	Nil	Support for the overall benefit of the community.
Community Bus Hire	Use by a Community Group	Nil	Support for the overall benefit of the community.
Plant Hire	When used land conservation work	Nil	Support for land conservation.
Animal Registration	Pensioner and Working Dog Discount	Nil	Support for the overall benefit of the community.
Swimming Pool Entry	Pensioner Discount	Nil	Support for the overall benefit of the community.

## 27. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	4/10/2019			11.00%
<b>Option Two</b>				
First instalment	4/10/2019			11.00%
Second instalment	6/12/2019	15	5.50%	11.00%
Third instalment	14/02/2020	15	5.50%	11.00%
Fourth instalment	24/04/2020	15	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	5,781	5,000	5,823
Interest on instalment plan	2,130	2,500	2,271
Interest on ESL non-payment penalty	194	200	191
Charges on instalment plan	2,025	2,220	2,160
	10,130	9,920	10,445

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**FOR THE YEAR ENDED 30 JUNE 2020**

**28. RATE SETTING STATEMENT INFORMATION**

		2019/20	2019/20	2018/19		
		Budget	2019/20	2018/19		
		(30 June 2020)	(1 July 2019)	(30 June 2019)		
		Carried	Brought	Carried		
Note	Forward)	Forward)	Forward)	Forward)		
	\$	\$	\$	\$		
<b>(a) Non-cash amounts excluded from operating activities</b>						
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .						
<b>Adjustments to operating activities</b>						
	Less: Profit on asset disposals	11(a)	(13,360)	0	(21,719)	(21,719)
	Less: Fair value adjustments to financial assets at fair value through profit and loss		(865)	0	0	0
	Movement in pensioner deferred rates (non-current)		153	(866)	(866)	(866)
	Movement in employee benefit provisions (non-current)		13,265	7,773	7,773	7,773
	Movement in employee benefit provisions (cash back)		13,642	(9,688)	(9,688)	(9,688)
	Add: Loss on disposal of assets	11(a)	67,500	5,000	52,547	52,547
	Add: Depreciation on non-current assets	11(c)	1,648,073	1,605,372	1,604,799	1,604,799
	<b>Non cash amounts excluded from operating activities</b>		1,728,408	1,610,372	1,632,846	1,632,846
<b>(b) Surplus/(deficit) after imposition of general rates</b>						
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.						
<b>Adjustments to net current assets</b>						
	Less: Reserves - cash backed	4	(487,167)	(532,413)	(613,413)	(613,413)
	Less: Current assets not expected to be received at end of year					
	- Land held for resale	7	0	(10,830)	0	0
	Add: Current liabilities not expected to be cleared at end of year					
	- Current portion of borrowings	17(a)	199,477	813,063	137,910	137,910
	- Current portion of lease liabilities		9,402	0	0	0
	- Employee benefit provisions		102,029	98,075	88,387	88,387
	<b>Total adjustments to net current assets</b>		(176,259)	367,895	(387,116)	(387,116)
<b>Net current assets used in the Rate Setting Statement</b>						
	Total current assets		1,594,713	736,398	1,953,823	1,953,823
	Less: Total current liabilities		(706,961)	(1,104,293)	(512,855)	(463,495)
	Less: Total adjustments to net current assets		(176,259)	367,895	(387,116)	(387,116)
	<b>Net current assets used in the Rate Setting Statement</b>		711,493	0	1,053,852	1,103,212
<b>(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>						
<b>Total current assets at 30 June 2019</b>					1,953,823	
	- Contract assets	31(a)			0	
	<b>Total current assets at 1 July 2019</b>				1,953,823	
<b>Total current liabilities at 30 June 2019</b>					(463,495)	
	- Contract liabilities from contracts with customers	31(a)			(24,773)	
	- Contract liabilities from transfers for recognisable non financial assets	31(a)			(1,277)	
	- Rates paid in advance	31(b)			(23,310)	
	<b>Total current liabilities at 1 July 2019</b>				(512,855)	

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2020</b>					
Cash and cash equivalents	0.63%	933,278	0	909,455	23,823
Financial assets at amortised cost - term deposits	1.35%	484,209	484,209	0	0
<b>2019</b>					
Cash and cash equivalents	1.56%	1,216,746	606,500	570,063	40,183

#### Sensitivity

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

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

	2020	2019
	\$	\$
	9,095	5,701

\* 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 17(b).

## 29. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### **Trade and Other Receivables**

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

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire is 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 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss	0.16%	0.00%	28.20%	45.19%	
Gross carrying amount	32,628	10,761	10,162	4,983	58,534
Loss allowance	53	0	2,866	2,252	5,171
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	14.72%	0.00%	0.00%	0.00%	
Gross carrying amount	35,619	13,875	9,621	2,376	61,491
Loss allowance	5,242	0	0	0	5,242

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	66,956	378	386	0	67,720
Loss allowance	0	0	0	0	0
<b>30 June 2019</b>					
Trade and other receivables					
Expected credit loss	27.13%	0.00%	0.00%	0.00%	
Gross carrying amount	11,564	5,336	2,805	35,203	54,908
Loss allowance	3,137	0	0	0	3,137



## 29. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 17.

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	343,615	0	0	343,615	343,615
Borrowings	236,770	634,396	805,807	1,676,973	1,500,465
Contract liabilities	52,438	0	0	52,438	52,438
Lease liabilities	9,996	3,332	0	13,328	12,690
	642,819	637,728	805,807	2,086,354	1,909,208
<b>2019</b>					
Payables	237,198	0	0	237,198	237,198
Borrowings	162,590	457,297	144,078	763,965	706,056
	399,788	457,297	144,078	1,001,163	943,254

### 30. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire does not have any subsequent events after balance sheet date.

**SHIRE OF MUKINBUDIN**  
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**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 changes in accounting policies. In accordance with the transition provisions 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 balance sheet 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 \$
<b>Contract liabilities - current</b>				
Contract liabilities from contracts with customers	15	0	(24,773)	(24,773)
Adjustment to retained surplus from adoption of AASB 15	32(b)	0	(24,773)	(24,773)

**(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 which will result in changes in accounting policies. In accordance with the transition provisions 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 was not restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004: Contributions before the change:

	Note	AASB 118 and AASB 1004 carrying amount 30 June 2019 \$	Reclassification \$	AASB 1058 carrying amount 01 July 2019 \$
<b>Trade and other payables</b>				
Rates paid in advance	14	0	(23,310)	(23,310)
<b>Contract liabilities - current</b>				
Contract liabilities from transfers for recognisable non financial assets	15	0	(1,277)	(1,277)
Adjustment to retained surplus from adoption of AASB 1058	32(b)	0	(24,587)	(24,587)

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 was 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.

Volunteer Services in relation to Volunteer Bush Fire Services were not recognised as the fair value of the services cannot be reliably estimated.

**SHIRE OF MUKINBUDIN**  
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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 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
	Note	As reported under AASB 15 and AASB 1058		
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	27(a)	1,251,078	9,410	1,260,488
Operating grants, subsidies and contributions	2(a)	1,847,373	52,438	1,899,811
Fees and charges	2(a)	546,656	0	546,656
Non-operating grants, subsidies and contributions	2(a)	1,250,684	0	1,250,684
Net result		578,292	61,848	640,140
<b>Statement of Financial Position</b>				
Trade and other payables	14	343,615	(90,979)	252,636
Contract liabilities	15	52,438	(52,438)	0
Net assets		68,870,329	143,417	69,013,746
<b>Statement of Changes in Equity</b>				
Net result		578,292	61,848	640,140
Retained surplus		44,758,867	61,848	44,820,715

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 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire recognised lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117 (excluding short term and low value leases). These lease liabilities were measured at the present value of the the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.25%.

	Note	2020 \$
Operating lease commitments at 30 June 2019 applying AAS 117		23,324
Discount applied using incremental borrowing rate		(1,870)
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate of 7.25%	16(b)	21,454
Lease liability - current		8,764
Lease liability - non-current		12,690
Right-of-use assets recognised at 1 July 2019		21,454

On adoption of AASB 16, the Shire recognised a right-of-use asset in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is deemed to be equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

Property, plant and equipment and lease liabilities increased by \$21,454 on 1 July 2019 resulting in no impact on retained surplus.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

**SHIRE OF MUKINBUDIN**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

**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 have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 9.

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):

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	9	12,523,359	(196,077)	12,327,282
Revaluation surplus	13	23,820,372	(196,077)	23,624,295

Also, following changes 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 or during the year were not reversed as it was deemed fair value approximates cost at the date of the change.

**(b) Changes in equity due to change in accounting policies**

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			44,103,689
Adjustment to retained surplus from adoption of AASB 15	31(a)	(24,773)	
Adjustment to retained surplus from adoption of AASB 1058	31(b)	(24,587)	(49,360)
Retained surplus - 1 July 2019			44,054,329

The impact on the City's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			23,820,372
Adjustment to revaluation surplus from deletion of FM Reg 16	32(a)	(196,077)	(196,077)
Revaluation surplus - 1 July 2019			23,624,295

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

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

**e) Budget comparative figures**

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

**f) Superannuation**

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

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

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

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

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

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

**h) Fair value hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

**Valuation techniques**

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

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

**i) Impairment of assets**

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

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

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

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

**SHIRE OF MUKINBUDIN**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

**34. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<p><b>GOVERNANCE</b>            To provide a decision making process for the efficient allocation of scarce resources.</p>	Administration and operation of facilities and services to members of Council; other costs that relate to the task of assisting elected members and reatepayers on matters which do not concern specific council services.
<p><b>GENERAL PURPOSE FUNDING</b>            To provide a decision making process for the efficient allocation of scarce resources.</p>	Rates, general purpose government grants and interest revenue.
<p><b>LAW, ORDER, PUBLIC SAFETY</b>            To provide services to ensure a safer community.</p>	Supervision of various by-laws, fire prevention, emergency services and animal control.
<p><b>HEALTH</b>            To provide an operational framework for good community health.</p>	Food quality and pest control, immunisation services, inspection of abattior and operation of child health clinic.
<p><b>EDUCATION AND WELFARE</b>            To provide appropriate care to the aged and disabled.</p>	Provision of Home and Community Care, maintenance to playgroup and community resource centre buildings.
<p><b>HOUSING</b>            To provide adequate staff and community housing.</p>	Maintenance of Staff and community housing, collection of various rents.
<p><b>COMMUNITY AMENITIES</b>            Provide services required by the Community.</p>	Rubbish collection services, operation of tips, noise control, administration of the town planning scheme, maintenance of cemeteries, storm water drainage maintenance.
<p><b>RECREATION AND CULTURE</b>            To establish and manage efficiently infrastructure and resources which will help the social well being of the community.</p>	Maintenance of halls, the aquatic centre, recreation centres and various reserves; operation of library.
<p><b>TRANSPORT</b>            To provide effective and efficient transport services to the Community.</p>	Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets, depot maintenance and airstrip maintenance.
<p><b>ECONOMIC SERVICES</b>            To help promote the shire and improve its economic wellbeing.</p>	The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and standpipes.
<p><b>OTHER PROPERTY AND SERVICES</b>            The provision of private works to the public and the maintenance of cost pools for plant, operating, public works overheads and administration costs</p>	Private Works Operations, plant repairs and operation costs.

### 35. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.95	3.80	2.67
Asset consumption ratio	0.60	0.61	0.62
Asset renewal funding ratio	0.80	0.77	0.48
Asset sustainability ratio	0.87	1.01	0.78
Debt service cover ratio	4.92	5.37	2.32
Operating surplus ratio	(0.36)	(0.30)	(0.77)
Own source revenue coverage ratio	0.42	0.42	0.36

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$





# Auditor General

## INDEPENDENT AUDITOR'S REPORT

### To the Councillors of the Shire of Mukinbudin

### Report on the Audit of the Financial Report

#### **Opinion**

I have audited the annual financial report of the Shire of Mukinbudin which comprises the Statement of Financial Position as at 30 June 2020, and 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, as well as 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 Mukinbudin:

- (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 Matter – 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](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 matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Operating Surplus Ratio as reported in Note 35 of the annual financial report has been below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) 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 annual 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 annual 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 Mukinbudin 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.



VINCE TURCO  
SENIOR DIRECTOR FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
18 December 2020