



MINUTES

AUDIT COMMITTEE

04 NOVEMBER 2021



DISCLAIMER

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The Shire of Wagin disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Wagin during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Wagin

The Shire of Wagin advises that anyone who has any application lodged with the Shire of Wagin shall obtain and should only rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Wagin in respect of the application.

Bill Atkinson
CHIEF EXECUTIVE OFFICER

GIFTS DISCLOSURE INFORMATION

The Gifts Register contains the disclosures of gifts that have been made by Elected Members, the Chief Executive Officer and Employees in their official capacity.

To adhere with the changes to gift disclosure regulations in the *Local Government Legislation Amendment Act 2019*, passed by Parliament on 27 June 2019, the Shire of Wagin provides gift disclosure information in the interests of accountability and transparency.

Elected Members and the Chief Executive Officer are required to disclose gifts which are valued over \$300 or are two or more gifts with a cumulative value over \$300 (where the gifts are received from the same donor in a 12 month period) within 10 days of receipt [Sections 5.87A & 5.87B *Local Government Act 1995*].

The Act and Regulations require the Chief Executive Officer to publish an up to date version of the Gifts Register on the Shire's website after a disclosure is made. To protect the privacy of individuals, the register published on the website does not include the address disclosed by an individual donor and will instead include the town or suburb.



SHIRE OF WAGIN

Minutes for the Audit Committee meeting held in the Council Chambers, Wagin on
Thursday 4 November 2021 commencing at 2:06pm

CONTENTS

1.	OFFICIAL OPENING	4
2.	RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)	4
2.1	ATTENDANCE	4
2.2	APOLOGIES	4
2.3	VISITORS	4
3.	ELECTION OF CHAIRPERSON	4
4.	PETITIONS/DEPUTATIONS/PRESENTATIONS	4
5.	DISCLOSURE OF FINANCIAL AND OTHER INTERESTS	4
5.1	DISCLOSURE OF FINANCIAL INTEREST – LOCAL GOVERNMENT ACT SECTION 5.60A.....	4
5.2	DISCLOSURE OF PROXIMITY INTEREST – LOCAL GOVERNMENT ACT SECTION 5.6.....	4
5.3	DISCLOSURE OF IMPARTIALITY INTEREST – ADMINISTRATION REGULATION SECTION 34C.....	4
6.	CONFIRMATION OF PREVIOUS MEETING MINUTES	5
6.1	MINUTES FROM THE AUDIT COMMITTEE MEETING HELD 15 FEBRUARY 2021.	5
7.	CORRESPONDENCE AND REPORTS	5
7.1	2020/2021 DRAFT INDEPENDENT AUDITOR'S REPORT.....	5
7.2	2020/2021 DRAFT INTERIM AUDIT MANAGEMENT LETTER.....	7
8	GENERAL BUSINESS.....	9
9	CLOSURE	9



1. OFFICIAL OPENING

The Presiding Member, Cr Phil Blight opened the meeting at 2:06pm.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

2.1 ATTENDANCE

Cr Phillip Blight	Shire President
Cr Greg Ball	Deputy Shire President
Cr Sherryl Chilcott	
Cr Bryan Kilpatrick	Proxy
Bill Atkinson	Chief Executive Officer
Brian Roderick	Deputy Chief Executive Officer
Tegan Hall	Manager of Finance

2.2 APOLOGIES

Cr Bronwyn Hegarty

2.3 VISITORS

Tim Partridge (via video conference)	AMD Chartered Accountants – Director
Aram Madnack (in person)	Office of the Auditor General – Director

3. ELECTION OF CHAIRPERSON

Cr PJ Blight assumed the role as Chairperson in his capacity as Shire President under the *Local Government Act 1995*.

4. PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil

5. DISCLOSURE OF FINANCIAL AND OTHER INTERESTS

Nil

5.1 DISCLOSURE OF FINANCIAL INTEREST – Local Government Act Section 5.60a

Nil

5.2 DISCLOSURE OF PROXIMITY INTEREST – Local Government Act Section 5.6

Nil

5.3 DISCLOSURE OF IMPARTIALITY INTEREST – Administration Regulation Section 34c

Nil



6. CONFIRMATION OF PREVIOUS MEETING MINUTES

6.1 MINUTES FROM THE AUDIT COMMITTEE MEETING HELD 15 FEBRUARY 2021

COMMITTEE RESOLUTION

Moved Cr G Ball

Seconded Cr S Chilcott

That the minutes of the Audit Committee meeting held on Monday 15 February 2021 and circulated to all Councillors, be confirmed as a true and accurate record.

Carried 4/0

7. CORRESPONDENCE AND REPORTS

7.1 2020/2021 DRAFT INDEPENDENT AUDITOR'S REPORT

PROPONENT:	N/A
OWNER:	N/A
LOCATION/ADDRESS:	N/A
AUTHOR OF REPORT:	Manager of Finance
SENIOR OFFICER:	Chief Executive Officer
DATE OF REPORT:	1 November 2021
PREVIOUS REPORT(S):	12 February 2021
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.2
ATTACHMENTS:	<ul style="list-style-type: none">• Draft Independent Auditor's Report 2020/2021• Draft Annual Financial Report 2020/2021

OFFICER RECOMMENDATION/COMMITTEE RESOLUTION

Moved Cr B Kilpatrick

Seconded Cr S Chilcott

That the Audit Committee receives and accepts the 2020/2021 Draft Audit Findings.

Carried 4/0

BRIEF SUMMARY

The Annual Independent Auditor's Report for the 2020/2021 financial year is attached for discussion with Council's auditors and for adoption.

BACKGROUND/COMMENT

In accordance with the Local Government Act 1995, Council's external auditor – The Office of the Auditor General (OAG) have conducted an audit of the Shire of Wagin's finances for the 2020/2021 financial year. The OAG engaged AMD Chartered Accountants to carry out the audit on their behalf.



The Draft Annual Financial Report 2020/2021 is enclosed under separate cover and the Draft Independent Auditor's Report is attached for the Committee and Council to receive and adopt.

The Auditors opinion is as below:

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

- i. In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a) The Asset Sustainability Ratio as reported in Note 26 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' basic standard for the part two financial years and the current year is below last year; and*
 - b) The Operating Surplus Ratio as reported in Note 26 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' basic 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 financial report were supported by verifiable information and reasonable assumptions.*

As per previous financial years, depreciation expense is a significant factor in the Operating Surplus Ratio as it is included in operating expenses as is with the Asset Sustainability Ratio. The requirement to revalue road assets on a regular basis, and attribute an appropriate level of depreciation, has been a challenge for local governments. Council's road infrastructure assets has increased some \$47,000,000 through the revaluation process, this has significantly increased Council's operating expenses, albeit on a non-cash basis. Unfortunately, this non-cash expense is still factored in these ratio calculations and is the major reason for the declining trend.

CONSULTATION/COMMUNICATION

- Deputy Chief Executive Officer
- Manager of Finance

STATUTORY/LEGAL IMPLICATIONS

- Local Government Act 1995
- Local Government (Financial Management) Regulations 1996.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Shire of Wagin

To the Councillors of the Shire of Wagin

Report on the audit of the annual financial report

Opinion

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

- the Statement of Financial Position at 30 June 2021, 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
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the Shire of Wagin:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2021 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 section below. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the 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 Note 1 to the financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 17A of the Local Government (Financial Management) Regulations 1996 (FM Regulations) 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. My opinion is not modified in respect of this matter.

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

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern 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

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

Report on other legal and regulatory requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a) The Asset Sustainability Ratio as reported in Note 26 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' basic standard for the past two financial years and the current year is below last year; and
 - b) The Operating Surplus Ratio as reported in Note 26 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' basic 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 financial report were supported by verifiable information and reasonable assumptions.

Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Wagin for the year ended 30 June 2021 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Mark Ambrose
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
Date November 2021

SHIRE OF WAGIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Index of Notes to the Financial Report	9
Independent Auditor's Report	49

COMMUNITY VISION

To have a community where individuals, families and businesses can invest and prosper, preserving the safe, affordable and inclusive country lifestyle and ensuring Wagin is a place people like to live in and visit.

Principal place of business:
2 Arthur Road
WAGIN WA 6315

**SHIRE OF WAGIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Wagin for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Wagin at 30 June 2021 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the _____ day of _____ 2021

Chief Executive Officer

William Thomas Atkinson
Name of Chief Executive Officer

SHIRE OF WAGIN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	20(a)	2,369,728	2,380,726	2,349,891
Operating grants, subsidies and contributions	2(a)	2,054,182	1,296,447	1,998,216
Fees and charges	2(a)	802,247	778,680	683,973
Interest earnings	2(a)	20,171	52,063	50,150
Other revenue	2(a)	231,980	430,860	242,585
		5,478,308	4,938,776	5,324,815
Expenses				
Employee costs		(2,417,005)	(2,533,808)	(2,390,267)
Materials and contracts		(1,059,284)	(1,281,814)	(1,065,049)
Utility charges		(372,713)	(372,039)	(357,007)
Depreciation on non-current assets	10(c)	(2,622,817)	(2,566,921)	(2,557,489)
Interest expenses	2(b)	(31,112)	(31,391)	(34,438)
Insurance expenses		(190,012)	(187,283)	(190,012)
Other expenditure		(145,928)	(174,987)	(152,257)
		(6,838,871)	(7,148,243)	(6,746,519)
		(1,360,563)	(2,209,467)	(1,421,704)
Non-operating grants, subsidies and contributions	2(a)	1,025,945	919,823	1,152,172
Profit on asset disposals	10(a)	7,969	17,992	5,744
(Loss) on asset disposals	10(a)	(19,204)	0	(13,368)
Fair value adjustments to financial assets at fair value through profit or loss		2,586	0	1,153
		1,017,296	937,815	1,145,701
Net result for the period		(343,267)	(1,271,652)	(276,003)
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		(343,267)	(1,271,652)	(276,003)

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

SHIRE OF WAGIN
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance	2(a)	1,433	6,000	17,540
General purpose funding		3,882,261	3,280,412	3,846,243
Law, order, public safety		179,044	180,991	162,654
Health		60,503	60,132	66,305
Education and welfare		435,991	404,715	406,080
Community amenities		364,942	364,325	356,311
Recreation and culture		124,207	95,113	76,591
Transport		185,919	209,488	174,279
Economic services		135,397	226,700	129,943
Other property and services		108,611	110,900	88,869
		5,478,308	4,938,776	5,324,815
Expenses				
Governance	2(b)	(374,661)	(448,060)	(364,498)
General purpose funding		(283,390)	(386,202)	(281,048)
Law, order, public safety		(301,718)	(298,841)	(293,692)
Health		(258,375)	(244,376)	(274,490)
Education and welfare		(518,810)	(455,086)	(427,702)
Community amenities		(519,368)	(564,900)	(548,767)
Recreation and culture		(1,309,389)	(1,312,970)	(1,222,981)
Transport		(2,658,787)	(2,677,076)	(2,652,798)
Economic services		(315,166)	(388,758)	(311,618)
Other property and services		(268,095)	(340,583)	(334,487)
		(6,807,759)	(7,116,852)	(6,712,081)
Finance Costs				
Recreation and culture	2(b)	(17,630)	(17,761)	(19,437)
Other property and services		(13,482)	(13,630)	(15,001)
		(31,112)	(31,391)	(34,438)
		(1,360,563)	(2,209,467)	(1,421,704)
Non-operating grants, subsidies and contributions	2(a)	1,025,945	919,823	1,152,172
Profit on disposal of assets	10(a)	7,969	17,992	5,744
(Loss) on disposal of assets	10(a)	(19,204)	0	(13,368)
Fair value adjustments to financial assets at fair value through profit or loss		2,586	0	1,153
		1,017,296	937,815	1,145,701
Net result for the period		(343,267)	(1,271,652)	(276,003)
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		(343,267)	(1,271,652)	(276,003)

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

SHIRE OF WAGIN
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	2021	2020
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	3,158,235	2,927,268
Trade and other receivables	6	241,721	200,211
Other financial assets	5(a)	19,925	19,333
Inventories	7	34,903	38,574
Contract assets	2(a)	34,896	29,241
TOTAL CURRENT ASSETS		3,489,680	3,214,627
NON-CURRENT ASSETS			
Trade and other receivables	6	51,932	57,223
Other financial assets	5(b)	171,298	188,637
Property, plant and equipment	8	19,590,362	19,740,522
Infrastructure	9	103,616,883	103,961,677
TOTAL NON-CURRENT ASSETS		123,430,475	123,948,059
TOTAL ASSETS		126,920,155	127,162,686
CURRENT LIABILITIES			
Trade and other payables	12	233,319	299,176
Other liabilities	13	244,213	107,308
Borrowings	14(a)	70,889	67,403
Employee related provisions	15	361,196	308,905
TOTAL CURRENT LIABILITIES		909,617	782,792
NON-CURRENT LIABILITIES			
Borrowings	14(a)	495,341	566,230
Employee related provisions	15	109,101	64,300
TOTAL NON-CURRENT LIABILITIES		604,442	630,530
TOTAL LIABILITIES		1,514,059	1,413,322
NET ASSETS		125,406,097	125,749,364
EQUITY			
Retained surplus		34,116,553	34,512,141
Reserves - cash backed	4	1,708,631	1,656,310
Revaluation surplus	11	89,580,913	89,580,913
TOTAL EQUITY		125,406,097	125,749,364

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

SHIRE OF WAGIN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2019		35,064,416	1,380,040	89,580,913	126,025,367
Comprehensive income					
Net result for the period		(276,003)	0	0	(276,003)
Total comprehensive income		(276,003)	0	0	(276,003)
Transfers from reserves	4	69,858	(69,858)	0	0
Transfers to reserves	4	(346,130)	346,130	0	0
Balance as at 30 June 2020		34,512,141	1,656,310	89,580,913	125,749,364
Comprehensive income					
Net result for the period		(343,267)	0	0	(343,267)
Total comprehensive income		(343,267)	0	0	(343,267)
Transfers from reserves	4	223,077	(223,077)	0	0
Transfers to reserves	4	(275,400)	275,400	0	0
Balance as at 30 June 2021		34,116,553	1,708,631	89,580,913	125,406,097

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

SHIRE OF WAGIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,369,090	2,380,726	2,331,616
Operating grants, subsidies and contributions		2,002,091	1,246,087	2,856,745
Fees and charges		798,374	778,680	683,973
Interest received		20,171	52,063	50,150
Other revenue		231,980	430,860	242,585
		5,421,706	4,888,416	6,165,069
Payments				
Employee costs		(2,299,007)	(2,533,808)	(2,370,529)
Materials and contracts		(1,142,379)	(1,278,240)	(1,082,817)
Utility charges		(372,713)	(372,039)	(357,007)
Interest expenses		(31,112)	(31,391)	(34,438)
Insurance paid		(190,012)	(187,283)	(190,012)
Goods and services tax paid		0		26,967
Other expenditure		(145,928)	(174,987)	(152,257)
		(4,181,151)	(4,577,748)	(4,160,093)
Net cash provided by (used in) operating activities	16	1,240,558	310,668	2,004,976
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(699,727)	(716,837)	(410,383)
Payments for construction of infrastructure	9(a)	(1,607,100)	(1,914,676)	(1,667,318)
Non-operating grants, subsidies and contributions	2(a)	1,177,578	919,823	1,152,172
Proceeds from financial assets at amortised cost - self supporting loans		19,333	19,925	18,755
Net payments for financial assets at amortised cost		0		1,380,038
Proceeds from sale of property, plant & equipment	10(a)	167,729	195,000	91,788
Net cash provided by (used in) investment activities		(942,187)	(1,496,765)	565,052
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(67,403)	(67,403)	(64,098)
Net cash provided by (used in) financing activities		(67,403)	(67,403)	(64,098)
Net increase (decrease) in cash held		230,966	(1,253,500)	2,505,930
Cash at beginning of year		2,927,268	2,927,063	421,338
Cash and cash equivalents at the end of the year	16	3,158,235	1,673,563	2,927,268

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

SHIRE OF WAGIN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	21 (b)	1,149,080	1,126,116	1,145,795
		1,149,080	1,126,116	1,145,795
Revenue from operating activities (excluding rates)				
Governance		4,019	6,000	20,337
General purpose funding		1,512,533	899,686	1,508,746
Law, order, public safety		179,044	180,991	162,654
Health		60,503	60,132	66,305
Education and welfare		435,991	404,715	406,080
Community amenities		364,942	364,325	356,311
Recreation and culture		124,207	95,113	76,591
Transport		193,888	227,480	178,379
Economic services		135,397	226,700	129,943
Other property and services		108,611	110,900	88,869
		3,119,135	2,576,042	2,994,215
Expenditure from operating activities				
Governance		(374,661)	(448,060)	(364,498)
General purpose funding		(283,390)	(386,202)	(281,048)
Law, order, public safety		(301,718)	(298,841)	(293,692)
Health		(258,375)	(244,376)	(274,490)
Education and welfare		(518,810)	(455,086)	(429,045)
Community amenities		(519,368)	(564,900)	(548,767)
Recreation and culture		(1,327,019)	(1,330,731)	(1,242,418)
Transport		(2,677,991)	(2,677,076)	(2,664,823)
Economic services		(315,166)	(388,758)	(311,618)
Other property and services		(281,577)	(354,213)	(349,488)
		(6,858,075)	(7,148,243)	(6,759,887)
Non-cash amounts excluded from operating activities	21(a)	2,681,558	2,548,929	2,574,418
Amount attributable to operating activities		91,698	(897,156)	(45,459)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,025,945	919,823	1,152,172
Proceeds from disposal of assets	10(a)	167,729	195,000	91,788
Proceeds from financial assets at amortised cost - self supporting loans		19,333	19,333	18,755
Purchase of property, plant and equipment	8(a)	(699,727)	(716,837)	(410,383)
Purchase and construction of infrastructure	9(a)	(1,607,100)	(1,914,676)	(1,667,318)
		(1,093,820)	(1,497,357)	(814,986)
Amount attributable to investing activities		(1,093,820)	(1,497,357)	(814,986)
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(67,403)	(67,403)	(64,098)
Transfers to reserves (restricted assets)	4	(275,400)	(186,088)	(346,130)
Transfers from reserves (restricted assets)	4	223,077	267,278	69,858
Amount attributable to financing activities		(119,726)	13,787	(340,370)
Surplus/(deficit) before imposition of general rates		(1,121,848)	(2,380,726)	(1,200,815)
Total amount raised from general rates	20(a)	2,369,728	2,380,726	2,349,891
Surplus/(deficit) after imposition of general rates	21(b)	1,247,880	0	1,149,077

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

SHIRE OF WAGIN
INDEX OF NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	15
Note 4	Reserves - Cash backed	16
Note 5	Other Financial Assets	17
Note 6	Trade and Other Receivables	18
Note 7	Inventories	19
Note 8	Property, Plant and Equipment	20
Note 9	Infrastructure	22
Note 10	Fixed Assets	24
Note 11	Revaluation Surplus	27
Note 12	Trade and Other Payables	28
Note 13	Other Liabilities	29
Note 14	Information on Borrowings	30
Note 15	Employee Provisions	32
Note 16	Notes to the Statement of Cash Flows	33
Note 17	Total Assets Classified by Function and Activity	34
Note 18	Elected Members Remuneration	35
Note 19	Related Party Transactions	36
Note 20	Rating Information	37
Note 21	Rate Setting Statement Information	40
Note 22	Financial Risk Management	41
Note 23	Trust Funds	45
Note 24	Other Significant Accounting Policies	46
Note 25	Activities/Programs	47
Note 26	Financial Ratios	48

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* 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 rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

INITIAL APPLICATION OF 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.

These were:

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

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

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

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.

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
General purpose funding	1,422,839	674,932	1,422,294
Law, order, public safety	142,579	140,940	122,501
Education and welfare	319,469	317,000	318,614
Recreation and culture	44,578	8,800	12,801
Transport	124,717	154,775	122,006
	<u>2,054,182</u>	<u>1,296,447</u>	<u>1,998,216</u>
Non-operating grants, subsidies and contributions			
Community amenities	8,000	8,000	0
Recreation and culture	13,200	33,200	63,100
Transport	1,004,745	878,623	1,089,072
	<u>1,025,945</u>	<u>919,823</u>	<u>1,152,172</u>
Total grants, subsidies and contributions	<u>3,080,127</u>	<u>2,216,270</u>	<u>3,150,388</u>
Fees and charges			
General purpose funding	67,210	58,000	25,767
Law, order, public safety	19,096	20,350	15,104
Health	7,727	8,632	7,410
Education and welfare	95,586	76,472	73,602
Community amenities	345,262	344,825	339,633
Recreation and culture	66,714	71,408	56,660
Transport	15,572	8,713	8,684
Economic services	132,536	150,000	125,341
Other property and services	52,544	40,280	31,772
	<u>802,247</u>	<u>778,680</u>	<u>683,973</u>

There were no changes to the amounts of fees or charges detailed in the original budget.

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Contracts with customers and transfers for recognisable non-financial assets

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Fees and charges	802,247	778,680	683,973
Other revenue	105,133	218,473	101,578
Non-operating grants, subsidies and contributions	1,025,945	919,823	1,152,172
	<u>1,933,325</u>	<u>1,916,976</u>	<u>1,937,723</u>

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:

Revenue from contracts with customers included as a contract liability at the start of the period	33,057		
Revenue from contracts with customers recognised during the year	874,323	997,153	785,551
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period	74,251		
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	951,694	919,823	1,152,172
	<u>1,933,325</u>	<u>1,916,976</u>	<u>1,937,723</u>

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	173,764		138,901
Contract assets	34,896		29,241
Contract liabilities from contracts with customers	(18,329)		(33,057)
Financial assets held from transfers for recognisable financial assets	225,884		74,251
Grant liabilities from transfers for recognisable non financial assets	(225,884)		(74,251)

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at year end. 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 WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue from statutory requirements			
Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:			
General rates	2,369,728	2,380,726	2,349,891
	2,369,728	2,380,726	2,349,891
Other revenue			
Reimbursements and recoveries	126,847	212,387	141,007
Other	105,133	218,473	101,578
	231,980	430,860	242,585
Interest earnings			
Interest on reserve funds	6,813	16,563	25,019
Rates instalment and penalty interest (refer Note 20(c))	11,569	15,500	15,154
Other interest earnings	1,789	20,000	9,977
	20,171	52,063	50,150

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

(b) Expenses	Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
Auditors remuneration				
- Audit of the Annual Financial Report		20,400	22,000	20,000
		20,400	22,000	20,000
Interest expenses (finance costs)				
Borrowings	14(b)	31,112	31,391	34,438
		31,112	31,391	34,438
Other expenditure				
Impairment loss on trade and other receivables		3,856	0	0
Sundry expenses		142,072	174,987	152,257
		145,928	174,987	152,257

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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
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 funding body	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
Licenses/ 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 annual 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	Based on timing of entry to facility	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	Refund for unused portion on application	Adopted by Council annually	Apportioned equally across the access period	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
Commissions	Commissions on licensing 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 WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

3. CASH AND CASH EQUIVALENTS

	NOTE	2021 \$	2020 \$
Cash at bank and on hand		1,449,604	1,270,958
Term deposits		1,708,631	1,656,310
Total cash and cash equivalents		3,158,235	2,927,268
Restrictions			
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		1,970,782	1,787,750
		1,970,782	1,787,750
The restricted assets are a result of the following specific purposes to which the assets may be used:			
Reserves - cash backed	4	1,708,631	1,656,310
Contract liabilities from contracts with customers	13	18,329	33,057
Grants for transfers for recognisable non financial assets	13	225,884	74,251
Bonds and Deposits Held		17,938	24,132
Total restricted assets		1,970,782	1,787,750

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 WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. RESERVES - CASH BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	304,895	74,641	0	379,536	304,895	3,049	0	307,944	297,855	7,040	0	304,895
(b) Plant Replacement Reserve	302,669	13,077	(28,000)	287,746	302,669	3,027	(28,000)	277,696	233,073	69,596	0	302,669
(c) Recreation Centre Equipment Reserve	11,479	1,847	(400)	12,926	11,479	1,915	(2,000)	11,394	14,078	2,055	(4,654)	11,479
(d) Aerodrome Maintenance & Development Reserve	10,630	7,226	0	17,856	10,630	8,006	0	18,636	3,387	7,243	0	10,630
(e) Municipal Buildings Reserve	121,264	499	(50,000)	71,763	121,264	1,213	(50,000)	72,477	119,105	2,159	0	121,264
(f) Admin Centre Furniture, Equipment & IT Reserve	5,516	5,023	0	10,539	5,516	5,055	0	10,571	507	5,009	0	5,516
(g) Land Development Reserve	10,709	44	0	10,753	10,709	107	0	10,816	50,296	912	(40,499)	10,709
(h) Community Bus Reserve	16,974	455	0	17,429	16,974	170	0	17,144	15,592	1,382	0	16,974
(i) Homecare Reserve	122,789	505	(32,830)	90,464	122,789	1,228	(9,206)	114,811	88,031	34,758	0	122,789
(j) Recreation Development Reserve	270,680	61,113	(49,900)	281,893	270,680	62,707	(35,000)	298,387	226,283	64,102	(19,705)	270,680
(k) Refuse Site / Waste Management Reserve	136,947	30,563	0	167,510	136,947	21,194	0	158,141	96,144	40,803	0	136,947
(l) Refuse Site Rehabilitation Reserve	98,142	20,404	0	118,546	98,142	20,981	0	119,123	76,751	21,391	0	98,142
(m) Water Management Reserve	78,255	322	(7,500)	71,077	78,255	783	(5,000)	74,038	81,773	1,482	(5,000)	78,255
(n) Electronic Sign Reserve	65,616	270	(51,032)	14,854	65,616	656	(66,272)	0	20,249	45,367	0	65,616
(o) Community Gym Reserve	12,337	51	(500)	11,888	12,337	123	(1,800)	10,660	6,914	5,423	0	12,337
(p) Sportsground Precinct Redevelopment Reserve	80,908	50,333	(2,915)	128,324	80,908	50,809	(70,000)	61,717	50,000	30,908	0	80,908
(q) Emergency/Bushfire Control Reserve	6,500	27	0	6,527	6,500	65	0	6,565	0	6,500	0	6,500
(r) Community Events Reserve	0	9,000	0	9,000	0	5,000	0	5,000	0	0	0	0
	1,656,310	275,400	(223,077)	1,708,631	1,656,310	186,088	(267,278)	1,575,120	1,380,038	346,130	(69,858)	1,656,310

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	Provide provisions to meet Councils' Long Service and Accrued Annual Leave liabilities to minimise effect on Councils' budget annually.
(b) Plant Replacement Reserve	Ongoing	Provide funds for the ongoing replacement and upgrading of Plant necessary in the performance of Councils' core functions.
(c) Recreation Centre Equipment Reserve	Ongoing	Provide funds for the purchase of equipment, fixtures and fittings at the Wagin Community Recreation Centre.
(d) Aerodrome Maintenance & Development Reserve	Ongoing	Provide funds for major maintenance (eg resealing runway area) and development works (eg runway reconstruction) at the Wagin Airstrip.
(e) Municipal Buildings Reserve	Ongoing	Provide for the upgrading, renovating and restoration of existing Council owned buildings as well as construction of new Council owned buildings.
(f) Admin Centre Furniture, Equipment & IT Reserve	Ongoing	Provide for the purchase of furniture, fittings, equipment and IT requirements in relation to the Council Administration Building.
(g) Land Development Reserve	Ongoing	Provide funds for the purchase and development of land within the Wagin Shire as the need arises and Council see fit.
(h) Community Bus Reserve	Ongoing	Provide funds for the maintenance, upgrade and change-over of the Wagin Community Bus.
(i) Homecare Reserve	Ongoing	Provide funds to meet Homecare staff leave provisions, replacement of plant and equipment and on-going operations of the Homecare program.
(j) Recreation Development Reserve	Ongoing	Provide funds for the expansion, upgrading and development of Council's recreation and sporting facilities.
(k) Refuse Site / Waste Management Reserve	Ongoing	Provide funds for a new waste site, on-going operation with the Shire's waste management and recycling program and working towards zero waste.
(l) Refuse Site Rehabilitation Reserve	Ongoing	Provide funds to rehabilitate the existing refuse site once the site has been decommissioned.
(m) Water Management Reserve	Ongoing	To ensure Council spends the surplus Rural Towns Funds on measures and projects in line with Council's Water Management Plan.
(n) Electronic Sign Reserve	Ongoing	Provide funds for the purchase and installation of an electronic sign in the Wagin townsite in the future.
(o) Community Gym Reserve	Ongoing	Provide funds for the maintenance, upgrade and change-over of the Wagin Community Gym equipment as required.
(p) Sportsground Precinct Redevelopment Reserve	Ongoing	Provide funds for the future Sportsground Precinct Redevelopment.
(q) Emergency/Bushfire Control Reserve	Ongoing	Provide funds for unexpected times of extreme emergency recovery and provide adequate assistance for bushfire requirements.
(r) Community Events Reserve	Ongoing	Provide funds for future Community Events.

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Self supporting loans

(b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit and loss

Financial assets at amortised cost

Self supporting loans

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2021	2020
	\$	\$
Financial assets at amortised cost	19,925	19,333
	19,925	19,333
Other financial assets at amortised cost		
Self supporting loans	19,925	19,333
	19,925	19,333
Financial assets at amortised cost		
Financial assets at fair value through profit and loss	97,491	117,416
	73,807	71,221
	171,298	188,637
Financial assets at amortised cost		
Self supporting loans	97,491	117,416
	97,491	117,416
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	73,807	71,221
	73,807	71,221

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

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments for 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 22.

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
Allowance for impairment of trade receivables	
Allowance for impairment of rates receivables	

Non-current

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

	2021	2020
	\$	\$
	90,464	84,535
	177,620	138,901
	(3,856)	(2,500)
	(22,507)	(20,725)
	<u>241,721</u>	<u>200,211</u>
	51,932	57,223
	<u>51,932</u>	<u>57,223</u>

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 22.

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.

7. INVENTORIES

Current

Fuel and materials

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year

Additions to inventory

Balance at end of year

	2021	2020
	\$	\$
	34,903	38,574
	34,903	38,574
	38,574	46,978
	(116,939)	(135,684)
	113,268	127,280
	34,903	38,574

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.

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	3,244,000	14,622,155	17,866,155	235,087	1,972,623	20,073,865
Additions	40,499	18,145	58,644	26,164	325,575	410,383
(Disposals)	0	0	0	0	(99,412)	(99,412)
Depreciation (expense)		(374,826)	(374,826)	(26,796)	(242,692)	(644,314)
Balance at 30 June 2020	3,284,499	14,265,474	17,549,973	234,455	1,956,094	19,740,522
Comprises:						
Gross balance amount at 30 June 2020	3,284,499	15,370,074	18,654,573	261,251	2,190,198	21,106,022
Accumulated depreciation at 30 June 2020	0	(1,104,599)	(1,104,599)	(26,796)	(234,105)	(1,365,500)
Balance at 30 June 2020	3,284,499	14,265,474	17,549,973	234,455	1,956,094	19,740,522
Additions		81,347	81,347	134,484	483,896	699,727
(Disposals)	0	0	0	0	(178,964)	(178,964)
Depreciation (expense)	0	(375,894)	(375,894)	(31,638)	(263,390)	(670,922)
Balance at 30 June 2021	3,284,499	13,970,927	17,255,426	337,300	1,997,636	19,590,362
Comprises:						
Gross balance amount at 30 June 2021	3,284,499	15,451,421	18,735,920	395,735	2,457,594	21,589,249
Accumulated depreciation at 30 June 2021	0	(1,480,494)	(1,480,494)	(58,435)	(459,958)	(1,998,887)
Balance at 30 June 2021	3,284,499	13,970,927	17,255,426	337,300	1,997,636	19,590,362

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market Approach using recent observable market data for similar properties	Independent Registered Valuers	June 2017	Price per hectare / market borrowing rate
Buildings	2	Market Approach using recent observable market data for similar properties	Independent Registered Valuers	June 2017	Price per hectare / market borrowing rate

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

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

(ii) Cost

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 was effective from 1 July 2019 and represented a change in accounting policy.

Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - Roads	Infrastructure - Other	Infrastructure - Drainage	Total Infrastructure
	\$	\$	\$	\$
Balance at 1 July 2019	89,363,785	11,427,154	3,416,594	104,207,535
Additions	1,411,055	256,263	0	1,667,318
Depreciation (expense)	(1,470,545)	(374,298)	(68,332)	(1,913,175)
Balance at 30 June 2020	89,304,296	11,309,119	3,348,262	103,961,677
Comprises:				
Gross balance at 30 June 2020	92,243,067	12,047,711	3,416,594	107,707,372
Accumulated depreciation at 30 June 2020	(2,938,771)	(738,591)	(68,332)	(3,745,694)
Balance at 30 June 2020	89,304,296	11,309,119	3,348,262	103,961,677
Additions	1,013,969	593,131	0	1,607,100
Depreciation (expense)	(1,498,114)	(385,449)	(68,332)	(1,951,895)
Balance at 30 June 2021	88,820,151	11,516,802	3,279,930	103,616,883
Comprises:				
Gross balance at 30 June 2021	93,257,035	12,640,842	3,416,594	109,314,471
Accumulated depreciation at 30 June 2021	(4,436,884)	(1,124,040)	(136,664)	(5,697,588)
Balance at 30 June 2021	88,820,151	11,516,802	3,279,930	103,616,883

SHIRE OF WAGIN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - Roads	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
Infrastructure - Other	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
Infrastructure - Drainage	3	Cost Approach using depreciated replacement cost	Independent Registered Valuers	June 2019	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.

10. 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 *Local Government (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.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Revaluation (Continued)

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.

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, is treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

Vested improvements from 1 July 2019

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

Refer to Note 10 that details the significant accounting policies applying to leases (including right-of-use assets).

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and equipment	\$ 178,964	\$ 167,729	\$ 0	\$ (11,235)	\$ 177,008	\$ 195,000	\$ 17,992	\$ 0	\$ 99,412	\$ 91,788	\$ 5,744	\$ (13,368)
	178,964	167,729	0	(11,235)	177,008	195,000	17,992	0	99,412	91,788	5,744	(13,368)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2020 Actual Loss
Plant and Equipment				
Transport				
MOW Vehicle	20,646	27,727	7,081	0
Komatsu Grader	137,294	119,092	0	(18,202)
Toyota Hilux Workmate Ttop	6,865	6,364	0	(501)
Toyota Hilux Workmate Ttop Tipper	7,294	8,182	888	0
Toyota Hilux Workmate Ttop	6,865	6,364	0	(501)
	178,964	167,729	7,969	(19,204)
	178,964	167,729	7,969	(19,204)

(b) Fully Depreciated Assets in Use

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

	2021	2020
	\$	\$
Furniture and equipment	524,806	524,806
Plant and equipment	14,500	14,500
	539,306	539,306

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(c) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings	375,894	371,362	374,826
Furniture and equipment	31,638	28,784	26,796
Plant and equipment	263,390	246,203	242,692
Infrastructure - Roads	1,498,114	1,475,947	1,470,545
Infrastructure - Other	385,449	444,625	374,298
Infrastructure - Drainage	68,332	0	68,332
	2,622,817	2,566,921	2,557,489

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	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease
Intangible assets - computer software licence	5 years

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.

Amortisation

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

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

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

11. REVALUATION SURPLUS

	2021 Opening Balance	2021 Closing Balance	2020 Opening Balance	2020 Change in Accounting Policy	2020 Closing Balance
	\$	\$	\$	\$	\$
Revaluation surplus - Land	2,920,241	2,920,241	2,938,241	(18,000)	2,920,241
Revaluation surplus - Buildings	8,319,066	8,319,066	8,319,066	0	8,319,066
Revaluation surplus - Plant and equipment	106,181	106,181	106,181	0	106,181
Revaluation surplus - Infrastructure - Roads	65,074,533	65,074,533	65,074,533	0	65,074,533
Revaluation surplus - Infrastructure - Other	9,744,298	9,744,298	9,744,298	0	9,744,298
Revaluation surplus - Infrastructure - Drainage	3,416,594	3,416,594	3,416,594	0	3,416,594
	89,580,913	89,580,913	89,598,913	(18,000)	89,580,913

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages
Bonds and deposits held
Regional Refuse Group Accrued Funds
Accrued interest on loans

2021	2020
\$	\$
141,184	221,477
34,487	13,578
17,938	24,132
37,071	37,071
2,639	2,918
233,319	299,176

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.

13. OTHER LIABILITIES

Current

Operating grants, subsidies and contributions
 Non-operating grants, subsidies and contributions

	2021	2020
	\$	\$
	18,329	33,057
	225,884	74,251
	244,213	107,308
	244,213	107,308

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

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.

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

Grant liabilities represent the Shire's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

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

Service concession liabilities

Service concession liabilities relate to the grant of right to an operator in respect of an asset controlled by the Shire. They represent the unearned revenue related to the grant of right, and is recognised as revenue according to the economic substance of the service concession arrangement.

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

14. INFORMATION ON BORROWINGS

(a) Borrowings

	2021	2020
	\$	\$
Current	70,889	67,403
Non-current	495,341	566,230
	<u>566,230</u>	<u>633,633</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	Actual	30 June 2020	30 June 2020	30 June 2020
				Principal	Actual	Actual	Actual	Principal	Budget	Budget	Budget	Principal	Actual	Actual	Actual
				1 July 2020	Principal	Interest	Principal	1 July 2020	Principal	Interest	Principal	1 July 2019	Principal	Interest	Principal
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture															
Recreation Centre	131	NAB	6.39%	49,939	(9,909)	(3,035)	40,030	49,939	(9,909)	(3,035)	40,030	59,244	(9,305)	(3,639)	49,939
Swimming Pool Redevelopment	139	WATC	5.11%	214,622	(13,322)	(10,623)	201,300	214,622	(13,322)	(10,715)	201,300	227,284	(12,662)	(11,333)	214,622
Other property and services															
5 Arnott Street	137	WATC	6.02%	155,432	(13,917)	(8,963)	141,515	155,432	(13,917)	(8,977)	141,515	168,538	(13,106)	(9,775)	155,432
Doctors Residence	138	WATC	6.27%	76,891	(10,922)	(4,519)	65,969	76,891	(10,922)	(4,653)	65,969	87,159	(10,268)	(5,157)	76,891
				<u>496,884</u>	<u>(48,070)</u>	<u>(27,140)</u>	<u>448,814</u>	<u>496,884</u>	<u>(48,070)</u>	<u>(27,380)</u>	<u>448,814</u>	<u>542,225</u>	<u>(45,341)</u>	<u>(29,904)</u>	<u>496,884</u>
Self Supporting Loans															
Recreation and culture															
Wagin Ag Society	141	WATC	3.04%	136,749	(19,333)	(3,972)	117,416	136,749	(19,333)	(4,011)	117,416	155,507	(18,758)	(4,534)	136,749
				<u>136,749</u>	<u>(19,333)</u>	<u>(3,972)</u>	<u>117,416</u>	<u>136,749</u>	<u>(19,333)</u>	<u>(4,011)</u>	<u>117,416</u>	<u>155,507</u>	<u>(18,758)</u>	<u>(4,534)</u>	<u>136,749</u>
				<u>633,633</u>	<u>(67,403)</u>	<u>(31,112)</u>	<u>566,230</u>	<u>633,633</u>	<u>(67,403)</u>	<u>(31,391)</u>	<u>566,230</u>	<u>697,732</u>	<u>(64,099)</u>	<u>(34,438)</u>	<u>633,633</u>

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

14. INFORMATION ON BORROWINGS (Continued)

	2021	2020
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	16,000	22,000
Total amount of credit unused	16,000	22,000
Loan facilities		
Loan facilities - current	70,889	67,403
Loan facilities - non-current	495,341	566,230
Total facilities in use at balance date	566,230	633,633
Unused loan facilities at balance date	NIL	NIL

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 22.

15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2020

Current provisions
 Non-current provisions

Additional provision

Balance at 30 June 2021

Comprises

Current
 Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	124,531	184,374	308,905
Non-current provisions	0	64,303	64,303
	124,531	248,677	373,208
Additional provision	61,602	35,487	97,089
Balance at 30 June 2021	186,133	284,164	470,297
Comprises			
Current	186,133	175,063	361,196
Non-current	0	109,101	109,101
	186,133	284,164	470,297

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date
 More than 12 months from reporting date
 Expected reimbursements from other WA local governments

	2021	2020
	\$	\$
Less than 12 months after the reporting date	280,744	310,483
More than 12 months from reporting date	184,722	61,936
Expected reimbursements from other WA local governments	4,831	789
	470,297	373,208

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

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	3,158,235	1,673,563	2,927,268
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(343,267)	(1,271,652)	(276,003)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(2,586)	0	(1,153)
Depreciation on non-current assets	2,622,817	2,566,921	2,557,489
(Profit)/loss on sale of asset	11,235	(17,992)	7,624
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(36,219)	35,809	916,228
(Increase)/decrease in inventories	3,671	3,574	8,404
(Increase)/decrease in contract assets	(5,655)	23,193	(29,241)
Increase/(decrease) in payables	(65,857)	0	7,303
Increase/(decrease) in employee provisions	97,089	0	15,504
Increase/(decrease) in other provisions	3	0	0
Increase/(decrease) in other liabilities	136,905	(109,362)	(49,007)
Non-operating grants, subsidies and contributions	(1,177,578)	(919,823)	(1,152,172)
Net cash from operating activities	1,240,558	310,668	2,004,976

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	4,390,933	4,371,676
General purpose funding	1,292,824	1,214,832
Law, order, public safety	492,542	535,682
Health	834,174	849,438
Education and welfare	446,380	485,410
Community amenities	1,032,600	1,048,765
Recreation and culture	14,772,050	14,579,195
Transport	101,647,532	102,098,566
Economic services	445,456	442,630
Other property and services	1,565,664	1,536,492
	<u>126,920,155</u>	<u>127,162,686</u>

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

18. ELECTED MEMBERS REMUNERATION

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Cr Phillip Blight			
President's annual allowance	12,000	12,000	12,000
Meeting attendance fees	5,250	4,000	5,500
Travel and telecommunication expenses	750	500	500
	18,000	16,500	18,000
Cr Greg Ball			
Deputy President's annual allowance	3,000	3,000	3,000
Meeting attendance fees	2,188	1,400	2,438
Travel and telecommunication expenses	1,366	1,000	1,150
	6,554	5,400	6,587
Cr David Atkins			
Meeting attendance fees	1,500	1,400	625
Travel and telecommunication expenses	750	500	250
	2,250	1,900	875
Cr Sherryl Chilcott			
Meeting attendance fees	2,063	1,400	2,750
Travel and telecommunication expenses	750	500	500
	2,813	1,900	3,250
Cr Bronwyn Hegarty			
Meeting attendance fees	2,000	1,400	1,438
Travel and telecommunication expenses	750	500	375
	2,750	1,900	1,813
Cr Bryan Kilpatrick			
Meeting attendance fees	2,250	1,400	2,500
Travel and telecommunication expenses	750	500	500
	3,000	1,900	3,000
Cr Wade Longmuir			
Meeting attendance fees	1,938	1,400	1,188
Travel and telecommunication expenses	750	500	375
	2,688	1,900	1,563
Cr Lyn Lucas			
Meeting attendance fees	1,375	1,400	1,625
Travel and telecommunication expenses	750	500	500
	2,125	1,900	2,125
Cr David Reed			
Meeting attendance fees	375	1,400	1,375
Travel and telecommunication expenses	250	500	500
	625	1,900	1,875
Cr Jason Reed			
Meeting attendance fees	1,125	1,400	2,188
Travel and telecommunication expenses	750	500	500
	1,875	1,900	2,688
Cr Geoff West			
Meeting attendance fees	1,625	1,400	2,563
Travel and telecommunication expenses	750	500	500
	2,375	1,900	3,063
	45,054	39,000	44,837
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	12,000	12,000	12,000
Deputy President's allowance	3,000	3,000	3,000
Meeting attendance fees	21,688	18,000	24,188
Travel and telecommunication expenses	8,366	6,000	5,650
	45,054	39,000	44,838

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

19. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	547,046	594,156
Post-employment benefits	50,301	50,680
Other long-term benefits	6,753	8,687
	604,100	653,523

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.

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.

	2021 Actual	2020 Actual
	\$	\$
The following transactions occurred with related parties:		
Sale of goods and services	5,133	4,931
Purchase of goods and services	102,125	70,137
Amounts outstanding from related parties:		
Trade and other receivables	4,697	0
Amounts payable to related parties:		
Trade and other payables	13,848	19,304

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

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

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

iii. Entities subject to significant influence by the Shire

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

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21 Actual Rateable Value \$	2020/21 Actual Rate Revenue \$	2020/21 Actual Interim Rates \$	2020/21 Actual Back Rates \$	2020/21 Actual Total Revenue \$	2020/21 Budget Rate Revenue \$	2020/21 Budget Interim Rate \$	2020/21 Budget Back Rate \$	2020/21 Budget Total Revenue \$	2019/20 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations	0.11145	746	7,969,475	888,174	(214)	(138)	887,822	888,174	2,000	1,000	891,174	875,906
Unimproved valuations	0.00682	304	210,173,000	1,432,960	(1,072)	0	1,431,888	1,432,960	2,000	0	1,434,960	1,426,060
Sub-Total		1,050	218,142,475	2,321,134	(1,286)	(138)	2,319,710	2,321,134	4,000	1,000	2,326,134	2,301,966
Minimum payment	Minimum \$											
Gross rental valuations	580	144	280,029	83,520	0	0	83,520	83,520	0	0	83,520	85,840
Unimproved valuations	580	77	3,270,037	44,660	0	0	44,660	44,660	0	0	44,660	36,540
Sub-Total		221	3,550,066	128,180	0	0	128,180	128,180	0	0	128,180	122,380
		1,271	221,692,541	2,449,314	(1,286)	(138)	2,447,890	2,449,314	4,000	1,000	2,454,314	2,424,346
Discounts/concessions (Note 20(b))							(90,679)				(86,105)	(86,849)
Total amount raised from general rate							2,357,211				2,368,209	2,337,497
Ex-gratia rates							12,517				12,517	12,394
Totals							2,369,728				2,380,726	2,349,891

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

20. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$	Circumstances in which Discount is Granted
Early Payment	5.00%		90,679	86,105	86,849	Rates paid in full by 18 September 2020
			90,679	86,105	86,849	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$
Betty Terry Theatre	Rates	50.00%		404	379	379
Betty Terry Theatre	Rubbish	50.00%		163	163	163
St John Ambulance	Rubbish	100.00%		325	325	325
Wagin Care & Share	Rubbish	100.00%		325	325	325
Wagin CWA	Rates	100.00%		979	968	968
Wagin CWA	Rubbish	100.00%		325	325	325
Waratah Lodge	Rubbish	100.00%		325	325	325
				2,846	2,810	2,810

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
Betty Terry Theatre		Rates Payable
Betty Terry Theatre	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin
St John Ambulance	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin
Wagin Care & Share	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin
Wagin CWA		Rates Payable
Wagin CWA	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin
Waratah Lodge	1st Bin Waived, Remaining Payable	Rubbish Charges for 1 Bin

20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	18/09/2020		5.50%	8.00%
Option Two				
First instalment	18/09/2020	5.50	5.50%	8.00%
Second instalment	18/01/2021	5.50	5.50%	8.00%
Option Three				
First instalment	18/09/2020	5.50	5.50%	8.00%
Second instalment	18/11/2020	5.50	5.50%	8.00%
Third instalment	18/01/2021	5.50	5.50%	8.00%
Fourth instalment	19/03/2021	5.50	5.50%	8.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	7,917	12,000	11,709
Interest on instalment plan	3,652	3,500	3,445
Charges on instalment plan	4,243	8,000	3,173
	15,812	23,500	18,327

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

21. RATE SETTING STATEMENT INFORMATION

	2020/21 (30 June 2021 Carried Forward) \$	2020/21 Budget (30 June 2021 Carried Forward) \$	2019/20 (30 June 2020 Carried Forward) \$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a) (7,969)	(17,992)	(5,744)
Less: Fair value adjustments to financial assets at fair value through profit and loss	(2,586)	0	(1,153)
Movement in pensioner deferred rates (non-current)	5,291	0	(3,282)
Movement in employee benefit provisions (non-current)	44,801	0	13,740
Add: Loss on disposal of assets	10(a) 19,204	0	13,368
Add: Depreciation on non-current assets	10(c) 2,622,817	2,566,921	2,557,489
Non cash amounts excluded from operating activities	2,681,558	2,548,929	2,574,418
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - cash backed	4 (1,708,631)	(1,575,120)	(1,656,310)
Less: Financial assets at amortised cost - self supporting loans	5(a) (19,925)	(19,333)	(19,333)
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	14(a) 70,889	70,889	67,403
- Employee benefit provisions	325,484	307,944	325,485
Total adjustments to net current assets	(1,332,183)	(1,215,620)	(1,282,755)
Net current assets used in the Rate Setting Statement			
Total current assets	3,489,680	1,575,120	3,214,627
Less: Total current liabilities	(909,617)	(359,500)	(782,792)
Less: Total adjustments to net current assets	(1,332,183)	(1,215,620)	(1,282,755)
Net current assets used in the Rate Setting Statement	1,247,880	0	1,149,080

22. 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 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
	%	\$	\$	\$	\$
2021					
Cash and cash equivalents	0.10%	3,158,235	1,708,631	908,676	540,928
2020					
Cash and cash equivalents	0.32%	2,927,268	1,656,310	1,156,887	114,071

Sensitivity

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

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	9,087	11,569

* Holding all other variables constant

Borrowings

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

22. 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, 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 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Gross carrying amount	746	33,501	34,012	22,206	90,464
Loss allowance	1,599	8,257	5,470	7,182	22,507
29 June 2020					
Rates receivable					
Gross carrying amount	1,020	36,709	30,308	16,498	84,535
Loss allowance	8,072	5,470	2,473	4,709	20,724

The loss allowance as at 30 June 2021 and 30 June 2020 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
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.08%	
Gross carrying amount	118,895	4,612	8,018	46,094	177,620
Loss allowance	0	0	0	3,856	3,856
29 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	12.04%	
Gross carrying amount	112,583	5,550	0	20,769	138,901
Loss allowance	0	0	0	2,500	2,500

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Contract Assets

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

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2021</u>					
Payables	233,319	0	0	233,319	233,319
Borrowings	70,889	302,420	192,921	566,230	566,230
	<u>304,208</u>	<u>302,420</u>	<u>192,921</u>	<u>799,549</u>	<u>799,549</u>
<u>2020</u>					
Payables	299,176	0	0	299,176	299,176
Borrowings	98,794	388,702	304,699	792,195	633,633
	<u>397,970</u>	<u>388,702</u>	<u>304,699</u>	<u>1,091,371</u>	<u>932,809</u>

23. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2020	Amounts Received	Amounts Paid	30 June 2021
	\$	\$	\$	\$
In Lieu of Public Open Space	8,200	0	(8,200)	0
	8,200	0	(8,200)	0

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

24. 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 end of the reporting period.

SHIRE OF WAGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

25. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE</p> <p>To provide a decision making process for the efficient allocation of resources.</p>	<p>Includes costs associated with elected members, the running costs of the Administration building and associated clerical staff, records management and computer operation costs.</p>
<p>GENERAL PURPOSE FUNDING</p> <p>To collect revenue to allow for the provision of services and facilities for the community.</p>	<p>Includes rate revenue and associated costs, general purpose government grants, costs associated with the repayment of Council loans, including reimbursement from government bodies and community organisations, as well as interest earned on Council investments.</p>
<p>LAW, ORDER, PUBLIC SAFETY</p> <p>To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Includes costs associated with fire prevention and control, control of dogs, cats and other animals, abandoned vehicles, enforcement of associated local laws and other aspects of public safety including emergency services.</p>
<p>HEALTH</p> <p>To provide an operational framework for environmental and community health.</p>	<p>Includes costs associated with providing doctor, maternal and infant health services, analytical expenses ie water sampling, and the running of the Regional Health Scheme together with the Shire of Williams and Shire of Dumbleyung.</p>
<p>EDUCATION AND WELFARE</p> <p>To provide services and facilities to the elderly, disadvantaged, children and youth of the community.</p>	<p>Includes costs associated with providing a building for daycare, administering and running of the Wagin Homecare Program, including Community Aged Care Packages and some assistance to Wagin Frail Aged Lodge.</p>
<p>COMMUNITY AMENITIES</p> <p>To provide required essential services for the community.</p>	<p>Includes provision for the collection and disposal of residential, commercial and industrial refuse, provide an effective waste recycling service, ongoing maintenance of the Wagin Cemetery and running costs associated with providing public conveniences.</p>
<p>RECREATION AND CULTURE</p> <p>To establish and effectively manage infrastructure, resources and provide opportunities which will help the social well-being of the community.</p>	<p>Includes costs associated with public halls, the Wagin Memorial Swimming Centre, Wagin Recreation Centre, sportsground maintenance and sportsground buildings / facilities maintenance, the provision of recreational services and programs, library services together with a contribution towards the costs associated with the running of the Wagin Woolorama.</p>
<p>TRANSPORT</p> <p>To provide safe, effective and efficient transport services to the community.</p>	<p>Includes construction and maintenance of Council's infrastructure assets including roads, bridges, footpaths, parking facilities, townscape, street trees and street lighting. Also, improvements to Council's plant and the provision of aircraft landing facilities and their associated costs.</p>
<p>ECONOMIC SERVICES</p> <p>To help promote the Shire and its economic wellbeing.</p>	<p>Includes area promotion, tourism, economic and community development, control of declared flora and fauna, the Rural Town's programme, Landcare, LCDC projects, ongoing maintenance of the Wagin Caravan Park, building control and the provision of standpipes.</p>
<p>OTHER PROPERTY AND SERVICES</p> <p>To monitor and control Council's overhead operating accounts and other miscellaneous items.</p>	<p>Includes private works, town planning schemes and the provision for new residential developments, materials in store, costs associated with employment of the outside works crew, costs associated with the running of all Council plant and other unclassified revenue and expenses.</p>

26. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	5.67	3.85	3.76
Asset consumption ratio	0.93	0.96	0.98
Asset renewal funding ratio	0.87	1.51	3.63
Asset sustainability ratio	0.55	0.77	1.32
Debt service cover ratio	13.04	11.81	13.38
Operating surplus ratio	(0.41)	(0.44)	(0.32)
Own source revenue coverage ratio	0.49	0.48	0.53

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



7.2 2020/2021 DRAFT INTERIM AUDIT MANAGEMENT LETTER

PROPONENT:	N/A
OWNER:	N/A
LOCATION/ADDRESS:	N/A
AUTHOR OF REPORT:	Manager of Finance
SENIOR OFFICER:	Chief Executive Officer
DATE OF REPORT:	1 November 2021
PREVIOUS REPORT(S):	12 February 2021
DISCLOSURE OF INTEREST:	Nil
FILE REFERENCE:	FM.AD.2
ATTACHMENTS:	<ul style="list-style-type: none">2020/2021 Draft Interim Audit Management Letter with Management Responses

OFFICER RECOMMENDATION/COMMITTEE RESOLUTION

Moved Cr Seconded Cr

That the 2020/2021 Draft Interim Audit Management Letter and management responses to the findings be received.

Carried 0/0

COMMITTEE RESOLUTION

Moved Cr G Ball Seconded Cr B Kilpatrick

That the 2020/2021 Draft Audit Management Letter and management responses to the findings be received.

Carried 4/0

The reason for difference in Officer recommendation is that due to the timing of the Interim Audit, the Management Letter issued during the Interim Audit became the final Audit Management Letter.

BRIEF SUMMARY

The 2020/2021 Draft Interim Audit Management Letter with Management's response is attached for discussion and to be received by the Audit Committee.

BACKGROUND/COMMENT

Accounting firm AMD Chartered Accountants, on behalf of Council's Auditors – the Office of The Auditor General, finalised the interim audit of the 2020/2021 financial year in July 2021.

As part of the audit process the auditors have issued a Draft Interim Audit Management Letter on their findings from the interim audit, the auditor's have also requested management to respond on each finding. The responses are attached for the Committee's information, these responses have already been sent back to AMD Chartered Accountants.



The Draft Interim Audit Management Letter and management responses are attached for the Committee and Council to receive.

CONSULTATION/COMMUNICATION

- Deputy Chief Executive Officer
- Manager of Finance

STATUTORY/LEGAL IMPLICATIONS

- Local Government Act 1995
- Local Government (Financial Management) Regulations 1996.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

The Committee wished it recorded that they would like to acknowledge and thank the Office of Auditor General, Accounting firm – AMD and the Manager of Finance and her staff on their efforts on the timely and efficient Audit process for the 20120/2021 Financial Audit.

SHIRE OF WAGIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Creditors and fixed assets reconciliations		✓	
2. Daily banking procedures		✓	
3. Information technology usage policy		✓	
4. Information technology disaster recovery plan		✓	

KEY TO RATINGS

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

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

SHIRE OF WAGIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Creditors and fixed assets reconciliations

Finding

We noted that creditors and fixed assets reconciliations are performed, however they are not signed off to evidence an independent review has occurred once complete.

Rating: Moderate**Implication**

Lack of review by an independent senior officer may lead to erroneous or unusual reconciling items not being detected and investigated in a timely manner.

Recommendation

Reconciliations are a key control and should be reviewed by someone independent of the reconciliation function. Reconciliations should be signed off as evidence of an independent review.

Management Comment

An independent review is carried out though not documented. Management will ensure this is signed off moving forward.

Responsible Person:*Manager of Finance***Completion Date:***06 September 2021*

SHIRE OF WAGIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Daily banking procedures

Finding

During our receipts testing, we noted that the daily banking reconciliations at the administration office are not signed as evidence of an independent review. Furthermore, we noted that the daily banking summaries for each cash collection site, with the exception of the caravan park, are not signed as evidence of an independent review.

Rating: Moderate**Implication**

Increased risk of error or fraud due to lack of independent review.

Recommendation

End of day reconciliations are a key control and should be reviewed by someone independent of the reconciliation function. These reconciliations should be signed off as evidence of an independent review.

Management Comment

An independent review is carried out though not documented. Management will ensure this is signed off moving forward.

Responsible Person:*Manager of Finance***Completion Date:***06 September 2021*

SHIRE OF WAGIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Information technology usage policy**Finding**

We noted that the Shire does not have an Information Technology (IT) Usage Policy. An IT Usage Policy would outline the rules and guidelines with respect to appropriate use of the Shire's IT resources.

Rating: Moderate**Implication**

In the absence of an effective policy on IT usage, there is an increased risk of inefficient use of the Shire's resources.

Recommendation

We recommend that management develop and implement a policy to ensure that users of IT systems make the best use of the Shire's resources. This policy should be communicated to staff and monitored on an ongoing basis.

Management Comment

Management will endeavour to prepare an Information Technology (IT) Usage Policy.

Responsible Person:

Deputy Chief Executive Officer

Completion Date:

28 February 2022

SHIRE OF WAGIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Information technology – disaster recovery plan

Finding

We noted that the Shire has no formal disaster recovery plan in place in respect to information technology systems.

Rating: Moderate**Implication**

Without a disaster recovery plan, it is likely to be more difficult to recover from an incident or crisis in a timely and effective manner. There is an increased risk that key business functions will remain out of operation for extended periods of time following a major incident.

Recommendation

We recommend that management develop and document a disaster recovery plan based on the business continuity plan, detailing the steps to be taken to recover operations.

The plan should be communicated to staff and tested on a periodic basis to ensure that staff are familiar with their responsibilities. This should also include testing of the IT system backups.

Management Comment

Management will endeavour to prepare a formal Disaster Recovery Plan.

Responsible Person:

Deputy Chief Executive Officer

Completion Date:

28 February 2022



8. GENERAL BUSINESS

Nil

9 CLOSURE

There being no further business the Chairperson thanked those in attendance and closed the meeting at 2.47pm.

I certify that this copy of the Minutes is a true and correct record of the meeting held on 04 November 2021

Signed:

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Presiding Elected Member

Date:

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