



**AGENDA**  
**AUDIT COMMITTEE MEETING**  
**to be held on**  
**Thursday, 19 December 2019**  
**at 5.30pm**



WESTERN AUSTRALIA'S  
WILDFLOWER COUNTRY

*'This meeting is being recorded on audio tape and to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of Morawa Meeting Procedures Local Law 2012 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.'*

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*DISCLAIMER*

*No responsibility whatsoever is implied or accepted by the Shire of Morawa for any act, omission, statement or intimation occurring during Council Meetings. The Shire of Morawa disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Council Meetings.*

*Any person or legal entity that acts or fails to act in reliance upon any statement, act or omission occurring in a Council Meeting does so at their own risk. The Shire of Morawa advises that any person or legal entity should only rely on formal confirmation or notification of Council resolutions.*

## DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

*Local Government Act 1995 – Section 5.65, 5.70 and 5.71 Local Government (Administration) Regulation 34C*

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i>			
Name of person declaring the interest			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Important Note:** Should you declare a **Financial** or **Proximity** Interest, in accordance with the Act and Regulations noted above, you are required to leave the room while the item is being considered.

For an **Impartiality** Interest, you must state the following prior to the consideration of the item:

*“With regard to agenda item (read item number and title), I disclose that I have an impartiality interest because (read your reason for interest). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”*

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## **Item 1 Opening of Meeting**

The President to declare the meeting open.

## **Item 2 Acknowledgement of Traditional Owners and Dignitaries**

The President acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

*'This meeting is being recorded on audio tape and to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of Morawa Meeting Procedures Local Law 2012 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.'*

## **Item 3 Recording of Attendance**

### **3.1 Attendance**

#### **Council**

President Karen Chappel  
Deputy President Dean Carslake  
Councillor Jane Coaker  
Councillor Debbie Collins  
Councillor Shirley Katona  
Councillor Ken Stokes

#### **Staff**

Acting Chief Executive Officer	Jenny Goodbourn
Principal Works Supervisor	Paul Buist
Economic Development Manager	Ellie Cuthbert
Executive Assistant to CEO	Sandy Adams

### **3.2 Attendance by Telephone / Instantaneous Communications**

### **3.3 Apologies**

Councillor Yvette Harris

### **3.4 Approved Leave of Absence**

3.5 Disclosure of Interests

<b>Item 4 Applications for Leave of Absence</b>
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<b>Item 5 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting</b>
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Elected Members to declare that they had given due consideration to all matters contained in the agenda.

<b>Item 6 Confirmation of Minutes of Previous Meeting</b>
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**OFFICER RECOMMENDATION**

**That Council confirm that the Audit Committee Meeting held on Wednesday, 28 November 2018 are a true and correct record.**

***SIMPLE MAJORITY VOTE REQUIRED***

*Disclaimer*

*Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.*

<b>Item 7</b>	<b>Reports of Officers</b>
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<b>7.1</b>	<b>Acceptance of Annual Financial Statements and Audit Report</b>
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**Author:** Acting Chief Executive Officer

**Authorising Officer:** Acting Chief Executive Officer

**Disclosure of Interest:** The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

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**OFFICER'S RECOMMENDATION**

**That the Audit Committee:**

- 1. Adopts the Shire of Morawa 2018/19 Annual Financial Statements.**
- 2. Receives the Auditor's Closing Report for the year ended 30 June 2019.**
- 3. Endorses the actions and strategies as determined by Shire staff in response to the Management Letter.**

***ABSOLUTE MAJORITY VOTE REQUIRED***

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**PURPOSE**

The Audit Committee is to report to Council and provide appropriate advice and recommendations regarding audit reporting.

This report presents to the Committee the audited Annual Financial Report, Closing Report, Audit Opinion and Management Letter for the Shire of Morawa for the year ended 30 June 2019.

**DETAIL**

It is a statutory requirement that all Local Governments conduct an independent audit of the accounts and financial statements of the entity at the completion of each financial year.

The Morawa Shire Council Audit Committee must then consider this report and provide endorsement to the actions and strategies as determined by Staff in response to the report and/or management letter.

The 2018/19 Audit has not found any reportable issues and will be issued as unqualified.



## **LEVEL OF SIGNIFICANCE**

Medium – a representation of the financial position of the Shire of Morawa at 30 June 2019. Risks associated with the audit findings are set out in this report.

## **CONSULTATION**

### *Internal*

This report was completed with the input and assistance of the Executive Leadership team, the Financial Services team and the Governance team.

### *External*

- RSM for Office of Auditor General

## **LEGISLATION AND POLICY CONSIDERATIONS**

- Local Government Act 1995
- Local Government (Financial Management) Regulations 2011

## **FINANCIAL AND RESOURCES IMPLICATIONS**

The costs associated with conducting the annual audit are included in the 2019/20 budget.

## **STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

Shire of Morawa Strategic Community Plan

### **Outcome 4.3**

A local government that is respected, professional and accountable.

## **RISK MANAGEMENT CONSIDERATIONS**

No findings were identified during the audit of the Annual Financial Report. The Management Letter presented by RSM Australia identified four items. Staff have responded to these items. The level of risk is considered to be medium. Please see the attached management letter for detail regarding risks identified by RSM Australia. The Audit Report is to be accepted by Council no later than 31 December (Section 5.54 of the Local Government Act 1995). Not accepting the report by this time will be a breach of the Local Government Act.

**CONCLUSION**

The Annual Financial Report, Audit Closing Report, draft Audit Opinion and Management Letter are attached for the Audit Committee’s review. The Shire of Morawa is continuously working towards improvements in the financial management area and while there has been progress in some areas further work is still required in creating stronger controls around purchasing, procurement and our rates debtors.

**ATTACHMENTS**

*Attachment 1 – 10.1a 2018/19 Annual Financial Report*

*Attachment 2 – 10.1b 2018/19 Closing Report*

*Attachment 3 – 10.1c Draft Audit Opinion*

*Attachment 4 – 10.1d Management Letter (confidential – provided separately)*

<b>Item 8      Closure</b>
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There being no further business, the President to declare the meeting closed.

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

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**COMMUNITY VISION**

The Shire of Morawa: Breaking New Ground  
Our vision is a welcoming and inclusive community with diverse regional partnerships that have created a vibrant and growing economy.

Principal place of business:  
26 Winfield Street  
Morawa, WA 6623

**SHIRE OF MORAWA  
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 Morawa 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 Morawa 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 \_\_\_\_\_ day of \_\_\_\_\_ 2019

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Chief Executive Officer

Chris Linnell

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Name of Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	23(a)	1,831,043	2,088,504	1,809,317
Operating grants, subsidies and contributions	2(a)	4,361,996	4,495,709	2,498,463
Fees and charges	2(a)	812,972	588,924	852,875
Interest earnings	2(a)	159,078	156,500	143,259
Other revenue	2(a)	252,003	94,100	154,561
		<b>7,417,092</b>	<b>7,423,737</b>	<b>5,458,475</b>
<b>Expenses</b>				
Employee costs		(1,657,664)	(1,930,102)	(1,637,304)
Materials and contracts		(3,858,161)	(4,969,168)	(2,964,088)
Utility charges		(295,280)	(355,188)	(360,225)
Depreciation on non-current assets	10(b)	(1,876,499)	(1,785,654)	(1,713,120)
Interest expenses	2(b)	(14,017)	(15,829)	(20,028)
Insurance expenses		(183,175)	(137,353)	(174,778)
Other expenditure		(195,306)	(187,857)	(170,918)
		<b>(8,080,102)</b>	<b>(9,381,151)</b>	<b>(7,040,461)</b>
		<b>(663,010)</b>	<b>(1,957,414)</b>	<b>(1,581,986)</b>
Non-operating grants, subsidies and contributions	2(a)	542,444	768,547	957,985
Profit on asset disposals	10(a)	9,978	31,505	0
(Loss) on asset disposals	10(a)	(303,685)	(18,177)	(284)
		<b>248,737</b>	<b>781,875</b>	<b>957,701</b>
		<b>(414,273)</b>	<b>(1,175,539)</b>	<b>(624,285)</b>
Changes in asset revaluation surplus	11	479,751	0	3,170,662
<b>Total other comprehensive income for the period</b>		<b>479,751</b>	<b>0</b>	<b>3,170,662</b>
<b>Total comprehensive income for the period</b>		<b>65,478</b>	<b>(1,175,539)</b>	<b>2,546,377</b>

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Governance		935	0	570
General purpose funding		3,702,744	2,826,196	3,527,616
Law, order, public safety		22,663	26,560	37,839
Health		7,537	5,350	3,906
Education and welfare		5,319	2,400	14,402
Housing		100,715	115,320	96,698
Community amenities		434,933	436,445	437,386
Recreation and culture		114,726	56,981	55,074
Transport		2,699,055	3,672,974	1,484,556
Economic services		157,365	131,611	(413,697)
Other property and services		171,100	149,900	214,125
		<b>7,417,092</b>	<b>7,423,737</b>	<b>5,458,475</b>
<b>Expenses</b>				
Governance		(417,674)	(520,502)	(439,643)
General purpose funding		(162,306)	(167,128)	(196,393)
Law, order, public safety		(104,801)	(119,407)	(103,822)
Health		(181,815)	(221,650)	(219,698)
Education and welfare		(120,701)	(173,444)	(96,458)
Housing		(260,382)	(236,090)	(298,794)
Community amenities		(528,128)	(680,815)	(583,403)
Recreation and culture		(1,458,828)	(1,442,412)	(1,419,177)
Transport		(4,056,915)	(4,839,901)	(3,097,523)
Economic services		(650,364)	(924,033)	(564,402)
Other property and services		(124,171)	(39,940)	(1,120)
		<b>(8,066,085)</b>	<b>(9,365,322)</b>	<b>(7,020,433)</b>
<b>Finance Costs</b>				
Housing		(14,017)	(15,829)	(20,028)
	2(b)	(14,017)	(15,829)	(20,028)
		<b>(663,010)</b>	<b>(1,957,414)</b>	<b>(1,581,986)</b>
Non-operating grants, subsidies and contributions	2(a)	542,444	768,547	957,985
Profit on disposal of assets	10(a)	9,978	31,505	0
(Loss) on disposal of assets	10(a)	(303,685)	(18,177)	(284)
		<b>248,737</b>	<b>781,875</b>	<b>957,701</b>
<b>Net result for the period</b>		<b>(414,273)</b>	<b>(1,175,539)</b>	<b>(624,285)</b>
<b>Other comprehensive income</b>				
Changes in asset revaluation surplus	11	479,751	0	3,170,662
<b>Total other comprehensive income for the period</b>		<b>479,751</b>	<b>0</b>	<b>3,170,662</b>
<b>Total comprehensive income for the period</b>		<b>65,478</b>	<b>(1,175,539)</b>	<b>2,546,377</b>

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

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

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	7,106,771	6,332,038
Trade receivables	5	665,517	1,277,716
Inventories	6	10,168	14,846
<b>TOTAL CURRENT ASSETS</b>		<b>7,782,456</b>	<b>7,624,600</b>
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	28,961	22,960
Financial assets at fair value through profit and loss	7	52,551	0
Property, plant and equipment	8	22,360,809	22,512,518
Infrastructure	9	47,450,053	47,544,308
<b>TOTAL NON-CURRENT ASSETS</b>		<b>69,892,374</b>	<b>70,079,786</b>
<b>TOTAL ASSETS</b>		<b>77,674,830</b>	<b>77,704,386</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	399,612	417,857
Borrowings	13(b)	25,432	75,142
Employee related provisions	14	331,893	328,849
<b>TOTAL CURRENT LIABILITIES</b>		<b>756,937</b>	<b>821,848</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	13(b)	281,208	306,640
Employee related provisions	14	35,487	40,178
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>316,695</b>	<b>346,818</b>
<b>TOTAL LIABILITIES</b>		<b>1,073,632</b>	<b>1,168,666</b>
<b>NET ASSETS</b>		<b>76,601,198</b>	<b>76,535,720</b>
<b>EQUITY</b>			
Retained surplus		34,755,490	35,036,076
Reserves - cash backed	4	5,540,310	5,673,997
Revaluation surplus	11	36,305,398	35,825,647
<b>TOTAL EQUITY</b>		<b>76,601,198</b>	<b>76,535,720</b>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2017</b>		34,337,219	6,997,139	32,654,985	73,989,343
Comprehensive income					
Net result for the period		(624,285)	0	0	(624,285)
Other comprehensive income	11	0	0	3,170,662	3,170,662
Total comprehensive income		(624,285)	0	3,170,662	2,546,377
Transfers from/(to) reserves		1,323,142	(1,323,142)	0	0
<b>Balance as at 30 June 2018</b>		35,036,076	5,673,997	35,825,647	76,535,720
Comprehensive income					
Net result for the period		(414,273)	0	0	(414,273)
Other comprehensive income	11	0	0	479,751	479,751
Total comprehensive income		(414,273)	0	479,751	65,478
Transfers from/(to) reserves		133,687	(133,687)	0	0
<b>Balance as at 30 June 2019</b>		34,755,490	5,540,310	36,305,398	76,601,198

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



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,794,216	2,213,504	1,731,785
Operating grants, subsidies and contributions		4,912,813	4,508,209	2,001,251
Fees and charges		812,972	588,924	852,875
Interest received		159,078	156,500	250,451
Goods and services tax received		92,208	787,388	241,963
Other revenue		220,523	94,100	151,358
		7,991,810	8,348,625	5,229,683
<b>Payments</b>				
Employee costs		(1,725,101)	(1,927,102)	(1,682,476)
Materials and contracts		(3,827,009)	(4,884,168)	(2,722,197)
Utility charges		(295,280)	(355,188)	(360,225)
Interest expenses		(14,017)	(15,829)	(20,098)
Insurance paid		(183,175)	(137,353)	(174,778)
Goods and services tax paid		0	(787,388)	(369,596)
Other expenditure		(195,306)	(187,857)	(170,918)
		(6,239,888)	(8,294,885)	(5,500,288)
<b>Net cash provided by (used in) operating activities</b>	15	1,751,922	53,740	(270,605)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(373,366)	(675,000)	(80,140)
Payments for construction of infrastructure		(1,126,057)	(1,108,996)	(1,343,703)
Non-operating grants, subsidies and contributions		542,444	768,547	957,985
Proceeds from sale of property, plant & equipment		54,932	100,000	1,091
<b>Net cash provided by (used in) investment activities</b>		(902,047)	(915,449)	(464,767)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(75,142)	(75,142)	(70,814)
<b>Net cash provided by (used in) financing activities</b>		(75,142)	(75,142)	(70,814)
<b>Net increase (decrease) in cash held</b>		774,733	(936,851)	(806,186)
Cash at beginning of year		6,332,038	6,332,038	7,138,224
<b>Cash and cash equivalents at the end of the year</b>	15	7,106,771	5,395,187	6,332,038

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

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

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	24(b)	1,413,167	880,062	558,948
		1,413,167	880,062	558,948
<b>Revenue from operating activities (excluding rates)</b>				
Governance		935	0	570
General purpose funding		1,867,073	993,109	1,743,970
Law, order, public safety		22,663	26,560	37,839
Health		7,537	5,350	3,906
Education and welfare		5,319	2,400	14,402
Housing		100,715	115,320	96,698
Community amenities		434,933	438,516	437,386
Recreation and culture		114,726	56,981	55,074
Transport		2,709,033	3,702,408	1,484,556
Economic services		157,365	131,611	(413,697)
Other property and services		171,100	149,900	214,125
		5,591,399	5,622,155	3,674,829
<b>Expenditure from operating activities</b>				
Governance		(417,674)	(520,502)	(439,643)
General purpose funding		(162,306)	(167,128)	(196,393)
Law, order, public safety		(336,599)	(119,407)	(103,822)
Health		(181,865)	(233,708)	(219,698)
Education and welfare		(120,701)	(173,444)	(96,458)
Housing		(274,399)	(251,919)	(318,822)
Community amenities		(528,128)	(680,815)	(583,403)
Recreation and culture		(1,461,074)	(1,442,412)	(1,419,177)
Transport		(4,106,515)	(4,846,020)	(3,097,807)
Economic services		(650,364)	(924,033)	(564,402)
Other property and services		(144,162)	(39,940)	(1,120)
		(8,383,787)	(9,399,328)	(7,040,745)
Non-cash amounts excluded from operating activities	24(a)	2,116,293	1,772,326	1,648,928
<b>Amount attributable to operating activities</b>		737,072	(1,124,785)	(1,158,040)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	542,444	768,547	957,985
Proceeds from disposal of assets	10(a)	54,932	100,000	1,091
Purchase of property, plant and equipment	8(a)	(373,366)	(675,000)	(80,140)
Purchase and construction of infrastructure	9(a)	(1,126,057)	(1,108,996)	(1,343,703)
<b>Amount attributable to investing activities</b>		(902,047)	(915,449)	(464,767)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	13(b)	(75,142)	(75,142)	(70,814)
Transfers to reserves (restricted assets)	4	(321,991)	(240,107)	(351,128)
Transfers from reserves (restricted assets)	4	455,678	540,804	1,674,270
<b>Amount attributable to financing activities</b>		58,545	225,555	1,252,328
<b>Surplus/(deficit) before imposition of general rates</b>		(106,430)	(1,814,679)	(370,479)
<b>Total amount raised from general rates</b>	23(a)	1,835,671	1,833,087	1,783,646
<b>Surplus/(deficit) after imposition of general rates</b>	24(b)	1,729,241	18,408	1,413,167

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

## 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 26 to these financial statements.

## 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 \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,654,075	830,109	1,557,402
Law, order, public safety	14,295	19,060	18,572
Education and welfare	633	0	11,614
Community amenities	0	0	6,000
Recreation and culture	10,318	20,000	0
Transport	2,681,766	3,626,540	1,439,305
Economic services	909	0	(534,430)
	4,361,996	4,495,709	2,498,463
<b>Non-operating grants, subsidies and contributions</b>			
Governance	0	0	20,000
Community amenities	0	50,000	0
Recreation and culture	4,348	4,815	0
Transport	538,096	703,732	937,985
Economic services	0	10,000	0
	542,444	768,547	957,985
<b>Total grants, subsidies and contributions</b>	4,904,440	5,264,256	3,456,448

#### 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 22.

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.

## 2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Significant revenue</b>			
WANDRRA flood damage	2,543,493	3,020,157	1,359,935
<b>Other revenue</b>			
Reimbursements and recoveries	150,811	35,000	89,229
Sale of inventory	48,641	59,100	0
Other	52,551	0	65,332
	252,003	94,100	154,561
<b>Fees and Charges</b>			
Governance	608	0	25
General purpose funding	5,997	3,500	17,137
Law, order, public safety	3,686	3,500	9,768
Health	0	350	0
Education and welfare	3,763	2,400	2,789
Housing	96,882	111,820	95,432
Community amenities	431,599	184,028	430,104
Recreation and culture	50,876	36,981	52,783
Transport	6,257	500	29,391
Economic services	156,455	160,945	120,690
Other property and services	56,849	84,900	94,756
	812,972	588,924	852,875
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
<b>Interest earnings</b>			
Reserve accounts interest	110,083	115,000	99,068
Rates instalment and penalty interest (refer Note 23(e))	36,146	26,500	29,825
Other interest earnings	12,849	15,000	14,366
	159,078	156,500	143,259

### 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

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2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Significant expense</b>			
WANDRRA flood damage	2,460,766	3,000,000	1,578,416
<b>Auditors remuneration</b>			
- Audit of the annual financial report	37,176	52,000	17,039
- Other services	3,850	10,000	14,805
	41,026	62,000	31,844
<b>Interest expenses (finance costs)</b>			
Borrowings (refer Note 13(b))	14,017	15,829	20,028
	14,017	15,829	20,028

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand (including bonds and deposits)		1,566,461	514,845
Cash backed reserves		5,540,310	5,817,193
		7,106,771	6,332,038
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		1,545,390	514,845
- Restricted cash and cash equivalents		5,561,381	5,817,193
		7,106,771	6,332,038
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Leave Reserve	4	218,600	209,270
Unspent Grants and Contributions Reserve	4	0	26,413
Swimming Pool Reserve	4	40,414	20,000
Plant Reserve	4	833,618	1,015,608
Building Reserve	4	93,594	121,089
Economic Development Reserve	4	112,812	110,526
Sewerage Reserve	4	246,040	218,716
Community Development Reserve	4	1,242,317	1,217,918
Morawa Community Future Funds Reserve	4	2,079,696	2,165,470
Morawa Future Funds Interest Reserve	4	240,224	126,630
Refuse Transfer Station Reserve	4	0	27
Aged Care Units Reserve	4	9,424	9,233
ST - Morawa Revitalisation Reserve	4	0	37,705
Legal Fees Reserve	4	25,927	25,402
Road Reserve	4	146,191	143,228
Aged Care ex MCC Unit 1-4 Reserve	4	70,143	68,721
Aged Care Unit 5 Reserve	4	56,307	55,166
Business Units Reserve	4	125,003	102,875
ST-N/Midlands Solar Thermal Power Reserve	4	0	0
		5,540,310	5,673,997
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	22	0	143,196
Bonds and deposits held	26	21,071	0
<b>Total restricted cash and cash equivalents</b>		5,561,381	5,817,193

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk

##### Cash and cash equivalents (Continued)

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

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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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	209,270	9,330	0	218,600	209,270	9,241	0	218,511	281,137	8,133	(80,000)	209,270
(b) Unspent Grants and Contributions Reserve	26,413	345	(26,758)	0	26,413	535	0	26,948	877,390	1,495	(852,472)	26,413
(c) Swimming Pool Reserve	20,000	20,414	0	40,414	20,000	20,405	0	40,405	0	20,000	0	20,000
(d) Plant Reserve	1,015,608	21,010	(203,000)	833,618	1,015,608	20,584	(315,000)	721,192	905,518	110,090	0	1,015,608
(e) Building Reserve	121,089	22,505	(50,000)	93,594	121,090	22,454	(50,000)	93,544	99,976	21,113	0	121,089
(f) Economic Development Reserve	110,526	2,286	0	112,812	110,526	2,240	0	112,766	109,308	1,218	0	110,526
(g) Sewerage Reserve	218,716	27,324	0	246,040	218,716	27,233	0	245,949	216,306	2,410	0	218,716
(h) Community Development Reserve	1,217,918	24,399	0	1,242,317	1,217,918	24,685	(100,000)	1,142,603	1,187,559	30,359	0	1,217,918
(i) Morawa Community Future Funds Reserve	2,165,470	38,226	(124,000)	2,079,696	2,165,470	43,890	(37,307)	2,172,053	2,121,127	81,711	(37,368)	2,165,470
(j) Morawa Future Funds Interest Reserve	126,630	127,737	(14,143)	240,224	126,630	39,874	0	166,504	88,036	38,594	0	126,630
(k) Refuse Transfer Station Reserve	27	0	(27)	0	27	1	(28)	0	27	0	0	27
(l) Aged Care Units Reserve	9,233	191	0	9,424	9,233	187	0	9,420	9,131	102	0	9,233
(m) ST - Morawa Revitalisation Reserve	37,705	45	(37,750)	0	37,705	764	(38,469)	0	176,348	1,357	(140,000)	37,705
(n) Legal Fees Reserve	25,402	525	0	25,927	25,402	515	0	25,916	20,177	5,225	0	25,402
(o) Road Reserve	143,228	2,963	0	146,191	143,228	2,903	0	146,131	141,649	1,579	0	143,228
(p) Aged Care ex MCC Unit 1-4 Reserve	68,721	1,422	0	70,143	68,721	1,393	0	70,114	67,964	757	0	68,721
(q) Aged Care Unit 5 Reserve	55,166	1,141	0	56,307	55,166	1,118	0	56,284	54,558	608	0	55,166
(r) Business Units Reserve	102,875	22,128	0	125,003	102,875	22,085	0	124,960	81,962	20,913	0	102,875
(s) ST-N/Midlands Solar Thermal Power Reserve	0	0	0	0	0	0	0	0	558,966	5,464	(564,430)	0
	5,673,997	321,991	(455,678)	5,540,310	5,673,997	240,107	(540,804)	5,373,300	6,997,139	351,128	(1,674,270)	5,673,997

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	- to be used to fund leave requirements.
(b) Unspent Grants and Contributions Reserve	Utilised	- to be used as a quarantine for unspent committed funds.
(c) Swimming Pool Reserve	Ongoing	- to be used for the maintenance/upgrade to Morawa Swimming Pool.
(d) Plant Reserve	Ongoing	- to be used to upgrade, replace or purchase new plant and equipment.
(e) Building Reserve	Ongoing	- to be used to refurbish, replace, extend or establish Council owned buildings.
(f) Economic Development Reserve	Ongoing	- to be used to create economic development initiatives in the local community.
(g) Sewerage Reserve	Ongoing	- to be used to repair, replace or extend the sewerage facility.
(h) Community Development Reserve	Ongoing	- to be used for Community Projects within the Shire of Morawa.
(i) Morawa Community Future Funds Reserve	Ongoing	- to be used to provide an ongoing conduit for benefits to the people and environment of the Morawa Shire through the Sinosteel Midwest Corporation Morawa Future Fund Foundation Memorandum.
(j) Morawa Future Funds Interest Reserve	Ongoing	- to be used for Morawa Community Projects.
(k) Refuse Transfer Station Reserve	18/19	- used for Landfill closure and Refuse Transfer Station project R4R funds 2011/12. Being closed this year - Residual interest only.
(l) Aged Care Units Reserve	Ongoing	- to be used for the maintenance/ construction of Aged Care Units at the Morawa Perenjori Health Centre.
(m) ST - Morawa Revitalisation Reserve	18/19	- Super Town funds used for the Morawa Town Revitalisation Project - Project complete reserve to be closed 18/19.
(n) Legal Fees Reserve	Ongoing	- to be utilised for unforeseen Legal Fees.
(o) Road Reserve	Ongoing	- to be utilised for future Road Construction and Maintenance.
(p) Aged Care ex MCC Unit 1-4 Reserve	Ongoing	- to be used for the maintenance/ upgrade of Aged Care Units 1-4 at the Morawa Perenjori Health Centre.
(q) Aged Care Unit 5 Reserve	Ongoing	- to be used for the maintenance/ upgrade of Aged Care Unit Unit 5 at the Morawa Perenjori Health Centre.
(r) Business Units Reserve	Ongoing	- to be utilised for the refurbishment/repairs of the current Units or to establish new Business Units.
(s) ST-N/Midlands Solar Thermal Power Reserve	17/18	- Super Town funds to be used for the N/Midlands Solar Thermal Power Feasibility Study Project - had to be handed back 17/18.



## 5. TRADE RECEIVABLES

### Current

Rates receivable	589,363	558,537
Sundry receivables	32,377	71,409
GST receivable	71,959	164,167
Other receivables	3,737	491,349
Allowance for impairment of receivables	(31,919)	(7,746)

### Non-current

Pensioner's rates and ESL deferred	28,961	22,960
	28,961	22,960

Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

### Rates outstanding

Includes:

Past due and not impaired	592,162	577,576
Impaired	26,162	3,921

The table illustrates the rates outstanding aging analysis (including non current pensioners)

Up to one year	54,046	283,897
One to three years	378,517	151,872
Three or more years	185,761	145,728
	618,324	581,497

### Sundry debtors

Includes:

Past due and not impaired	26,620	67,584
Impaired	5,757	3,825

The table illustrates the sundry debtors aging analysis

Up to one month	14,000	11,209
One to three months	11,728	6,033
Three or more months	6,649	54,167
	32,377	71,409

## 5. TRADE AND OTHER RECEIVABLES (Continued)

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other receivables

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

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

#### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

#### 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

#### Previous accounting policy: Impairment of trade receivables (Continued)

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.

## 6. INVENTORIES

### Current

Fuel, oil and materials on hand

The following movements in inventories occurred during the year:

#### Carrying amount at 1 July

Net movement in inventory

#### Carrying amount at 30 June

### 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.

	2019	2018
	\$	\$
	10,168	14,846
	10,168	14,846
	14,846	1,118
	(4,678)	13,728
	10,168	14,846

## 7. OTHER FINANCIAL ASSETS

### Non-current assets

Financial Assets at fair value through profit and loss

### Financial assets at fair value through profit and loss

Units in local government house trust

	2019	2018
	\$	\$
Financial Assets at fair value through profit and loss	52,551	0
	<b>52,551</b>	<b>0</b>
Financial assets at fair value through profit and loss		
Units in local government house trust	52,551	0
	<b>52,551</b>	<b>0</b>

### Local government house trust

The Shire holds 3 of 620 units in the local government house trust which purchased the Local Government House. The total contribution by all Councils towards the purchase of the building was \$582,000.

Based on net assets of \$10,860,610 and 620 units, the value of 1 unit in the local government house, at 30 Jun 18, is \$17,517. This asset has been brought to account in 2019 as shown above.

## 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 25.

### 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 27 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

## 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 - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	1,196,660	7,400	1,204,060	4,258,000	15,190,700	19,448,700	20,652,760	92,699	2,359,647	23,105,106
Additions	28,636	0	28,636	51,504	0	51,504	80,140	0	0	80,140
(Disposals)	0	0	0	0	0	0	0	0	(1,375)	(1,375)
Depreciation (expense)	0	0	0	(103,882)	(284,501)	(388,383)	(388,383)	(15,833)	(267,137)	(671,353)
<b>Carrying amount at 30 June 2018</b>	1,225,296	7,400	1,232,696	4,205,622	14,906,199	19,111,821	20,344,517	76,866	2,091,135	22,512,518
<b>Comprises:</b>										
Gross carrying amount at 30 June 2018	1,225,296	7,400	1,232,696	4,309,504	15,190,700	19,500,204	20,732,900	106,252	2,567,012	23,406,164
Accumulated depreciation at 30 June 2018	0	0	0	(103,882)	(284,501)	(388,383)	(388,383)	(29,386)	(475,877)	(893,646)
<b>Carrying amount at 30 June 2018</b>	1,225,296	7,400	1,232,696	4,205,622	14,906,199	19,111,821	20,344,517	76,866	2,091,135	22,512,518
Additions	5,329	0	5,329	6,598	97,920	104,518	109,847	14,343	249,176	373,366
(Disposals)	0	0	0	0	0	0	0	(20,041)	(328,598)	(348,639)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	3,239	476,512	479,751
Depreciation (expense)	0	0	0	(105,778)	(284,501)	(390,279)	(390,279)	(15,834)	(250,074)	(656,187)
<b>Carrying amount at 30 June 2019</b>	1,230,625	7,400	1,238,025	4,106,442	14,719,618	18,826,060	20,064,085	58,573	2,238,151	22,360,809
<b>Comprises:</b>										
Gross carrying amount at 30 June 2019	1,230,625	7,400	1,238,025	4,316,102	15,288,620	19,604,722	20,842,747	58,573	2,238,151	23,139,471
Accumulated depreciation at 30 June 2019	0	0	0	(209,660)	(569,002)	(778,662)	(778,662)	0	0	(778,662)
<b>Carrying amount at 30 June 2019</b>	1,230,625	7,400	1,238,025	4,106,442	14,719,618	18,826,060	20,064,085	58,573	2,238,151	22,360,809

## 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
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent Registered Valuers	June 2017	Price per hectare
Land - freehold land	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Land - vested in and under the control of Council	3	Income Approach	Independent Registered Valuers	June 2017	Comparative income and expense data
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent Registered Valuers	June 2017	Price per square metre
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2019	Price per item

## 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Fair value measurements (Continued)

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Plant and equipment</b>					
Independent valuation 2019	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2019	Price per item
Independent valuation 2019	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2019	Price per item
Management valuation 2019	3	Cost approach using depreciated replacement cost	Management valuation	June 2019	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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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.

	Roads	Footpaths	Parks & Ovals	Sewerage	Airfields	Dams	Playground Equipment	Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	33,996,145	382,059	820,750	2,267,850	574,000	683,480	103,200	5,244,226	44,071,710
Additions	1,168,250	0	0	0	0	0	0	175,453	1,343,703
Revaluation increments / (decrements) transferred to revaluation surplus	3,145,929	24,733	0	0	0	0	0	0	3,170,662
Depreciation (expense)	(532,999)	(21,025)	(46,173)	(67,882)	(51,325)	(45,243)	(12,368)	(264,752)	(1,041,767)
<b>Carrying amount at 30 June 2018</b>	<b>37,777,325</b>	<b>385,767</b>	<b>774,577</b>	<b>2,199,968</b>	<b>522,675</b>	<b>638,237</b>	<b>90,832</b>	<b>5,154,927</b>	<b>47,544,308</b>
<b>Comprises:</b>									
Gross carrying amount at 30 June 2018	67,482,348	1,106,056	1,520,150	3,649,550	2,103,500	2,192,150	230,650	9,720,526	88,004,930
Accumulated depreciation at 30 June 2018	(29,705,023)	(720,289)	(745,573)	(1,449,582)	(1,580,825)	(1,553,913)	(139,818)	(4,565,599)	(40,460,622)
<b>Carrying amount at 30 June 2018</b>	<b>37,777,325</b>	<b>385,767</b>	<b>774,577</b>	<b>2,199,968</b>	<b>522,675</b>	<b>638,237</b>	<b>90,832</b>	<b>5,154,927</b>	<b>47,544,308</b>
Additions	1,077,107	0	6,443	23,251	0	0	0	19,256	1,126,057
Depreciation (expense)	(718,647)	(15,734)	(46,173)	(67,882)	(51,325)	(45,204)	(12,368)	(262,979)	(1,220,312)
<b>Carrying amount at 30 June 2019</b>	<b>38,135,785</b>	<b>370,033</b>	<b>734,847</b>	<b>2,155,337</b>	<b>471,350</b>	<b>593,033</b>	<b>78,464</b>	<b>4,911,204</b>	<b>47,450,053</b>
<b>Comprises:</b>									
Gross carrying amount at 30 June 2019	68,559,456	1,106,056	1,526,594	3,672,800	2,103,500	2,192,150	230,650	9,739,782	89,130,988
Accumulated depreciation at 30 June 2019	(30,423,671)	(736,023)	(791,747)	(1,517,463)	(1,632,150)	(1,599,117)	(152,186)	(4,828,578)	(41,680,935)
<b>Carrying amount at 30 June 2019</b>	<b>38,135,785</b>	<b>370,033</b>	<b>734,847</b>	<b>2,155,337</b>	<b>471,350</b>	<b>593,033</b>	<b>78,464</b>	<b>4,911,204</b>	<b>47,450,053</b>

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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
Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Parks & Ovals	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Sewerage	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Airfields	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Dams	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Playground Equipment	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Other	3	Cost approach using depreciated replacement cost	Independent and Management Valuations	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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



## 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.

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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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Furniture and equipment	20,041	0	0	(20,041)	0	0	0	0	0	0	0	0
Plant and equipment	328,598	54,932	9,978	(283,644)	86,672	100,000	31,505	(18,177)	1,375	1,091	0	(284)
	348,639	54,932	9,978	(303,685)	86,672	100,000	31,505	(18,177)	1,375	1,091	0	(284)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
<b>Law, order, public safety</b>				
A290 SES Trailer	1,940	0	0	(1,940)
A312 SES Landcruiser	82,224	0	0	(82,224)
A396 SES Fire Truck	147,634	0	0	(147,634)
<b>Health</b>				
A335 Vaccine Fridge	50	0	0	(50)
<b>Recreation and culture</b>				
A119 Dive Blocks	1,565	0	0	(1,565) *
A351 Hurdles - Fun Run	681	0	0	(681) *
<b>Transport</b>				
A24 Two Way Radio System	5,353	0	0	(5,353)
A2662 Ford Courier - Gardener	4,374	4,182	0	(192)
A283 2,000L Fuel Tanker	1,164	0	0	(1,164) *
A287 9,000L Water Tank	1,965	0	0	(1,965)
A332 Amman Vibraatory Roller	42,600	8,750	0	(33,850)
A347 Mirage Floor Scrubber	1,866	0	0	(1,866) *
A377 Groundscare	801	0	0	(801) *
A443 2,700L Fibreglass tank	144	0	0	(144) *
A55 Cat 938G Loader	32,022	42,000	9,978	0
A66 Travelling Irrigator	1,877	0	0	(1,877) *
A69 Ovaql Pump & Hoses	2,388	0	0	(2,388) *
<b>Other property and services</b>				
A361 Nehalem Xeon Server	20	0	0	(20)
A365 NPE Server	3,904	0	0	(3,904)
A309 Synergy/IT Vision Software	13,440	0	0	(13,440)
A464 Lec Small Business File	2,627	0	0	(2,627)
	348,639	54,932	9,978	(303,685)

\*The above table includes assets that were acquired for less than \$5,000. These assets have been disposed in accordance with the requirements of Regulation 17A(5) of *Local Government (Financial Management) Regulations 1996*. The net book value of these assets was \$10,486.

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

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings - non-specialised	105,778	104,036	103,882
Buildings - specialised	284,501	284,922	284,501
Furniture and equipment	15,834	15,856	15,833
Plant and equipment	250,074	267,532	267,137
Roads	718,647	603,789	532,999
Footpaths	15,734	21,056	21,025
Parks and ovals	46,173	46,241	46,173
Sewerage	67,882	67,982	67,882
Airfields	51,325	51,401	51,325
Dams	45,204	45,310	45,243
Playground equipment	12,368	12,386	12,368
Other	262,979	265,143	264,752
	1,876,499	1,785,654	1,713,120

**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	40 to 100 years
Furniture and equipment	5 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
clearing and earthworks	not depreciated
construction/road base	40 years
seal	
- bituminous seals	20 years
Gravel roads	
clearing and earthworks	not depreciated
construction/road base	40 years
gravel sheet	12 years
Formed roads (unsealed)	
clearing and earthworks	not depreciated
construction/road base	50 years
Footpaths - slab	50 years
Drainage	50 years
Other infrastructure	10 to 50 years
Parks and ovals	50 years
Airfields	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:

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

## 11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	10,023,810	0	0	10,023,810	10,023,810	0	0	10,023,810
Furniture and equipment	31,674	3,239	3,239	34,913	31,674	0	0	31,674
Plant and equipment	571,549	476,512	476,512	1,048,061	571,549	0	0	571,549
Roads	21,696,026	0	0	21,696,026	18,550,097	3,145,929	3,145,929	21,696,026
Footpaths	52,807	0	0	52,807	28,074	24,733	24,733	52,807
Parks and ovals	167,732	0	0	167,732	167,732	0	0	167,732
Sewerage	1,407,329	0	0	1,407,329	1,407,329	0	0	1,407,329
Airfields	311,142	0	0	311,142	311,142	0	0	311,142
Dams	664,870	0	0	664,870	664,870	0	0	664,870
Playground equipment	86,870	0	0	86,870	86,870	0	0	86,870
Other	811,838	0	0	811,838	811,838	0	0	811,838
	35,825,647	479,751	479,751	36,305,398	32,654,985	3,170,662	3,170,662	35,825,647

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

### Current

Sundry creditors	
Accrued salaries and wages	
ATO liabilities	
Accrued expenditure	
Accrued interest on loan	
Deposits and bonds	

2019	2018
\$	\$
279,829	295,630
10,658	11,325
40,262	105,385
46,163	2,077
1,629	3,440
21,071	0
399,612	417,857

### 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.

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13. INFORMATION ON BORROWINGS

(a) Borrowings	2019	2018
	\$	\$
Current	25,432	75,142
Non-current	281,208	306,640
	306,640	381,782

(b) Repayments - borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019				30 June 2019				30 June 2018				
				Actual Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2018	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2017	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Housing</b>																
GEHA House	133	WATC	6.55%	36,465	36,465	1,405	0	36,465	36,465	1,801	0	70,621	34,156	3,993	36,465	
2 Broad Street	134	WATC	6.20%	25,680	25,680	242	0	25,680	25,680	1,592	0	49,838	24,158	1,994	25,680	
S4 Harley Street	134	WATC	3.93%	319,637	12,997	12,370	306,640	319,636	12,997	12,436	306,639	332,137	12,500	14,041	319,637	
				381,782	75,142	14,017	306,640	381,781	75,142	15,829	306,639	452,596	70,814	20,028	381,782	

### 13. INFORMATION ON BORROWINGS (Continued)

#### (c) New Borrowings - 2018/19

The Shire of Morawa had no new borrowings during 2018/2019

#### (d) Unspent Borrowings

The Shire of Morawa had no unspent borrowings during 2018/2019

#### (e) Undrawn Borrowing Facilities

##### Credit Standby Arrangements

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

**Total amount of credit unused**

##### Loan facilities

Loan facilities - current

Loan facilities - non-current

**Total facilities in use at balance date**

**Unused loan facilities at balance date**

	2019	2018
	\$	\$
	15,000	15,000
	(1,591)	(250)
	13,409	14,750
	25,432	75,142
	281,208	306,640
	306,640	381,782
	0	0

### 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 25.

## 14. EMPLOYEE RELATED PROVISIONS

### Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
<b>Opening balance at 1 July 2018</b>			
Current provisions	175,400	153,449	328,849
Non-current provisions	0	40,178	40,178
	175,400	193,627	369,027
Additional provision	15,013	19,241	34,254
Amounts used	(28,027)	(7,874)	(35,901)
<b>Balance at 30 June 2019</b>	162,386	204,994	367,380
<b>Comprises</b>			
Current	162,386	169,507	331,893
Non-current	0	35,487	35,487
	162,386	204,994	367,380
	<b>2019</b>	<b>2018</b>	
	\$	\$	
More than 12 months from reporting date	358,239	365,911	
Expected reimbursements from other WA local governments	9,141	3,116	
	367,380	369,027	

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	7,106,771	5,395,187	6,332,038
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(414,273)	(1,175,539)	(624,285)
Non-cash flows in Net result:			
Recognition of units in LG house trust	(52,551)	0	0
Depreciation	1,876,499	1,785,654	1,713,120
(Profit)/loss on sale of asset	293,707	(13,328)	284
Changes in assets and liabilities:			
(Increase)/decrease in receivables	606,198	137,500	(598,388)
(Increase)/decrease in inventories	4,678	0	(13,728)
Increase/(decrease) in payables	(18,245)	88,000	252,398
Increase/(decrease) in provisions	(1,647)	0	(42,021)
Non-operating grants and contributions for the development of assets	(542,444)	(768,547)	(957,985)
Net cash from operating activities	1,751,922	53,740	(270,605)

## 16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	1,932,611	960,186
General purpose funding	670,874	581,497
Law, order, public safety	294,780	447,465
Health	701,718	723,217
Education and welfare	528,297	543,899
Housing	3,857,552	3,924,939
Community amenities	3,056,077	3,094,702
Recreation and culture	13,406,641	13,715,097
Transport	40,516,604	41,036,538
Economic services	9,814,632	9,936,865
Other property and services	2,351,225	1,950,871
Unallocated	543,819	789,110
	<b>77,674,830</b>	<b>77,704,386</b>

## 17. CONTINGENT LIABILITIES

The Shire of Morawa has in compliance with the *Contaminated Sites Act 2003 s11* listed sites to be possible sources of contamination:

- The Shire of Morawa Works Depot. Reserve 36276
- The Shire of Morawa Landfill site (existing) Reserve 20087
- The Shire of Morawa Waste Water Treatment Plant Reserve 37310

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the DWER the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites. The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach. This approach is consistent with the DWER guidelines.

### *Old Morawa Hospital*

The Shire was granted a management order over Reserve 52057 on 22 April 2015 (the Old Hospital Site). The buildings on the site are in a state of disrepair, and it is assumed, include asbestos containing materials (ACM's) within the buildings fabric.

The Shire has been working with the Department of Planning Lands and Heritage (the department) regarding the future ownership of the old hospital. The Department will first need to consider whether native title rights and interest have been extinguished over the whole or portion of the subject reserve.

Upon confirming the native title status for Reserve 52057, both the Shire and the Department will consider the options which include:

- The subject reserve remains with the Shire with an undertaking that building is demolished; or
- The Shire surrenders its management order and the subject land is placed with the Department's Land Asset Sales Program for divestment.

## 18. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments at the reporting date.

### (b) Operating Lease Commitments

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

#### 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.

## 19. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	64,000	64,000	61,717
President's Allowance	17,000	17,000	16,750
Deputy President's Allowance	4,250	4,250	4,250
	<b>85,250</b>	<b>85,250</b>	<b>82,717</b>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	459,873	421,980
Post-employment benefits	51,127	55,408
Other long-term benefits	60,027	37,059
Termination benefits	15,756	161,137
	<b>586,783</b>	<b>675,584</b>

#### *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.

#### *Termination benefits*

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

## 19. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Purchase of goods and services	188,832	358,035
<b>Amounts outstanding from related parties:</b>		
Elected members - rates	66,189	58,790
<b>Amounts payable to related parties:</b>		
Trade and other payables	872	1,971
Elected members - fees & allowances	0	20,046

### 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.

##### *iv. Joint arrangements accounted for under the proportionate consolidation method*

The Shire has a 2% interest in the supply of single person accommodation with Homeswest. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in the venture entities refer to Note 20.

## 20. JOINT ARRANGEMENTS

The Shire of Morawa has entered into a joint arrangement, based on a Deed of Trust, with Homeswest for the construction of 2 x 1 bedroom unit and 1 x 2 bedroom units in Dreghorn Street, Morawa. The provision of this housing aims to provide accommodation to single persons. The Shire of Morawa has 2% interest in the assets of this joint arrangement. All revenue and expenditure, as well as liabilities, of the joint arrangement are recognised in the relevant financial statements of Council.

### Carrying amount of investment in associate

#### Non-current assets

Land and buildings  
 Less accumulated depreciation

	2019	2018
	\$	\$
	3,260	3,260
	(152)	(76)
	3,108	3,184

### SIGNIFICANT ACCOUNTING POLICIES

#### Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

#### Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

## 21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2018/2019 financial year.



## 22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance <sup>(1)</sup> 1/07/17	2017/18	2017/18	Balance <sup>(1)</sup> 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>							
Department of Infrastructure - Stronger Communities	0	20,000	0	20,000	0	(20,000)	0
<b>Recreation and culture</b>							
Dept. Sport & Recreation - Swimming Pool	32,000	0	(32,000)	0	0	0	0
Dept. Sport & Recreation - Kidsport	3,501	0	0	3,501	0	(3,501)	0
CBH - Town Hall Kitchen	0	0	0	0	8,500	(8,500)	0
BankWest - NAIDOC Event	0	0	0	0	1,818	(1,818)	0
Dept. Veterans Affairs - Remembrance Wall	0	0	0	0	4,348	(4,348)	0
<b>Transport</b>							
Roads to Recovery - Auslink	117,394	513,898	(511,597)	119,695 <sup>@</sup>	240,732	(360,427)	0
<b>Economic services</b>							
Power Project	558,966	5,464	(564,430)	0	0	0	0
S/T Morawa Revitalisation	67,627	0	(67,627)	0	0	0	0
MWIP S/T Morawa Revitalisation	43,117	0	(43,117)	0	0	0	0
Morawa Community Trust	88,036	38,594	0	126,630 *	127,737	(14,143)	240,224 *
Midwest Sinosteel - Morawa Future Funds	925,000	0	0	925,000 *	0	0	925,000 *
Midwest Corp - Road Funds	244,234	0	0	244,234 *	0	0	244,234 *
<b>Other property and services</b>							
Water Corporation - Revegetation Funds	12,567	233	0	12,800 <sup>*@</sup>	0	(12,800)	0
	2,092,442	578,189	(1,218,771)	1,451,860	383,135	(425,537)	1,409,458

## 22. CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

**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.

(\*) - All or part of these unspent contributions were held in reserve funds at the end of June.

(@) - At 30 June 2018 the Shire had committed this funding for use in accordance with the funding agreement.

Disclosed as follows:

- Restricted Cash (Note 3)
- Unspent Grants and Contributions Reserve (Note 3)
- Morawa Community Trust Reserve (Note 3)
- Morawa Community Future Funds Reserve (Note 3)

2019	2018
\$	\$
0	143,196
0	12,800
240,224	126,630
1,169,234	1,169,234
1,409,458	1,451,860

## 23. RATING INFORMATION

### (a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
<b>Differential general rate / general rate</b>									
<b>Gross rental valuations</b>									
GRV Residential/Commercial	0.077145	269	2,806,656	216,519	(689)	0	215,830	215,597	211,247
<b>Unimproved valuations</b>									
UV Rural	0.023481	205	63,308,500	1,486,547	372	338	1,487,257	1,487,052	1,450,697
UV Mining	0.295185	17	486,440	143,590	1,843	0	145,433	145,370	137,102
<b>Sub-Total</b>		491	66,601,596	1,846,656	1,526	338	1,848,520	1,848,019	1,799,046
<b>Minimum</b>									
<b>Minimum payment</b>	\$								
<b>Gross rental valuations</b>									
GRV Residential/Commercial	296	42	26,453	12,432	0	0	12,432	13,320	13,340
<b>Unimproved valuations</b>									
UV Rural	296	7	60,100	2,072	0	0	2,072	2,072	1,740
UV Mining	668	7	5,428	4,676	0	0	4,676	4,676	7,216
<b>Sub-Total</b>		56	91,981	19,180	0	0	19,180	20,068	22,296
		547	66,693,577	1,865,836	1,526	338	1,867,700	1,868,087	1,821,342
Discounts/concessions (refer Note 23(d))							(32,029)	(35,000)	(37,696)
<b>Total amount raised from general rate</b>							1,835,671	1,833,087	1,783,646
Ex-gratia rates							6,027	6,000	5,914
Movement in excess rates							(10,494)	0	23,675
Rates written off							(161)	(3,000)	(3,918)
Specified area rate*							0	252,417	0
<b>Totals</b>							1,831,043	2,088,504	1,809,317

### 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.

\* Annual budget Included \$252,417 under specified area rates. These were sewerage charges which have been reclassified to fees and charges.

**23. RATING INFORMATION (Continued)**

**(b) Specified area rate**

The Shire of Morawa did not levy any Specified Area Rates in 2018/19

**(c) Service charges**

The Shire of Morawa did not levy any Service Charges in 2018/19

**(d) Discounts, incentives, concessions, & write-offs**

**Rates discounts**

Rate or Fee Discount Granted	Discount	2019 Actual	2019 Budget	2018 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	
General Rates	2.50%	32,029	35,000	37,696	A discount of 2.5% of the current rates levied (excluding Rubbish and ESL) is offered to rate payers who pay in full by the due date
		32,029	35,000	37,696	

**Waivers or concessions**

The Shire did not provide any waivers or concessions in 2018/19

**Write-offs**

When charges have been raised in error and are of a minimal nature they are taken to council for approval prior to being written-off

2019 Actual	2019 Budget	2018 Actual
\$ 161	\$ 3,000	\$ 3,918

## 23. RATING INFORMATION (Continued)

### (e) Interest Charges and Instalments

<u>Instalment Options</u>	<u>Date Due</u>	<u>Instalment Plan Admin Charge</u>	<u>Instalment Plan Interest Rate</u>	<u>Unpaid Rates Interest Rate</u>
		\$	%	%
<b>Option One</b>				
Pay in full	12 Oct 2018	0	0.00	5.50
<b>Option Two</b>				
First instalment	12 Oct 2018	0	0.00	5.50
Second instalment	12 Dec 2018	5	5.50	5.50
Third instalment	12 Feb 2019	5	5.50	5.50
Fourth instalment	12 Apr 2019	5	5.50	5.50

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
	\$	\$	\$
Interest on unpaid rates	33,793	25,000	28,582
Interest on instalment plan	2,353	1,500	1,243
Charges on instalment plan	820	1,000	585
	<u>36,966</u>	<u>27,500</u>	<u>30,410</u>

## 24. 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	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the rate setting statement in accordance with <i>Financial Management Regulation 32</i>.</p>			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	10(a) (9,978)	(31,505)	0
Less: Recognition of units in LG house trust	7 (52,551)	0	0
Less: Movement in liabilities associated with restricted cash	4 9,330	0	(71,867)
Movement in pensioner deferred rates (non-current)	5 (6,001)	0	(6,401)
Movement in employee benefit provisions (non-current)	14 (4,691)	0	13,792
Add: Loss on disposal of assets	10(a) 303,685	18,177	284
Add: Depreciation on assets	10(b) 1,876,499	1,785,654	1,713,120
<b>Non cash amounts excluded from operating activities</b>	<b>2,116,293</b>	<b>1,772,326</b>	<b>1,648,928</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
<p>The following current assets and liabilities have been excluded from the net current assets used in the rate setting statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.</p>			
<b>Adjustments to net current assets</b>			
Less: Reserves - restricted cash	4 (5,540,310)	(5,373,300)	(5,673,997)
Add: Borrowings	13(a) 25,432	(75,142)	75,142
Add: Component of leave liability not required to be funded	4 218,600	209,270	209,270
<b>Total adjustments to net current assets</b>	<b>(5,296,278)</b>	<b>(5,239,172)</b>	<b>(5,389,585)</b>
<b>Net current assets used in the rate setting statement</b>			
Total current assets	7,782,456	5,980,232	7,624,600
Less: Total current liabilities	(756,937)	(722,652)	(821,848)
Less: Total adjustments to net current assets	(5,296,278)	(5,239,172)	(5,389,585)
<b>Net current assets used in the rate setting statement</b>	<b>1,729,241</b>	<b>18,408</b>	<b>1,413,167</b>

## 25. 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
<b>Market risk - interest rate</b>	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	1.00%	5,006,771	0	4,996,305	10,466
Financial assets at amortised cost - term deposits	1.00%	2,100,000	2,100,000	0	0
<b>2018</b>					
Cash and cash equivalents	1.00%	6,332,038	2,100,000	3,573,997	658,041

#### 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*	49,963	67,851

\* 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).

## 25. 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, unemployment rates and mining down turn 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.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
	\$	\$	\$	\$	\$
<b>30 June 2019</b>					
Rates receivable	1.25%	1.25%	1.25%	1.25%	
Gross carrying amount	54,046	193,134	185,383	185,761	618,324
Loss allowance	678	2,421	2,324	2,329	7,751 *
<b>01 July 2018</b>					
Rates receivable	1.25%	1.25%	1.25%	1.25%	
Gross carrying amount	283,897	0	151,872	145,728	581,497
Loss allowance	3,559	0	1,904	1,827	7,290

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
	\$	\$	\$	\$	\$
<b>30 June 2019</b>					
Sundry receivables	0.05%	0.05%	0.05%	0.05%	
Gross carrying amount	7,294	1,758	10,170	13,155	32,377
Loss allowance	4	1	5	7	16 *
<b>01 July 2018</b>					
Sundry receivables	0.05%	0.05%	0.05%	0.05%	
Gross carrying amount	11,209	4,155	1,878	54,167	71,409
Loss allowance	6	2	1	27	36

\* - After considering the above loss allowances, the Shire elected to recognise a provision of \$31,919 based on known doubtful receivables. Refer to Note 5 for further information.



## 25. 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(e).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	324,414	0	0	324,414	378,541
Borrowings	25,432	101,729	292,471	419,632	306,640
	<u>349,846</u>	<u>101,729</u>	<u>292,471</u>	<u>744,046</u>	<u>685,181</u>
<b>2018</b>					
Payables	417,857	0	0	417,857	417,857
Borrowings	91,024	101,729	317,903	510,656	381,782
	<u>508,881</u>	<u>101,729</u>	<u>317,903</u>	<u>928,513</u>	<u>799,639</u>

## 26. TRUST FUNDS

There are no funds held at the balance date which are required to be held in the trust fund.

In previous years, bonds and deposits were held as trust monies. These funds have been reclassified to restricted cash as at 30 June 2019. Refer to Note 3 for further information

	1 July 2018	Amounts Received	Amounts Paid	Reclassified	30 June 2019
	\$	\$	\$	\$	\$
Housing Bonds	5,108	1,100	(2,208)	(4,000)	0
Council Nominations	400	0	(400)	0	0
Local Drug Action Group	661	0	0	(661)	0
Bonds Dreghorn Units	1,164	0	0	(1,164)	0
Bonds Aged Care Units	2,812	1,164	(508)	(3,468)	0
Excess Rent - Daphne Little	1,704	0	0	(1,704)	0
Morawa Oval Function Centre	2,262	0	(500)	(1,762)	0
Bonds Hall/Rec Centre Hire	1,350	270	(1,600)	(20)	0
Youth Centre	865	0	0	(865)	0
BSL/BCITF Training Levy	(399)	2,112	(1,486)	(227)	0
Haulmore Trailers Land Dep	4,641	0	0	(4,641)	0
Business Unit Bonds	0	2,559	0	(2,559)	0
	20,568	7,205	(6,702)	(21,071)	0

## 27. 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. However, there were no 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 AASB139.

The effect of adopting AASB 9 as at 1 July 2018 was assessed as not material, therefore, no adjustment was required to be recognised directly in retained surplus.

The nature of these adjustments are described below:

#### (a) Classification and measurement

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.

## 27. 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 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.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 139 value \$	AASB 9 category amortised cost \$	Fair value through OCI \$	Fair value through P/L \$
Trade receivables	629,946	629,946	0	0
	629,946	629,946	0	0

### (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 profit and loss

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018 \$	Remeasurement \$	ECL under AASB 9 as at 01 July 2018 \$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	7,746	0	7,746
	7,746	0	7,746

## 28. 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.

The Shire is in the process of assessing the impact of the standard.

### (b) Leases

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

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as 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 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.

The Shire is in the process of assessing the impact of the standard.

### (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 Shire is in the process of assessing the impact of the standard.

## 29. EVENTS AFTER THE REPORTING PERIOD

The Shire evaluated events from 30 June 2019 through to the date the financial statements were issued. No subsequent events were noted that required disclosure.

### 30. ACTIVITIES/PROGRAMS

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<b>GOVERNANCE</b> To manage Councils' Elected Members	Includes Members of Council, Civic Functions and Public Relations, Council Elections, Training/Education of members.
<b>GENERAL PURPOSE FUNDING</b> To manage Councils' finances	Includes Rates, Loans Investment and Grants
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide, develop & manage services in response to community needs.	Includes Emergency Services, Fire Services and Animal Control
<b>HEALTH</b> To provide, develop & manage services in response to community needs.	Includes Environmental Health, Medical and Health facilities and providers
<b>EDUCATION AND WELFARE</b> To provide, develop & manage services in response to community needs	Includes Education, Welfare & Children's Services, Youth Development
<b>HOUSING</b> To ensure quality housing and appropriate infrastructure is maintained.	Includes Staff and other housing, including aged care units and Dreghorn Street units.
<b>COMMUNITY AMENITIES</b> To provide, develop & manage services in response to community needs	Includes Refuse Collection, Sewerage, Cemetery, Building Control and Town Planning
<b>RECREATION AND CULTURE</b> To ensure the recreational & cultural needs of the community are met.	Includes the Swimming Pool, Halls, Library, Oval, Parks and Gardens and Recreational Facilities
<b>TRANSPORT</b> To effectively manage transport infrastructure within the shire.	Includes Roads, Footpaths, Private Works, Plant Operating Costs, Outside Crew wages and maintenance of the Airstrip.
<b>ECONOMIC SERVICES</b> To foster economic development, tourism & rural services in the district	Includes Tourism, Rural Services, Economic Development & Caravan Park
<b>OTHER PROPERTY AND SERVICES</b> To provide control accounts and reporting facilities for all other operations.	Includes Private Works, Public Works Overheads, Plant Operating Costs, Administrative Overheads and Unclassified items.

### 31. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	4.17	2.95	1.75
Asset consumption ratio	0.62	0.52	0.54
Asset renewal funding ratio	0.84	0.87	0.90
Asset sustainability ratio	0.77	0.64	1.89
Debt service cover ratio	10.47	1.66	22.76
Operating surplus ratio	(0.32)	(0.54)	0.19
Own source revenue coverage ratio	0.35	0.42	0.34

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

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

**32. OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) Goods and services tax (GST)**

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

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

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

**b) Current and non-current classification**

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

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

**e) Budget comparative figures**

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

**f) Superannuation**

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

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

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

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

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

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

**h) Fair value hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

**Valuation techniques**

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

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

**i) Impairment of assets**

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

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

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

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





**SHIRE OF MORAWA**

**Audit Closing Report – 30 June 2019**



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## 1 EXECUTIVE SUMMARY

### 1.1 Purpose of the Audit Closing Report

The primary purpose of this Audit Closing Report is to brief the Audit Committee on the results of our substantially completed audit of the 30 June 2019 financial statements of Shire of Morawa (**Shire**). This report should be read in conjunction with our Audit Planning Memorandum (**APM**) presented to the Audit Committee at our entrance meeting on 16 April 2019.

### 1.2 Scope and approach

There have been no changes to the audit scope or approach set out in the APM.

### 1.3 Key deliverable

#### 1.3.1 Annual financial statements audit report

The Auditor General is required to issue an opinion on the financial report of the Shire for the year ended 30 June 2019. The audit report will be addressed to the Councillors with a copy being forwarded to the Shire President, the Chief Executive Officer (**CEO**) and the Minister for Local Government in accordance with section 7.9(1) of the *Local Government Act 1995 (Act)*.

We expect to recommend to the Auditor General that an unqualified audit opinion is issued on the financial statements (refer section 2.1).

#### 1.3.2 Other legal and regulatory requirements audit

The Auditor General is also required to report if she becomes aware of any instance where the Shire did not comply with the requirements of the Act or the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)* as they relate to the financial report.

No such instances came to our attention during the course of the engagement (refer to section 2.3).

#### 1.3.3 Management letters

Four control weaknesses were identified during the final audit (refer section 2.4).

### 1.4 Independence

RSM Australia's audit methodology requires that we conduct regular evaluations of our independence. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interest.

## 2 AUDIT COMPLETION

### 2.1 Statutory financial statements and audit opinion

We have completed the audit fieldwork on the statutory financial report of the Shire for the year ended 30 June 2019. The financial report is a general purpose financial statement prepared in accordance with the Act, The Financial Management Regulations, and to the extent that they are not inconsistent with the Act, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standard Board (**AASB**) (including Australian interpretations).

We have discussed all significant auditing and accounting issues with management and these have been satisfactorily resolved and are discussed in this report. The audit and assurance procedures are designed to support the audit and assurance opinions and they cannot be expected to identify all weaknesses or inefficiencies in the Shire's systems and working practices.

Based on the evidence, which has been assessed during our audit, we expect to conclude that the financial report of the Shire:

- (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 Act, the Financial Management Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We expect to recommend to the Auditor General that an unqualified opinion is issued on the financial statements.

## 2.2 Emphasis of matter – basis of accounting

Note 9 to the financial report describe the basis of accounting for land under roads. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Financial Management Regulations does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. The audit opinion will not be modified in respect of this matter.

## 2.3 Audit opinion - other legal and regulatory requirements

We have completed the audit engagement fieldwork on the requirements of the *Local Government (Audit) Regulations 1996 (Audit Regulations)* and Part 6 of the Financial Management Regulations for the year ended 30 June 2019. Based on the evidence that has been assessed as part of our engagement, we expect to report that we did not identify any instances of material non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other written law.

## 2.4 Management letter – control weaknesses

Our audit approach involves the use of a rotation approach when planning our test of controls. Consequently, not all control cycles are subject to testing and only certain transaction cycles are in audit scope each year. In accordance with the APM, we performed key management control testing over the revenue, purchases, cash and fixed asset cycles. We rotated out the control testing over the payroll cycle. Based on our testing, the following control weaknesses were identified during prior period audits, the 2018/19 preliminary audit and the 2018/19 final audit:

### 2.4.1 Prior period audits

Three matters were reported as open during the prior year audit:

Findings	Rating	Status
1. Non-compliance with purchasing policy	Significant	Resolved
2. High annual leave accrual	Moderate	Open
3. Long outstanding rates receivables balances	Moderate	Open

The Shire is addressing the above open issues. We will monitor progress on these items in the 2019/20 audit.

### 2.4.2 2018/19 preliminary audit

One matter was identified during the 2018/19 preliminary audit:

Findings	Rating	Status
1. Primary and annual returns	Minor	Open

### 2.4.3 2018/19 final audit

Four matters were identified during the 2018/19 final audit:

Findings	Rating	Status
1. Incorrect allocation of leave taken	Moderate	Open
2. Recognition of depreciation expense	Moderate	Open
3. Recognition of accrued expenses	Moderate	Open
4. Documentation of management valuation inputs	Moderate	Open

### 2.5 Compliance with laws and regulations

We have reviewed the Shire's controls that are in place to manage the risk of systemic failure to comply with relevant laws and regulations. We also reviewed Council and Audit Committee minutes of meetings throughout the year to identify any non-compliance with the relevant laws and regulations.

Other than the control weakness noted during the 2018/19 audit (section 2.4), nothing has come to our attention, within the scope of our engagement, which would indicate the controls are ineffective.

### 2.6 Unadjusted audit differences

There are no unadjusted audit differences remaining at the end of the audit.

### 2.7 Summary of audit adjustments

Two audit adjustments were brought to account during the final audit.

Entry	Account number	Account Description	Debit (\$)	Credit (\$)
1	00-30100-301 905-19999 00-40700	Municipal Cash at Bank Materials and Contracts Accrued Expenses <i>To accrue expenses at 30 June 2019</i>	4,016.00 41,371.00	45,387.00
2	00-50300 170-03225-17	Units in Local Government House Trust Other Income – GPF <i>To record units in Local Government House Trust</i>	52,551.34	52,551.34

### 2.8 Subsequent events

Management has represented that, other than those matters disclosed in the financial statements, there are no significant subsequent events between the end of the financial year and the date of this Audit Closing Report, which may significantly impact the results of the operations and the state of affairs of the Shire for the financial year.

### 2.9 Contingent liabilities and commitments

Management has represented to us that, other than those matters disclosed in the financial statements, there are no other outstanding or pending litigation, contingent liabilities or commitments.

We have received and reviewed all the solicitors' confirmations and, except for those matters detailed in the notes to the financial statements, we have not become aware of any other material contingent liabilities, pending litigation or commitments.



## 2.10 Issues relevant to next audit

Accounting standards AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* come into effect for Local Governments for the reporting year ending 30 June 2020. The implementation of these standards will need to be audited for the 2020 reporting year.

## 2.11 Outstanding audit matters

The audit opinion on the statutory financial statements is subject to the finalisation of our audit process. The key matters still outstanding are:

- a) Final review of the financial statements;
- b) Receipt of signed management representation letter;
- c) Receipt of the signed financial report; and
- d) Performing our subsequent events review.

## 3 NEW ACCOUNTING STANDARD ADOPTED IN THE CURRENT YEAR

The Shire has applied AASB 9 *Financial Instruments* from 1 July 2018, which replaces components of AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Shire has elected to apply AASB 9 retrospectively, with any cumulative impact on adoption recognised as an opening balance adjustment to retained earnings at 1 July 2018.

On adoption of AASB 9, the Shire revised the allowance for impairment of receivables from the 'incurred loss' impairment model under the previous requirements of AASB139, to 'expected credit loss' impairment model under AASB 9. Although the impacts of this change in accounting policy are not material, the Shire has adjusted opening retained earnings.

The Shire has also reviewed its financial assets and financial liabilities and assessed the financial impact of adopting AASB 9. Except for some changes to the accounting policy and notes disclosure, the Shire's management has confirmed that there is no major financial impact to its financial statements.

We have reviewed the Shire's assessment of the impact of applying AASB 9 and concur with its assessment.

## 4 AREAS OF AUDIT EMPHASIS

As mentioned in the APM, our audit focus was on those areas where we assessed there to be a higher risk of material misstatement in the financial statements. We designed and performed procedures to be able to conclude, with reasonable assurance, whether each significant area is free from material misstatement. The following is a summary of the significant balances for the past three financial years:

Significant area	30 June 2019 \$	30 June 2018 \$	30 June 2017 \$
<b>Revenue and receivables cycle</b>			
• Rates	1,831,043	1,809,317	1,664,137
• Fees and charges	812,972	852,875	762,018
• Trade and other receivables	665,517	1,277,716	685,729
<b>Purchases and payment cycle</b>			
• Materials and contracts	3,858,161	2,964,088	4,373,167
• Property, plant and equipment (additions)	373,366	80,140	1,415,291
• Infrastructure (additions)	1,126,057	1,343,703	2,700,965
<b>Fixed assets cycle</b>			
• Property, plant and equipment	22,360,809	22,512,518	23,105,106
• Infrastructure	47,450,053	47,544,308	44,071,710

### 4.1 Audit conclusion on the areas of audit emphasis

Significant area	Key risks	Free from material misstatement
<b>Revenue and receivables cycle</b> <ul style="list-style-type: none"> <li>• Rates</li> <li>• Fees and charges</li> <li>• Trade and other receivables</li> </ul>	Rates revenue is material and is high-risk due to the multifaceted method of calculation, the high dependency on information systems and the significant regulatory compliance regime.	✓
<b>Purchases and payment cycle</b> <ul style="list-style-type: none"> <li>• Materials and contracts</li> <li>• Property, plant and equipment (additions)</li> <li>• Infrastructure (additions)</li> </ul>	These expenditure items are high-risk due to the materiality of the amounts, the different cost allocation methods, the strict and complex requirements of the Shire's purchasing policy and the risk of management override of controls.	✓

Significant area	Key risks	Free from material misstatement
<p><b>Fixed assets cycle</b></p> <ul style="list-style-type: none"> <li>Property, plant and equipment</li> <li>Infrastructure</li> </ul>	<p>Property, plant and equipment and Infrastructure are material assets in the Statement of Financial Position.</p> <p>Under regulation 17A of the Financial Management Regulations, the Shire's Property, Plant and Equipment and Infrastructure is to be carried at fair value less accumulated depreciation and accumulated impairment losses.</p> <p>During the year the Shire revalued Furniture and equipment and Plant and equipment in accordance with regulation 17A (4) of the Financial Management Regulations. The Shire engaged the services of Griffin Valuation Advisory to revalue these assets at \$2,153,500.</p> <p>Revaluation of Furniture and equipment and Plant and equipment is a key audit area due to the complexity of the valuation model and reliance on significant assumptions regarding the cost to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of physical wear and tear, economic and functional obsolescence.</p> <p>The Shire also conducted an impairment review of its fixed assets and formed an opinion that the fair value of fixed asset is unlikely to be materially different from its carrying amount.</p> <p>Effective from 1 July 2018, regulation 17A(5) of the Financial Management Regulations provides that an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000. The Shire has complied with this requirement and has written off the assets disclosed in Note 10(a) to the financial report.</p>	<p style="text-align: center;">✓</p>



## 5 OTHER CRITICAL DISCLOSURES IN THE FINANCIAL STATEMENTS

We also audited the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed:

Critical disclosure	Key risks	Comply with accounting standards
Related party	Disclosures of key management personnel remuneration and related party transactions are not in accordance with AASB 124 <i>Related Party Disclosures</i> .	✓
Financial Ratios	The underlying data is incomplete or inaccurate and the calculations of the ratios are incorrect and not in accordance with Financial Management Regulations.	✓

## 6 FRAUD RISK

Under Australian Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error. To address our responsibilities relating to fraud we designed and implemented audit procedures to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud. Two of those procedures and the results of those procedures are detailed below:

### 6.1 Management override of control

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare a fraudulent financial report by overriding controls that otherwise appear to be operating effectively. Management override can occur in areas such as journal entries and accounting estimates and judgements.

Based on our work, nothing has come to our attention to indicate that the Shire does not have proper processes and controls to manage the risk of management override of controls and that material key estimates and judgments are properly assessed and brought to account. Our audit did not detect any instances of fraud.

### 6.2 Element of unpredictability

We also incorporated an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting.

### 6.3 Fraud incidences during the audit

We have made enquiries of the Chair of the Audit Committee, the CEO and management regarding whether they have knowledge of any incidences of material fraud during the financial year. Based on our enquiries and other audit procedures, we did not become aware of any fraud incidences during the audit.

## 7 NEW ACCOUNTING STANDARDS NOT YET ADOPTED

### 7.1 Potential impact on new accounting standards

The Shire has assessed the potential impact on the relevant new accounting standards and conclude that there is no material impact on the Shire's financial statements. We have obtained and reviewed the Shire's impact assessments and concur with the conclusions.

The following table illustrates the applicable standards and interpretations, which have been issued but are not yet effective, which may impact the Shire in the period of initial application:

Reference	Summary	Effective date	Shire's assessment
<b>AASB 15 Revenue from Contracts with Customers</b>	<p>Replaces AASB 118 <i>Revenue</i> which covers contracts for goods and services, and AASB 111 <i>Construction Contracts</i> which covers construction contracts.</p> <p>Establishes the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard is not applicable to the Shire until the reporting year ending 30 June 2020.</p>	1 July 2019	The Shire is in the process of assessing the impact of the standard.
<b>AASB 1058 Income of Not-for-Profit Entities</b>	<p>AASB 1058 has made complementary changes to the existing AASB 1004 <i>Contributions</i> and has also added new guidance AASB 15 <i>Revenue from Contracts with Customers</i> to clarify its application in the not for profit sector.</p> <p>The standard is not applicable to the Shire until the reporting year ending 30 June 2020.</p>	1 July 2019	The Shire is in the process of assessing the impact of the standard.
<b>AASB 16 Leases</b>	<p>AASB 16 introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>The standard is not applicable to the Shire until the reporting year ending 30 June 2020.</p>	1 July 2019	The Shire is in the process of assessing the impact of the standard.

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Councillors of the Shire of Morawa**

**Report on the Audit of the Financial Report**

### ***Opinion***

I have audited the annual financial report of the Shire of Morawa 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 Morawa:

- (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 financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### ***Emphasis of Matter – Basis of Accounting***

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's 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 a financial report that is free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's Responsibility for the Audit of the Financial Report***

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

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 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 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 financial report, including the disclosures, and whether the 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) All required information and explanations were obtained by me.

- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial ratios for 2017 in Note 31 of the financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the financial report for that year.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the Shire of Morawa 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 financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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