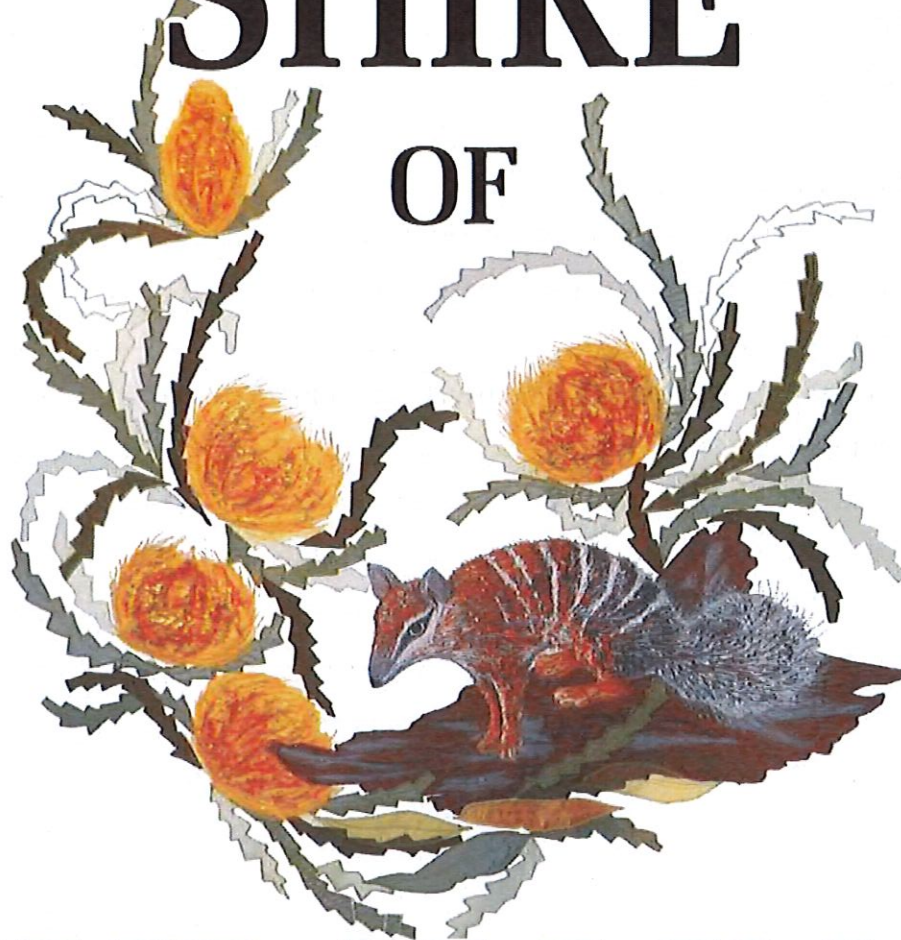


SHIRE OF CUBALLING



**ANNUAL REPORT
2018/19**

Adopted 18th March 2020

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INTRODUCTION

Council is pleased to present the Annual Report of the Shire of Cuballing for the Financial Year ending 30 June 2019. The report is prepared in accordance with the requirements of Section 5.53 of the Local Government Act 1995, relevant standards and Regulations.

Council is required to, in its Annual Report, include more on its operations and activities and it is hoped that you will find the information of interest.

Copies of the report are available at the Shire Offices in Campbell Street, Cuballing. Council welcomes any comment from ratepayers and residents of the Shire.

VISION

A progressive, diverse and caring community, with access to modern services and infrastructure, in a unique part of the world.

MISSION

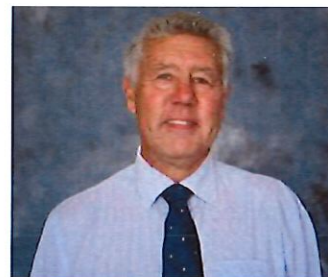
To provide the leadership, facilities, infrastructure and services that will serve the needs of our community.

CORE VALUES

- Transparency – by being open and accountable.
- Honesty – by acting with integrity and building trust.
- Respect – by being tolerant, helpful and showing empathy and care for others.
- Dedication – in the continual pursuit of excellence.
- Proactivity – through forward thinking and being positive.
- Cohesiveness – through teamwork, unity and shared ownership.

SHIRE PRESIDENTS REPORT

PERIOD ENDING 30TH JUNE 2019



Cuballing Shire has continued to operate efficiently and effectively during 2018/19 financial year. The year presented early difficulties with long established State Government funding reduced causing deferment of some community projects. However, by years end all road program construction had been completed successfully including works rescheduled due to delays in obtaining clearing permits. We have maintained our commitment to plant replacement policy of allocating \$350,000 annually to a reserve fund which then allows cash purchases of plant as they are required. This is run in conjunction with a ten-year program for plant renewal. Widening of the Narrogin/Wandering Road is the primary roadworks project with additional upgrade to Stratherne Road the other major project. Added to these priorities has been the continuation of regular roadside pruning to all our road network. This practice has been particularly beneficial to low volume gravel roads keeping them much safer for ever increasing sized agricultural machinery movements.

A lot of effort at Council involves planning which may not be immediately obvious to the public but provides a framework for decision making. A significant adoption during the year was the Disabilities Access and Inclusion Plan. This plan mapped out deficiencies in disability access and a staged works program to improve access for those with a disability. Another plan of importance through the year was to partner with neighbouring Shires, Williams and Narrogin to develop a Bush Fire Risk Management Plan. The intent is to identify all assets in the Shire including private, public and natural assets using a state-based methodology to determine risk. Once completed the plan will be very useful in supporting funding applications for bush fire risk management.

We continued to provide an expanded range of community events which we have run or supported. They have been well patronised and valued by residents. These included Australia Day breakfast, Movie Night, Blue light Disco, Local Talent Music Night, Popanyinng Bonfire and Kid's Day Out which has exceeded expectation in terms of numbers attending and favourable feedback.

During the year our Deputy CEO, Rick Pares resigned and we were very fortunate to obtain the services of Bronwyn Dew to fill the role. For a small Shire we rely heavily on staff to keep operations running smoothly and my thanks to both inside and outside staff for their continued contributions in making Cuballing Shire as effective as we can. I look forward to a new year of achievements.

Cr Mark Conley
SHIRE PRESIDENT

CHIEF EXECUTIVE OFFICER'S REPORT PERIOD ENDING 30TH JUNE 2019

The focus of the Shire of Cuballing continues to be the provision of good facilities and improved services to our community, whilst maintaining judicious financial standards.



During the 2018/19 year the following projects were completed including:

- Completed the upgrade to the Cuballing CWA hall. Works included – new ceilings, renewal of windows, repairs to front doors, painting inside & outside, new floor coverings;
- Sealing works at the Cuballing transfer station;
- Relocation of Waste oil facility to the Cuballing Transfer Station, includes extending existing shed & concreting of the shed floor;
- Gates installed to shed at Popanyinning Transfer Station;
- A new shade sail was installed at the Cuballing Recreation Centre;
- Picnic seating installed opposite the Cuballing Skate Park;
- Purchase of Austral Street Land – site for future Independent Living Accommodation;
- Fencing of Shaddicks Road gravel pit;
- Assisted the Cuballing Men's Shed with costs associated with installation of toilet block;
- Continued to complete major road works projects including:
 - Reconstruction sections of Popanyinning West Road;
 - Gravel sheeting to Reeds Road;
 - Resealing of Popanyinning East Road;
 - Widening sections of Narrogin Wandering Road;
 - Widening sections of Stratherne Road and
 - Contribution to Wardering Road Bridge widening.

During 2018/19 Council assisted with a number of very successful community events. Council conducted the Australia Day Breakfast in January in Cuballing, February saw the Cuballing Music Festival along with the Great War Histories of the Shire of Cuballing book launch. Anzac Day was held in April and Australia's Biggest Morning Tea fundraiser in May. Council continued to run many very successful events for children including Blue lights disco's, the indoor movie event in July, Youth Day in September that saw the Cuballing School Bus Shelters decked out with murals featuring local landmarks, also held in September was the annual Kids Day, finishing off the 2018 year was an outdoor movie night in December. And for our seniors there was a five week program on Digital Literacy. In addition, Council supported the annual Popanyinning Bonfire Night in August and the Cuballing Christmas Tree in December.

Our Manager of Works & Services, Bruce Brennan celebrated 30 years of employment with the Shire of Cuballing in March 2019.

I would like to thank Councillors, fellow staff and the community for their efforts and support throughout the year.

Gary Sherry MLGP

CHIEF EXECUTIVE OFFICER

COMMUNITY STRATEGIC PLAN

The Shire of Cuballing undertook a review of the Shire of Cuballing Strategic Community Plan in 2017.

The Shire of Cuballing Strategic Community Plan is broken into four key themes of:

- Community - Our Community, Neighbourhoods, Recreation and Culture
- Environment - Our Environment, Resource Management and Services
- Economy - Our Economy, Infrastructure, Systems and Services
- Governance & Organisation - Our Council, Services, Policies and Engagement

Each theme has an aspirational goal and a number of objectives to bring priorities to life.

An overview of aspirations and objectives can be found in the following summary, with copies of the Community Strategic Plan available to view at the Shire Administration Office and online at www.cuballing.wa.gov.au

COMMUNITY - Our Community, Neighbourhoods, Recreation and Culture.

Goals

- A healthy and caring community which has strong support for all ages and abilities.
- A safe community where residents feel secure and comfortable at home, work and play.
- A healthy community engaging in positive and rewarding lifestyles with access to recreational and leisure opportunities.
- A vibrant community, enjoying access to a wide range of quality arts and cultural activities.

	Strategy
1.1	Create a vibrant social environment that is accessible and inclusive for all ages and abilities.
1.2	Create a vibrant built environment that is accessible and inclusive and reflects the Shire's identity and local heritage.
1.3	Encourage and support volunteers and community groups.
1.4	Facilitate improved access to health and welfare programs and education opportunities.
1.5	Provide and promote sport, recreation and leisure facilities and programs.
1.6	Support local arts and cultural activities.
1.7	Create and maintain a safe environment for the community.
1.8	Manage environmental health risks in the Shire.

ENVIRONMENT - Our Environment, Resource Management and Services

Goals

- Valuing our unique environment and ensuring the natural resources within the Shire are recognised as an important asset and managed in a sustainable manner.
- Recognising the environmental and recreational value of Council reserves, and managing them in a way that will preserve them for future generations to enjoy.
- Aiming for the equitable and sustainable development of land within the Shire of Cuballing that provides a genuinely desirable lifestyle.

- Managing waste and recycling in a manner that is environmentally sustainable and meets the expectations of the community.

	Strategy
2.1	Protect, restore and enhance the Shire's natural assets.
2.2	Educate the community on ways to use our environment responsibly and build environmental awareness.
2.3	Provide equitable access for all users to our environment while balancing the protection of natural assets.
2.4	Sustainably manage our waste, water, energy use and facilities and investigate opportunities to reduce their impacts on our environment.
2.5	Plan for and adapt to changes in our climate and the impacts of increased water and energy vulnerability.

ECONOMY - Our Economy, Infrastructure, Systems and Services.

Goals

- Community infrastructure and services delivered in a timely manner, are well utilised, effective and meet the expectations of the community.
- Transport systems that are functional, efficient, economical and safe, coupled with continuous improvement to meet the safety and amenity needs of the community.
- Managing community assets in a whole of life and economically sustainable manner.
- Promoting sustainable and diverse economic development opportunities that make the Shire of Cuballing an attractive place to live, work and visit.

	Strategy
3.1	Deliver a diverse range of affordable services and infrastructure across the Shire.
3.2	Ensure essential services and infrastructure are aligned to community needs now and in the future.
3.3	Deliver and advocate for a diverse and safe transport system which is efficient and meets the needs of all users.
3.4	Create and strengthen partnerships to advocate for and deliver community facilities, and services and major infrastructure.
3.5	Maintain a robust asset management practices and maintenance programs.
3.6	Facilitate and guide high quality and efficient building and development across the Shire.
3.7	Advocate and plan for local economic development in a sustainable manner.

GOVERNANCE & ORGANISATION - Our Council, Services, Policies and Engagement.

Goals

- An independent Council that is supported by an excellent organisation.
- Governance structures that ensure accountable, transparent and ethical decision making.
- Building the organisation and managing its structure, finances and assets in a sustainable manner.
- A Council that proactively engages with all elements of its community to make decisions that reflect positively on the future of the Shire of Cuballing.

	Strategy
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4.1	Councillors provide strong and visionary leadership.
4.2	Maintain a clear, transparent and ethical decision making process.
4.3	Ensure open and consistent communication between the Shire and the community.
4.4	Actively engage with the community to inform decision making and improve conversations within the community.
4.5	Be innovative in the management of Shire operations, services, staff and resources to create a resilient and financially stable Shire.
4.6	Employees actively contribute to improved operational service delivery and ensure excellent customer service.

DISABILITY ACCESS AND INCLUSION PLAN

STATEMENT - PERIOD ENDING 30TH JUNE 2019

The Shire of Cuballing first adopted a Shire of Cuballing Disability Access and Inclusion Plan in 1995. The Shire of Cuballing Disability Access and Inclusion Plan 2019-2024 was adopted on 19th June 2019.

The Disability Services Amendment Act 1999 requires local governments to report annually on their Disability Access and Inclusion Plan achievements. The achievements for the year ended 30th June 2019 are listed below and grouped into the outcome areas addressed in the Shire of Cuballing's Disability Access and Inclusion Plan.

Outcome 1 People with disability have the same opportunity as other people to access the services of, and any events organised in the Shire of Cuballing

Council is responsive to the needs of the community in relation to the adaptation of services to suit particular needs. During the year no areas of service delivery were identified as requiring modification.

Outcome 2 People with disability have the same opportunity as other people to access the buildings and other facilities of the Shire of Cuballing

Council owned buildings are reviewed annually to see what modifications are required to improved access for members of the community that have difficulty with mobility.

Commercial enterprises are encouraged to address this problem and are gradually making their shop entrances easier for members of the public to access.

Outcome 3 People with disability receive information pertaining to Council functions facilities and services in a format that will enable them to access the information as readily as other people are able to access it

Information about the functions, facilities and services provided by the Shire is prepared using clear and concise language. If necessary, this information can be made in alternative formats i.e. large print, verbal etc on request. During the year no such requests were received.

Outcome 4 People with disability will receive the same level and quality of service from the staff of the Shire of Cuballing as other people receive.

Staff training is reviewed annually and where a need for training is identified, the staff are given the appropriate training.

Outcome 5 People with disability have the same opportunities as other people to make complaints to the Shire of Cuballing

All grievance procedures are accessible and staff are available to assist where required to ensure diverse needs are met to ensure grievances and complaints can be made known to the Shire. Procedures are reviewed regularly and staff are provided with training as required.

Outcome 6 People with disability have the same opportunities as other people to participate in any public consultation by the Shire of Cuballing

Venues which are utilised for community participation in Council process are selected with the objective of ensuring access for all members of the community.

Outcome 7 People with disability have the same opportunities as other people to obtain and maintain employment with the Shire of Cuballing

Council or staff responsible for recruitment will ensure that the right person is selected for the position regardless of disability. At all stages of the recruitment process, staff will ensure that the position description, interviews and the workplace are accessible to all.

FREEDOM OF INFORMATION STATEMENT

The Freedom of Information (FOI) Act 1992 gives the public the right to apply for access to information held by the Shire of Cuballing. In the event that a request for information goes beyond the scope of the usual requests received, then the Shire would consider using the FOI process.

A copy of the FOI process is contained within the Shire's FOI Information Statement, which is available at www.cuballing.wa.gov.au

It is a statutory requirement that all FOI requests are processed by agencies within a timeframe of 45 calendar days. In the 2018-2019 financial year, the Shire of Cuballing processed no applications.

NATIONAL COMPETITION POLICY

The Clause 7 Statement on the application of National Competition Policy to local government requires certain information to be provided in the Annual Report.

COMPETITIVE NEUTRALITY

Council has reviewed all areas of operations to determine the existence or otherwise of significant business activities.

A significant business activity is defined as an activity with an income in excess of \$200,000 pa, which is not a regulatory service (community service obligation) and which is not already contracted out.

Accordingly, it has been determined that Council has no significant business activity for the purposes of competitive neutrality as it relates to the National Competition Policy Clause 7 Statement.

STRUCTURAL REFORM

As required by the Australian Accounting Standards and the Financial Management Regulations, an activity based costing system has been implemented. This assists the regulatory functions of Council to be separately identified from the service delivery functions, with a proper record of cost of provision of those functions.

Due to the compactness of the staff and range of activities undertaken by the Shire, there is little scope for further change.

STATE RECORDS ACT 2000

The Shire of Cuballing is in compliance with the requirements of the State Records Act 2000 including the adoption of a Record Keeping Plan on 17 March 2016. The State Records Department has endorsed the plan.

This replaces the previous Record Keeping Plan that was developed in 2004 and formally reviewed in 2009 and 2014. The updated Record Keeping Plan introduced to the Shire the new file keeping system Keywords for Councils, which has greatly improved the efficiency of the records processes. The Record Keeping Plan was reviewed in January 2017 and is due for review in January 2020.

All staff were trained to use the updated system as well as their record keeping responsibilities as part of this introduction. Staff training and development in this area is ongoing to ensure best case practise.

EMPLOYEE REMUNERATION

Local Government Administration Regulation 19B requires Council's employee remuneration over \$100,000 to be disclosed in the Annual Report.

Salary Range \$	2019	2018
110,000 – 119,999		
119,999 – 129,999	1	1
129,999-139,999	1	1

REGISTER OF COMPLAINTS

Section 5.121 of the Local Government Act 1995 requires Council to report on entries made during the financial year in the Register of Complaints:

1. The number of complaints recorded in the register of complaints
Nil
2. How the recorded complaints were dealt with
N/A
3. Any other details that regulations may require
N/A
4. Such other information as may be prescribed
Nil

SHIRE OF CUBALLING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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COMMUNITY VISION

A progressive, diverse and caring community, with access to modern services and infrastructure, in a unique part of the world.

Principal place of business:
Campbell Street
Cuballing WA 6311



SHIRE OF CUBALLING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 9th day of March 2020



Gary Sherry
Chief Executive Officer



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	20(a)	1,125,644	1,118,672	1,066,065
Operating grants, subsidies and contributions	2(a)	1,124,369	626,369	1,087,059
Fees and charges	2(a)	396,324	400,253	410,319
Interest earnings	2(a)	44,719	35,000	44,943
Other revenue	2(a)	52,104	28,500	36,896
		<u>2,743,160</u>	<u>2,208,794</u>	<u>2,645,282</u>
Expenses				
Employee costs		(1,050,415)	(1,173,545)	(1,336,128)
Materials and contracts		(731,596)	(827,595)	(527,247)
Utility charges		(54,784)	(51,290)	(47,029)
Depreciation on non-current assets	10(b)	(1,673,905)	(1,491,780)	(1,686,361)
Interest expenses	2(b)	(6,372)	(8,403)	(8,979)
Insurance expenses		(131,415)	(130,445)	(118,384)
Other expenditure		(58,178)	(83,958)	(125,626)
		<u>(3,706,665)</u>	<u>(3,767,016)</u>	<u>(3,849,754)</u>
		(963,505)	(1,558,222)	(1,204,472)
 Non-operating grants, subsidies and contributions	2(a)	 527,827	 534,005	 1,156,697
(Loss) on asset disposals	10(a)	(44,535)	(12,742)	(32,652)
Fair value adjustments to financial assets at fair value through profit or loss	7(b)	35,611	0	0
		<u>518,903</u>	<u>521,263</u>	<u>1,124,045</u>
 Net result for the period		 (444,602)	 (1,036,959)	 (80,427)
 Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	324,093	0	14,867,639
 Total other comprehensive income for the period		 324,093	 0	 14,867,639
 Total comprehensive (loss) income for the period		 (120,509)	 (1,036,959)	 14,787,212

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

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SHIRE OF CUBALLING
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue	2(a)			
Governance		37,032	3,000	26,576
General purpose funding		1,738,765	1,447,828	1,666,239
Law, order, public safety		51,683	33,767	43,166
Health		1,148	700	1,274
Education and welfare		3,500	1,000	2,664
Housing		4,680	4,680	5,151
Community amenities		68,029	60,700	61,934
Recreation and culture		31,805	8,545	44,670
Transport		460,945	247,262	400,844
Economic services		31,747	83,812	41,950
Other property and services		313,826	317,600	350,814
		<u>2,743,160</u>	<u>2,208,794</u>	<u>2,645,282</u>
Expenses	2(b)			
Governance		(143,157)	(152,396)	(129,167)
General purpose funding		(63,159)	(74,310)	(67,712)
Law, order, public safety		(165,052)	(178,486)	(178,028)
Health		(37,533)	(44,733)	(40,943)
Education and welfare		(14,293)	(54,551)	(16,104)
Housing		(48,531)	(72,294)	(54,467)
Community amenities		(343,745)	(343,728)	(319,758)
Recreation and culture		(321,908)	(258,140)	(288,518)
Transport		(2,221,784)	(2,111,170)	(2,191,859)
Economic services		(181,491)	(194,290)	(229,458)
Other property and services		(159,640)	(274,515)	(324,761)
		<u>(3,700,293)</u>	<u>(3,758,613)</u>	<u>(3,840,775)</u>
Finance Costs	2(b)			
Transport		0	(5,867)	0
Other property and services		(6,372)	(2,536)	(8,979)
		<u>(6,372)</u>	<u>(8,403)</u>	<u>(8,979)</u>
		<u>(963,505)</u>	<u>(1,558,222)</u>	<u>(1,204,472)</u>
Non-operating grants, subsidies and contributions	2(a)	527,827	534,005	1,156,697
(Loss) on disposal of assets	10(a)	(44,535)	(12,742)	(32,652)
Fair value adjustments to financial assets at fair value through profit or loss	7(b)	35,611	0	0
		<u>518,903</u>	<u>521,263</u>	<u>1,124,045</u>
Net result for the period		<u>(444,602)</u>	<u>(1,036,959)</u>	<u>(80,427)</u>
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	11	324,093	0	14,867,639
Total other comprehensive income for the period		<u>324,093</u>	<u>0</u>	<u>14,867,639</u>
Total comprehensive income for the period		<u>(120,509)</u>	<u>(1,036,959)</u>	<u>14,787,212</u>

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



SHIRE OF CUBALLING
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	691,425	2,052,321
Trade receivables	5	106,908	142,525
Other financial assets at amortised cost	7(a)	1,574,151	0
Inventories	6	8,986	8,391
TOTAL CURRENT ASSETS		2,381,470	2,203,237
NON-CURRENT ASSETS			
Financial assets at fair value through profit and loss	7(b)	35,611	0
Property, plant and equipment	8(a)	7,328,918	7,006,665
Infrastructure	9(a)	62,726,303	63,152,956
TOTAL NON-CURRENT ASSETS		70,090,832	70,159,621
TOTAL ASSETS		72,472,302	72,362,858
CURRENT LIABILITIES			
Trade and other payables	12	163,503	41,637
Borrowings	13(a)	54,937	38,715
Employee related provisions	14	209,084	246,021
TOTAL CURRENT LIABILITIES		427,524	326,373
NON-CURRENT LIABILITIES			
Borrowings	13(a)	217,003	111,940
Employee related provisions	14	64,870	41,133
TOTAL NON-CURRENT LIABILITIES		281,873	153,073
TOTAL LIABILITIES		709,397	479,446
NET ASSETS		71,762,905	71,883,412
EQUITY			
Retained surplus		19,286,325	19,762,086
Reserves - cash backed	4	1,574,151	1,542,991
Revaluation surplus	11	50,902,429	50,578,335
TOTAL EQUITY		71,762,905	71,883,412

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



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

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		20,093,004	1,292,500	35,710,696	57,096,200
Comprehensive Income					
Net result for the period		(80,427)	0	0	(80,427)
Other comprehensive income	11	0	0	14,867,639	14,867,639
Total comprehensive income		(80,427)	0	14,867,639	14,787,212
Transfers from/(to) reserves		(250,491)	250,491	0	0
Balance as at 30 June 2018		19,762,086	1,542,991	50,578,335	71,883,412
Correction of error	3		0		0
Change in accounting policy	24 (c)	0	0	0	0
Restated total equity at the beginning of the financial year		19,762,086	1,542,991	50,578,335	71,883,412
Comprehensive Income					
Net result for the period		(444,602)	0	0	(444,602)
Other comprehensive income	11		0	324,093	324,093
Total comprehensive income		(444,602)	0	324,093	(120,509)
Transfers from/(to) reserves		(31,160)	31,160	0	0
Balance as at 30 June 2019		19,286,325	1,574,151	50,902,429	71,762,905

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



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,102,734	1,153,672	1,079,778
Operating grants, subsidies and contributions		1,182,896	696,369	1,054,176
Fees and charges		396,324	400,253	410,319
Interest received		44,719	35,000	44,943
Other revenue		52,104	28,500	36,896
		<u>2,778,777</u>	<u>2,313,794</u>	<u>2,626,112</u>
Payments				
Employee costs		(1,052,267)	(1,162,110)	(1,282,515)
Materials and contracts		(632,615)	(788,350)	(523,890)
Utility charges		(54,784)	(42,170)	(47,029)
Interest expenses		4,572	(8,403)	(8,979)
Insurance paid		(131,415)	(130,445)	(118,384)
Other expenditure		(58,178)	(83,958)	(125,626)
		<u>(1,924,687)</u>	<u>(2,215,436)</u>	<u>(2,106,423)</u>
Net cash provided by (used in) operating activities	15	<u>854,090</u>	<u>98,358</u>	<u>519,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment				
		(425,112)	(575,711)	(820,054)
Payments for construction of infrastructure		(913,310)	(805,835)	(892,375)
Increase in financial assets at amortised cost		(1,574,151)	0	
Non-operating grants, subsidies and contributions		527,827	534,005	1,156,697
Proceeds from sale of property, plant & equipment		48,475	36,256	53,000
Net cash provided by (used in) investment activities		<u>(2,336,271)</u>	<u>(811,285)</u>	<u>(502,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(38,715)	(45,566)	(71,146)
Proceeds from new borrowings		160,000	160,000	0
Net cash provided by (used in) financing activities		<u>121,285</u>	<u>114,434</u>	<u>(71,146)</u>
Net increase (decrease) in cash held		(1,360,896)	(598,493)	(54,189)
Cash at beginning of year		2,052,321	2,051,633	2,106,510
Cash and cash equivalents at the end of the year	15	<u>691,425</u>	<u>1,453,140</u>	<u>2,052,321</u>

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



SHIRE OF CUBALLING
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	21 (b)	618,593	660,426	907,868
		618,593	660,426	907,868
Revenue from operating activities (excluding rates)				
Governance		37,032	3,000	26,576
General purpose funding		613,121	322,455	593,457
Law, order, public safety		51,683	33,767	43,166
Health		1,148	700	1,274
Education and welfare		3,500	1,000	2,664
Housing		4,680	4,680	5,151
Community amenities		68,029	60,700	61,934
Recreation and culture		31,805	8,545	44,670
Transport		460,945	247,262	400,844
Economic services		31,747	83,812	41,950
Other property and services		313,826	317,500	350,814
		1,617,516	1,083,421	1,572,500
Expenditure from operating activities				
Governance		(143,157)	(152,396)	(129,167)
General purpose funding		(63,159)	(74,310)	(67,712)
Law, order, public safety		(165,052)	(178,486)	(197,997)
Health		(37,533)	(44,733)	(40,943)
Education and welfare		(14,293)	(54,551)	(16,104)
Housing		(48,531)	(72,294)	(54,467)
Community amenities		(343,745)	(343,728)	(319,758)
Recreation and culture		(348,677)	(258,140)	(288,518)
Transport		(2,239,550)	(2,129,780)	(2,204,530)
Economic services		(181,491)	(194,290)	(229,458)
Other property and services		(166,012)	(277,051)	(333,740)
		(3,751,200)	(3,779,759)	(3,882,394)
Non-cash amounts excluded from operating activities	21(a)	1,705,240	1,504,522	1,772,208
Amount attributable to operating activities		190,149	(531,390)	370,182
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		527,827	534,005	1,156,697
Proceeds from disposal of assets	10(a)	48,475	36,256	53,000
Purchase of property, plant and equipment	8(a)	(425,112)	(575,711)	(820,054)
Purchase and construction of infrastructure	9(a)	(913,310)	(805,835)	(892,377)
Amount attributable to investing activities		(762,120)	(811,285)	(502,734)
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(38,715)	(45,566)	(71,146)
Proceeds from borrowings	13(c)	160,000	160,000	0
Transfers to reserves (restricted assets)	4	(165,385)	(143,127)	(296,748)
Transfers from reserves (restricted assets)	4	134,225	245,996	46,257
Amount attributable to financing activities		90,125	217,303	(321,637)
Surplus/(deficit) before imposition of general rates		(481,847)	(1,125,372)	(454,189)
Total amount raised from general rates	20	1,125,644	1,125,372	1,072,782
Surplus/(deficit) after imposition of general rates	21(b)	643,797	0	618,593

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



SHIRE OF CUBALLING

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2010 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	35,799	2,880	28,016
General purpose funding	563,235	289,730	549,766
Law, order, public safety	45,737	30,517	38,821
Education and welfare	3,500	1,000	2,664
Housing	4,680	4,680	5,151
Community amenities	21,690	500	869
Recreation and culture	2,500	1,000	38,369
Transport	446,228	237,262	384,821
Economic services	1,000	28,800	6,000
Other property and services	0	30,000	36,482
	1,124,369	626,369	1,087,059
Non-operating grants, subsidies and contributions			
General purpose funding	0	534,005	0
Law, order, public safety	8,545	0	522,028
Recreation and culture	0	0	10,000
Transport	521,282	0	624,071
	527,827	534,005	1,156,697
Total grants, subsidies and contributions	1,652,196	1,160,374	2,243,756

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, donations and other contributions (Continued)
a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual \$	2019 Budget \$	2018 Actual \$
Other revenue			
Other	52,104	28,500	36,896
	52,104	28,500	36,896
Fees and Charges			
Governance	3,246	120	231
General purpose funding	2,847	2,925	3,725
Law, order, public safety	5,946	3,250	4,345
Health	1,149	700	1,274
Community amenities	67,699	60,200	61,065
Recreation and culture	7,615	7,545	8,301
Transport	5,137	2,000	4,166
Economic services	29,165	55,012	35,950
Other property and services	273,522	268,500	291,272
	396,324	400,252	410,319
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Reserve accounts interest	22,259	18,000	23,672
Rates instalment and penalty interest (refer Note 19(c))	9,169	9,000	11,444
Other interest earnings	13,291	8,000	9,827
	44,719	35,000	44,943

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2019 Actual \$	2019 Budget \$	2018 Actual \$
Auditors remuneration			
- Audit of the Annual Financial Report	16,200	19,000	10,222
	16,200	19,000	10,222
Interest expenses (finance costs)			
Borrowings (refer Note 13(b))	6,372	8,403	8,979
	6,372	8,403	8,979
Rental charges			
- Operating leases	3,000	1,500	0
	3,000	1,500	0

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		691,425	509,330
Term deposits		0	1,542,991
Total Cash and Cash Equivalents		691,425	2,052,321
Financial Asset at amortised cost - term deposit	7(a)	1,574,151	0
		2,265,576	2,052,321
Comprises:			
- Unrestricted portion		668,129	509,330
- Restricted portion		1,597,447	1,542,991
		2,265,576	2,052,321

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

Reserve accounts			
Admin Building, IT & Office Equipment Reserve	4	21,068	17,414
Employee Entitlements Reserve	4	303,438	308,356
Housing Reserve	4	96,817	89,482
Recreation & Community Rserve	4	291,198	308,217
Refuse Site Reserve	4	58,763	99,864
Grain Freight Reserve	4	81,912	79,829
Equestrian Reserve	4	10,166	5,034
Roads & Bridges Reserve	4	42,542	71,603
Plant & Equipment Reserve	4	664,195	561,189
Standpipe Maintenance Reserve	4	4,052	2,000
		1,574,151	1,542,988
Other restricted cash and cash equivalents			
Unspent grants/contributions	19	0	3
Bonds and deposits held	12 & 24	23,296	0
Total restricted cash and cash equivalents		1,597,447	1,542,991

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(b) Admin Building, IT & Office Equipme	17,414	5,454	(1,800)	21,068	17,398	5,203	(1,800)	20,801	31,340	574	(14,499)	17,414
(c) Employee Entitlements Reserve	308,357	22,810	(27,730)	303,438	308,227	18,353	(27,730)	298,850	241,656	65,691	0	308,357
(d) Housing Reserve	89,482	7,335	0	96,817	88,441	6,044	(40,000)	55,485	81,718	7,764	0	89,482
(e) Recreation & Community Reserve	308,217	13,041	(30,060)	291,198	308,070	8,595	(88,360)	228,305	293,297	14,920	0	308,217
(f) Refuse Site Reserve	99,864	2,605	(43,706)	58,763	99,795	1,165	(43,706)	57,254	129,255	2,367	(31,758)	99,864
(g) Grain Freight Reserve	79,829	2,083	0	81,912	79,788	931	0	80,719	77,219	2,610	0	79,829
(h) Equestrian Reserve	5,035	5,132	0	10,166	5,034	5,059	0	10,093	28	5,008	0	5,035
(i) Roads & Bridges Reserve	71,503	1,868	(30,929)	42,542	71,566	835	(44,400)	28,001	69,261	2,342	0	71,503
(j) Plant & Equipment Reserve	561,189	103,005	0	664,195	560,993	94,909	0	655,902	368,717	192,472	0	561,189
(k) Standpipe Maintenance Reserve	2,000	2,052	0	4,052	2,000	2,023	0	4,023	0	2,000	0	2,000
	1,542,991	185,385	(134,225)	1,574,151	1,542,312	143,127	(245,996)	1,439,443	1,292,502	256,748	(46,257)	1,542,991

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(b) Admin Building, IT & Office Equipment Reserve		To be used to maintain the administration building and for the purchase of new and/or replacement of office equipment or furniture
(c) Employee Entitlements Reserve		To be used to fund employee entitlements
(d) Housing Reserve		To be used to fund maintenance or construction of new housing
(e) Recreation & Community Reserve		To be used to upgrade the oval and associated facilities
(f) Refuse Site Reserve		To be used to fund the upgrade of the refuse sites
(g) Grain Freight Reserve		To be used to maintain the grain freight route through the district
(h) Equestrian Reserve		To be used to maintain and upkeep the equestrian centre
(i) Roads & Bridges Reserve		To be used to maintain and fund road bridge projects through the district
(j) Plant & Equipment Reserve		To be used to maintain and fund plant replacement program
(k) Standpipe Maintenance Reserve		To be used to maintain and upkeep the standpipe network

5. TRADE RECEIVABLES

Current

Rates receivable
Sundry receivables

	2019	2018
	\$	\$
	74,645	51,735
	32,263	90,790
	<u>106,908</u>	<u>142,525</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.

Previous accounting policy: Impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

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

6. INVENTORIES

	2019	2018
	\$	\$
Current		
Fuel & oil	8,986	8,391
	<u>8,986</u>	<u>8,391</u>

The following movements in inventories occurred during the year:

Carrying amount at 1 July	8,391	7,262
Inventories expensed during the year	(142,472)	(138,049)
Additions to inventory	143,067	139,178
Carrying amount at 30 June	<u>8,986</u>	<u>8,391</u>

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.

SHIRE OF CUBALLING

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

7. OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
(a) Current assets		
Other financial assets at amortised cost	1,574,151	0
	1,574,151	0
Other financial assets at amortised cost		
- Financial assets at amortised cost - term deposits	1,574,151	0
	1,574,151	0
(b) Non-current assets		
Financial assets at fair value through profit and loss	35,611	0
	35,611	0
Financial assets at fair value through profit and loss		
- Unlisted equity investments		
Local Government House Trust	35,611	0
	35,611	0
During the year, the following gains/(losses) were recognised in profit and loss:		
Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services	35,611	0
	35,611	0

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 22.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Previous accounting policy: Loans and receivables

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

Refer to Note 24 for explanations regarding the change in accounting policy.

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land & Buildings	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	4,815,588	4,815,588	4,815,588	23,444	1,918,947	6,757,979
Additions	194,823	194,823	194,823	13,312	611,919	820,054
(Disposals)	0	0	0	0	(85,652)	(85,652)
Depreciation (expense)	(93,266)	(93,266)	(93,266)	(753)	(259,697)	(353,716)
Transfers	(132,000)	(132,000)	(132,000)	0	0	(132,000)
Carrying amount at 30 June 2018	4,785,145	4,785,145	4,785,145	36,003	2,185,517	7,006,665
Comprises:						
Gross carrying amount at 30 June 2018	4,878,411	4,878,411	4,878,411	52,465	2,626,861	7,557,737
Accumulated depreciation at 30 June 2018	(93,266)	(93,266)	(93,266)	(16,462)	(441,344)	(551,072)
Carrying amount at 30 June 2018	4,785,145	4,785,145	4,785,145	36,003	2,185,517	7,006,665
Additions	257,568	257,568	257,568	0	167,544	425,112
Change in accounting policy - assets expensed	(4,693)	(4,693)	(4,693)	0	(5,745)	(10,438)
(Disposals)	0	0	0	0	(65,041)	(65,041)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	(18,458)	342,551	324,093
Depreciation (expense)	(92,995)	(92,995)	(92,995)	(5,145)	(253,333)	(351,473)
Carrying amount at 30 June 2019	4,945,025	4,945,025	4,945,025	12,400	2,371,493	7,328,918
Comprises:						
Gross carrying amount at 30 June 2019	5,131,111	5,131,111	5,131,111	34,006	2,398,807	7,563,924
Accumulated depreciation at 30 June 2019	(186,086)	(186,086)	(186,086)	(21,606)	(27,314)	(235,006)
Carrying amount at 30 June 2019	4,945,025	4,945,025	4,945,025	12,400	2,371,493	7,328,918

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	Level 2 & 3	Independent Valuation	Independent Licensed Valuer	June 2017	Sales Comparison Approach (market data) to market type properties and Cost Approach (replacement) to non-market properties
Land - vested in and under the control of Council	Level 2 & 3	Independent Valuation	Independent Licensed Valuer	June 2017	Sales Comparison Approach (market data) to market type properties and Cost Approach (replacement) to non-market properties
Land & Buildings	Level 2	Independent Valuation	Independent Licensed Valuer	June 2017	Sales Comparison Approach (market data) to market type properties and Cost Approach (replacement) to non-market properties
Buildings - specialised	Level 2	Independent Valuation	Independent Licensed Valuer	June 2017	Sales Comparison Approach (market data) to market type properties and Cost Approach (replacement) to non-market properties
Furniture and equipment	Level 2	Independent Valuation	Independent Licensed Valuer	June 2019	Sales Comparison Approach (market data) to market type properties and Cost Approach (replacement) to non-market properties
Plant and equipment	Level 2	Independent Valuation	Independent Licensed Valuer	June 2019	Sales Comparison Approach (market data) to market type properties and Cost Approach (replacement) to non-market properties

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.

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

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads & Footpaths	Infrastructure - Bridge Structures	Recreation	Parks Ovals & Playgrounds	Other Infrastructure	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	42,108,910	5,752,061	239,553	157,308	335,753	48,593,585
Additions	822,216	0	0	0	70,161	892,375
Revaluation increments / (decrements) transferred to revaluation surplus	13,748,206	493,328	479,209	97,671	49,225	14,867,639
Depreciation (expense)	(1,106,399)	(196,428)	(17,862)	(7,079)	(4,877)	(1,332,645)
Transfers	0	0	97,200	0	34,800	132,000
Carrying amount at 30 June 2018	55,572,933	6,048,961	798,100	247,900	485,062	63,152,956
Comprises:						
Gross carrying amount at 30 June 2018	55,572,933	6,048,961	798,100	247,900	485,062	63,152,956
Accumulated depreciation at 30 June 2018	0	0	0	0	0	0
Carrying amount at 30 June 2018	55,572,933	6,048,961	798,100	247,900	485,062	63,152,956
Additions	913,310	0	0	0	0	913,310
Change in accounting policy - assets expensed	0	0	(6,239)	(3,634)	(7,558)	(17,531)
Depreciation (expense)	(1,147,510)	(121,519)	(32,075)	(11,409)	(9,919)	(1,322,432)
Carrying amount at 30 June 2019	55,338,733	5,927,442	759,786	232,857	467,485	62,726,303
Comprises:						
Gross carrying amount at 30 June 2019	56,486,243	6,048,961	791,600	244,100	477,061	64,047,965
Accumulated depreciation at 30 June 2019	(1,147,510)	(121,519)	(31,814)	(11,243)	(9,576)	(1,321,662)
Carrying amount at 30 June 2019	55,338,733	5,927,442	759,786	232,857	467,485	62,726,303

SHIRE OF CUBALLING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads & Footpaths	Level 3	Independent valuation	Replacement cost	June 2018	Condition based valuation of the Road Asset Network
Infrastructure - Bridge Structures	Level 3	Independent valuation	Replacement cost	June 2018	Condition based valuation of the Bridge Asset Network
Recreation	Level 3	Management Valuation	Replacement cost	June 2018	Condition based valuation
Parks Ovals & Playgrounds	Level 3	Management Valuation	Replacement cost	June 2018	Condition based valuation
Other Infrastructure	Level 3	Management Valuation	Replacement cost	June 2018	Condition based valuation

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.

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

SHIRE OF CUBALLING

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - specialised	4,693	0	0	(4,693)	0	0	0	0	0	0	0	0
Plant and equipment	70,786	48,475	0	(22,311)	48,998	36,256	0	(12,742)	85,652	53,000	0	(32,652)
Parks Ovals & Playgrounds	3,634	0	0	(3,634)	0	0	0	0	0	0	0	0
Recreation	6,239	0	0	(6,239)	0	0	0	0	0	0	0	0
Other Infrastructure	7,658	0	0	(7,658)	0	0	0	0	0	0	0	0
	93,010	48,475	0	(44,535)	48,998	36,256	0	(12,742)	85,652	53,000	0	(32,652)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and Equipment				
Transport				
2014 Holden Dual Cab Utility	18,000	17,112	0	(888)
Isuzu NPR 300 Truck (CN2)	22,400	12,727	0	(9,673)
Mazda Traytop Utility (CN1557)	8,400	4,545	0	(3,855)
Toyota Corolla (CN039)	16,241	14,091	0	(2,150)
Write Off Assets <\$5,000	1,200	0	0	(1,200)
Other property and services				
Write Off Assets <\$5,000	4,545	0	0	(4,545)
	70,786	48,475	0	(22,311)
Land & Buildings				
Other Property and Services				
Write Off Assets <\$5,000	4,693	0	0	(4,693)
	4,693	0	0	(4,693)
Other Infrastructure				
Community Amenities				
Write Off Assets <\$5,000	3,649	0	0	(3,649)
Recreation & Culture				
Write Off Assets <\$5,000	4,009	0	0	(4,009)
	7,658	0	0	(7,658)
Parks, Ovals & Playgrounds				
Recreation & Culture				
Write Off Assets <\$5,000	3,634	0	0	(3,634)
	3,634	0	0	(3,634)
Recreation				
Recreation & Culture				
Write Off Assets <\$5,000	6,239	0	0	(6,239)
	6,239	0	0	(6,239)
	93,010	48,475	0	(44,535)

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

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

(b) Depreciation	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Land & Buildings	92,995	93,167	93,286
Furniture and equipment	5,145	763	763
Plant and equipment	253,333	260,232	259,697
Infrastructure - Roads & Footpaths	1,147,510	1,137,628	1,108,399
Other Infrastructure	9,919	0	4,877
Recreation	32,075	0	17,862
Infrastructure - Bridge Structures	121,519	0	196,428
Parks Ovals & Playgrounds	11,409	0	7,070
	1,873,905	1,491,780	1,686,361

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	3 to 10 years
Plant and Equipment	5 to 15 years
Infrastructure - Roads formation	50 years
pavement	not depreciated
seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Infrastructure - Bridges	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Bridges	40 years
Other Infrastructure	20 to 50 Years
Parks and Ovals	50 years
Recreation	50 years

Depreciation (Continued)

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

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF CUBALLING
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11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land & Buildings	2,363,803	0	0	0	2,363,803	2,363,803	0	0	2,363,803
Revaluation surplus - Furniture and equipment	6,728	0	(18,458)	(18,458)	(11,730)	6,728	0	0	6,728
Revaluation surplus - Plant and equipment	330,243	342,551	0	342,551	672,794	330,243	0	0	330,243
Revaluation surplus - Parks Ovals & Playgrounds	167,789	0	0	0	167,789	70,118	97,671	97,671	167,789
Revaluation surplus - Recreation	605,731	0	0	0	605,731	126,522	479,209	479,209	605,731
Revaluation surplus - Infrastructure - Roads & Footpaths	40,416,514	0	0	0	40,416,514	28,668,308	13,748,206	13,748,206	40,416,514
Revaluation surplus - Other Infrastructure	49,225	0	0	0	49,225	49,225	49,225	49,225	49,225
Revaluation surplus - Infrastructure - Bridge Structures	6,638,303	0	0	0	6,638,303	6,144,975	493,328	493,328	6,638,303
	50,578,335	342,551	(18,458)	324,093	50,902,428	35,710,697	14,867,639	14,867,639	50,578,335

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

12. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Current		
Sundry creditors	110,655	34,459
Rates paid in advance	10,944	0
Accrued salaries and wages	6,924	7,178
ATO liabilities	11,602	0
ESL Levy	82	0
Bonds & Deposits held (refer to Note 22)	23,296	0
	<u>163,503</u>	<u>41,637</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

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

13. INFORMATION ON BORROWINGS

(a) Borrowings	2019		2018	
	\$		\$	
Current	54,937	38,715		
Non-current	217,003	111,940		
	271,940	150,655		

(b) Repayments - Borrowings	Loan Number	Institution	Interest Rate	30 June 2019		30 June 2018		30 June 2017		30 June 2016		30 June 2015	
				Actual New Loans	Principal repayments	Actual Interest	Principal repayments	Actual Principal	Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest
Particulars				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Transport													
Grader	63	WATC		0	38,715	6,372	111,940	150,644	0	38,704	5,867	111,940	150,655
Grader	62	WATC		0	0	0	0	0	0	0	0	0	0
Economic services	64	WATC		0	160,000	0	160,000	160,000	6,952	6,952	2,536	313,138	0
Lot 74 Austral Street				130,655	160,000	6,372	271,940	310,644	45,566	45,566	8,403	425,078	150,655
				150,655	160,000	6,372	271,940	310,644	45,566	45,566	8,403	425,078	150,655

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

SHIRE OF CUBALLING
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FOR THE YEAR ENDED 30TH JUNE 2019

13. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Purchase Lot 74 Austral Street	WATC	Fixed Rate	10	0.0217%	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 0	\$ 0
					160,000	160,000	160,000	160,000	0	0

	2019	2018
(d) Undrawn Borrowing Facilities	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	30,000	30,000
Credit card limit	20,000	20,000
Credit card balance at balance date	0	(1,565)
Total amount of credit unused	50,000	48,435
Loan facilities		
Loan facilities - current	54,037	38,715
Loan facilities - non-current	217,003	111,940
Total facilities in use at balance date	271,040	150,655

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.

SHIRE OF CUBALLING
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14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	164,088	81,933	246,021
Non-current provisions	0	41,133	41,133
	164,088	123,066	287,154
Additional provision	52,721	49,767	102,488
Amounts used	(79,289)	(36,399)	(115,688)
Balance at 30 June 2019	137,520	136,434	273,954
Comprises			
Current	137,520	71,564	209,084
Non-current	0	64,870	64,870
	137,520	136,434	273,954
	2019	2018	
	\$	\$	
Amounts are expected to be settled on the following basis:			
Less than 12 months after the reporting date	84,000	117,295	
More than 12 months from reporting date	175,958	155,863	
Expected reimbursements from other WA local governments	13,996	13,996	
	273,954	287,154	

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	691,425	1,453,140	2,052,321
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(444,602)	(1,036,959)	(80,427)
Non-cash flows in Net result:			
Depreciation	1,673,905	1,491,780	1,686,361
(Profit)/loss on sale of asset	44,535	12,742	32,652
Changes in assets and liabilities:			
(Increase)/decrease in receivables	35,617	105,000	(19,171)
(Increase)/decrease in inventories	(595)	0	(1,129)
Increase/(decrease) in payables	121,868	59,800	4,905
Increase/(decrease) in provisions	(13,200)	0	53,195
Grants contributions for the development of assets	(527,827)	(534,005)	(1,156,697)
Net cash from operating activities	854,090	98,358	519,689

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
General Purpose Funding	588,962	0
Governance	801,681	3,392,412
Law, order, public safety	813,503	812,707
Housing	715,567	516,875
Community amenities	746,462	208,747
Recreation and culture	4,292,989	3,809,013
Transport	64,107,697	61,923,570
Economic services	53,268	166,646
Other property and services	352,173	1,532,888
	<u>72,472,302</u>	<u>72,362,858</u>

17. LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year
- later than one year but not later than five years

2019	2018
\$	\$
1,500	1,500
3,000	4,500
4,500	6,000

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2019 Actual	2019 Budget	2018 Actual
The following fees, expenses and allowances were paid to council members and/or the President.	\$	\$	\$
President Allowance	7,500	7,500	7,500
Deputy Presidents Allowance	1,875	1,875	1,875
Members Sitting Fees	12,000	11,250	10,800
	21,375	20,625	20,175

Key Management Personnel (KMP) Compensation Disclosure

	2019 Actual	2018 Actual
The total of remuneration paid to KMP of the Shire during the year are as follows:	\$	\$
Short-term employee benefits	323,939	354,287
Post-employment benefits	29,835	46,453
Other long-term benefits	7,652	6,576
	361,426	407,316

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

18. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

	2019 Actual	2018 Actual
	\$	\$
The following transactions occurred with related parties:		
Sale of goods and services	11,563	0
Purchase of goods and services	14,855	8,223
Amounts outstanding from related parties:		
Trade and other receivables	380	0
Amounts payable to related parties:		
Trade and other payables	3,300	0

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance ⁽¹⁾ 30/06/18	Received ⁽²⁾ 2018/19	Expended ⁽³⁾ 2018/19	Closing Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Recreation and culture							
Kidsport	325	0	(325)	0	0	0	0
Transport							
Roads to Recovery	22,065	242,547	(264,609)	3	191,270	(191,273)	0
Total	22,390	242,547	(264,934)	3	191,270	(191,273)	0

Notes:

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

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

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

20. RATING INFORMATION

(a) Rates

RATE TYPE	2018/19		2018/19		2018/19		2018/19		2017/18	
	Rate in \$	Number of Properties	Actual Rate	Actual Revenue	Budget Rate	Budget Revenue	Total Revenue	Total Revenue	Actual Total Revenue	
Differential general rate / general rate			\$	\$	\$	\$	\$	\$	\$	
Gross rental valuations										
GRV Cuballing	7.092	167	152,468	152,468	152,468	152,468	152,468	151,578		
Unimproved valuations										
UV Cuballing	0.7209	186	787,518	787,518	787,684	787,684	787,684	736,915		
Sub-Total		353	939,986	939,986	940,152	940,152	940,152	888,493		
Minimum payment	\$									
Gross rental valuations										
GRV Cuballing	690	161	111,780	111,780	111,780	111,780	111,780	111,090		
Unimproved valuations										
UV Cuballing	930	158	146,940	146,940	146,940	146,940	146,940	142,200		
Sub-Total		319	258,720	258,720	258,720	258,720	258,720	253,290		
Discounts/concessions (refer Note 20(b))		672	1,198,706	1,198,706	1,198,872	1,198,872	1,198,872	1,141,783		
Total amount raised from general rate				(73,062)	(73,500)	(73,500)	(73,500)	(69,001)		
Ex-gratia rates				1,125,644	1,125,372	1,125,372	1,125,372	1,072,782		
Rates written off				0	0	0	0	(6,717)		
Totals				0	(6,700)	(6,700)	(6,700)	0		
				1,125,644	1,118,672	1,118,672	1,118,672	1,066,065		

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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19. RATING INFORMATION (Continued)

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

Rates Discounts					
Rate or Fee	Discount	2019	2019	2018	Circumstances in which Discount is Granted
Discount Granted	%	Actual	Budget	Actual	
		\$	\$	\$	
Option 1 only	0.08%	73,062	73,500	69,001	A discount of 8% of the current rates levied will be offered to ratepayers whose payment of the full amount owing including arrears, is received on or before 21 days after the date of service appearing on the rates notice
Waivers or Concessions		73,062	73,500	69,001	
Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	2019	2019	2018	
		Actual	Budget	Actual	
		\$	\$	\$	
Rubbish Collection Charge	Concession				
		%			
		0.50%			
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				Reasons for the Waiver or Concession
		2019	2019	2018	
		Actual	Budget	Actual	
		\$	\$	\$	
Concession is Granted	Pensioners eligible for rates discount				
Rubbish Collection Charge	Objects of the Waiver or Concession To reduce cost of Rubbish collection service on townsite				

20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Discount	25 Aug 2018			0.00%
Pay in Full	07 Sep 2018	30.00	5.50%	0.00%
Pay in 4 Instalments	08 Sep 2018	30.00	5.50%	11.00%
	07 Nov 2018	30.00	5.50%	11.00%
	07 Jan 2019	30.00	5.50%	11.00%
	07 Mar 2019	30.00	5.50%	11.00%
		2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
Unpaid rates and service charge interest earned		7,468	8,000	10,339
Interest on instalment plan		1,711	1,000	1,105
Instalment plan admin charge revenue		2,220	1,500	1,740
		<u>11,389</u>	<u>10,500</u>	<u>13,184</u>

21. RATE SETTING STATEMENT INFORMATION

	2018/19 (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
Note	\$	\$	\$

(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 *Financial Management Regulation 32*.

Adjustments to operating activities

Movement in employee benefit provisions (current)	(36,937)	0	53,195
Movement in employee benefit provisions (non-current)	23,737	0	0
Add: Loss on disposal of assets	10(a) 44,535	12,742	32,652
Add: Depreciation on assets	10(b) 1,673,905	1,491,780	1,686,361
Non cash amounts excluded from operating activities	1,705,240	1,504,522	1,772,208

(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 *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

Adjustments to net current assets

Less: Reserves - restricted cash	3 (1,574,160)	(1,439,436)	(1,542,999)
Add: Borrowings	13(a) 54,927	193,594	38,706
Add: Provisions	209,084	276,668	246,021
Total adjustments to net current assets	(1,310,149)	(969,174)	(1,258,272)

Net current assets used in the Rate Setting Statement

Total current assets	2,381,470	1,524,044	2,203,237
Less: Total current liabilities	(427,524)	(554,870)	(326,373)
Less: Total adjustments to net current assets	(1,310,149)	(969,174)	(1,258,272)
Net current assets used in the Rate Setting Statement	643,797	0	618,593

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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	Ageing analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	0.10%	691,426	0	668,129	23,296
Financial assets at amortised cost - term deposits	1.76%	1,574,151	1,574,151	0	0
2018					
Cash and cash equivalents	1.55%	2,052,321	1,542,991	509,330	0

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	6,681	5,093

* 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 13(b).

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22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Gross carrying amount	1,114	23,677	19,572	30,282	74,645
01 July 2018					
Rates receivable					
Gross carrying amount	818	16,927	18,255	15,735	51,735

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Gross carrying amount	31,356	41	393	473	32,263
01 July 2018					
Sundry Receivables					
Gross carrying amount	21,678	68,003	261	848	90,790

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 13(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<u>2019</u>	\$	\$	\$	\$	\$
Payables	163,503	0	0	163,503	163,503
Borrowings	62,466	145,826	89,425	297,707	271,940
	225,959	145,826	89,425	461,210	435,443
<u>2018</u>					
Payables	41,637	0	0	41,637	41,637
Borrowings	45,136	118,856	0	163,992	150,655
	86,773	118,856	0	205,629	192,292

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23. TRUST FUNDS

In previous years, bonds and deposits were held as trust monies. They are now included in Restricted cash at note 3 and shown as a current liability at Note 12

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restrictd Cash	30 June 2019
	\$	\$	\$		\$
Reimbursements	320	0	0	320	0
Bonds - Buildings	6,889	0	0	6,889	0
Bonds - Hall Hire	1,250	400	(400)	1,250	0
Commodine Tennis Club	2,790	0	(100)	2,690	0
Cuballing Country Festival	1,099	0	0	1,099	0
Cuballing Cricket Club	200	0	0	200	0
Badminton Club	20	0	0	20	0
Cuballing Football Association	566	0	0	566	0
Environment and Townscape Fund	6,362	0	0	6,362	0
Police Licensing	5,060	357,940	(360,690)	2,310	0
Swipe Cards	1,590	0	0	1,590	0
	26,146	358,340	(361,190)	23,296	0

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

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

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

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire did not designate any financial assets as at fair value through profit and loss.

(b) Impairment

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

25. CHANGE IN ACCOUNTING POLICY

On 1 July 2018 Paragraph 17A (5) was inserted into Local Government (Financial Management) Regulations 1996

The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5 000.

The adoption of the regulation constitutes a change in accounting policy.

Due to the effect on the financial statements not being material, the Shire did not retrospectively apply the changes in accounting policy arising from the new regulations and has not restated comparative figures

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 1 July 2018 have been excluded from the assets of the Shire and written off in the Statement of Comprehensive Income.

The effect of the adjustment at 1 July 2018 is detailed below:

Statement of Financial Position (Extract)	1 July 2018 \$
Non Current Assets	
Property, plant and equipment	(10,438)
Infrastructure	(17,531)
Net Assets	(27,969)
Equity	
Retained surplus	(27,969)
Revaluation surplus	0
Total Equity	(27,969)
Statement of Comprehensive Income (Extract)	
By Nature or Type	
Profit / (Loss) on Asset Disposals	(27,969)
By program	
Expenditure from operating activities	
Profit / (Loss) on Asset Disposals	(27,969)
Total comprehensive income for the period	(27,969)

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

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

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

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict transfer of goods or services to customers in amounts that reflect the consideration (that is the payment) to which the entity expects to be entitled in exchange for those goods or services as performance obligations have been met as specified in the contracts with customers. The impact of the standard may cause the Shire to defer some revenue until all performance obligations have been met.

(b) Leases

The Shire will adopt AASB 16 retrospectively from 1 July 2019 which will result in changes in accounting policies.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019.

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

In accordance with the transition provisions of AASB 16, the Shire will apply this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019.

AASB 16 is estimated to cause the majority of leases of the Shire to be brought onto the statement of financial position.

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(c) Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

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

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

The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application in applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard. The impact of the standard may cause the Shire to defer some revenue currently being recognised.

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27. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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28. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE Administration and operation of facilities and services to members of council, other costs that relate to tasks of elected members and ratepayers on matters which do not concern specific council activities	Complete Council meetings, Complete all Administration activities, Lobby other levels of government to support the aims of the Shire of Cuballing
GENERAL PURPOSE FUNDING Rates, general purpose government grants and interest revenue	Manage Rates and collection. Maintain Property Data
LAW, ORDER, PUBLIC SAFETY Supervision of various local laws, fire prevention, emergency services and animal control.	Provide a visiting ranger service. Support Cuballing Popanyinning Volunteer Bush Fire Brigade. Complete fire prevention activities. Provide bushfire response activities. Oversee local emergency management planning.
HEALTH Inspections of septic and food control	Inspect food premises.
EDUCATION AND WELFARE Support school activities	Provide activities of support of local schools
HOUSING Provision and maintenance of staff housing	Provide 2 staff houses
COMMUNITY AMENITIES Operation of refuse sites, noise control and administration of Town Planning Scheme	Operate Cuballing transfer station Operate Popanyinning transfer station Provide kerbside waste & recycling services Provide town planning approvals Complete town planning enforcement Complete town planning amendments and reviews Provide Cuballing cemetery Provide Popanyinning cemetery
RECREATION AND CULTURE Maintenance of halls, recreation centre and various reserves. Support library services in Narrogin.	Maintain halls & Civic buildings. Maintain parks & gardens Provide Cuballing Recreation centre & oval Manage lease of Dryandra Equestrian Centre
TRANSPORT Construction and maintenance of streets, roads, bridges, footpaths, drainage works, traffic signs, bus shelters and depot maintenance.	Maintain and protect local environmentally significant areas. Maintain council roads and footpaths. Provide vehicle licencing agency services.
ECONOMIC SERVICES The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and standpipes.	Control of noxious weeds on council property. Support Dryandra Country Visitors Centre Provide Drum Muster Service Promote the Shire of Cuballing Provide building registration services to the Shire of Cuballing Provide potable water sales Inspect swimming pools
OTHER PROPERTY AND SERVICES Private works operation, plant repairs and operation costs.	Compare private civil construction works Provide Building Surveying services

29. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	3.59	8.22	8.77
Asset consumption ratio	0.97	0.99	0.93
Asset renewal funding ratio	Note	Note	Note
Asset sustainability ratio	0.62	0.48	0.66
Debt service cover ratio	15.70	5.72	18.13
Operating surplus ratio	(0.62)	(0.79)	(0.12)
Own source revenue coverage ratio	0.42	0.40	0.45

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

Note:

The Asset Renewal Funding Ratio was not disclosed in the financial report as the longterm financial plan is not current for the relevant years.

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Cuballing

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Shire of Cuballing:

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. 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 annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of an annual financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a. The Asset Sustainability Ratio and Operating Surplus Ratio as reported in Note 29 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for 2019, 2018 and 2017.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law was identified during the course of our audit:
 - a. The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as the long-term financial plan was not updated.
 - b. A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was not completed by the CEO at least once every three financial years, as required by regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.
 - c. Accounting journal entries were posted by one employee, with no evidence of review by a second employee. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved.
 - d. The municipal account bank reconciliations for September 2018 to December 2018 were not independently reviewed.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 29 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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

DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Delegate of the Auditor General for Western Australia
Perth, Western Australia
March 2020