

*Friends' Groups make a valuable contribution to the Shire's environmental projects.*



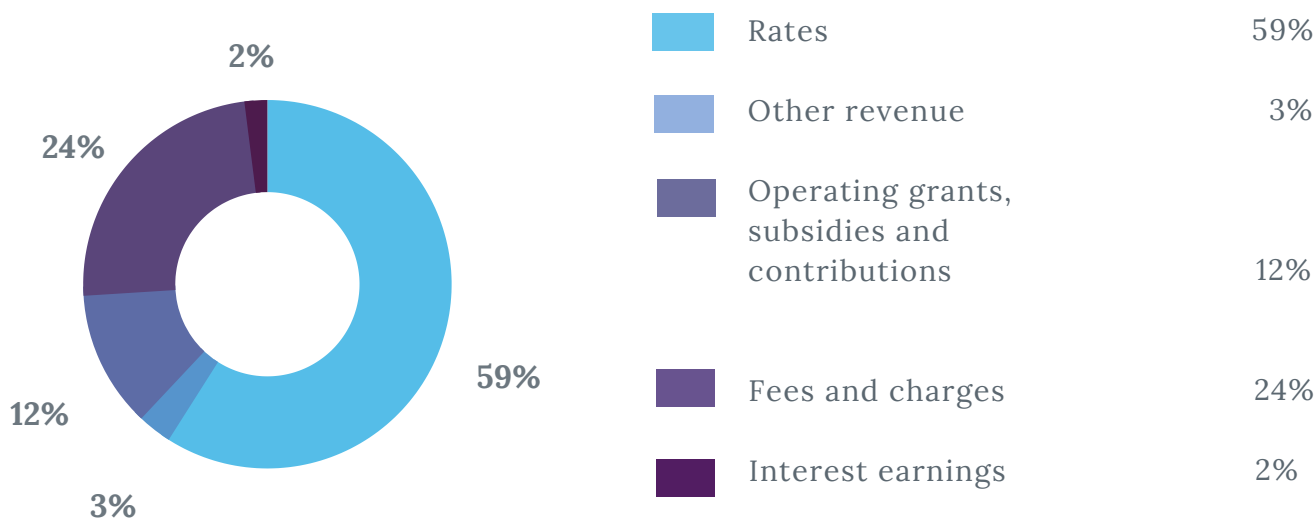


# FINANCIAL HIGHLIGHTS

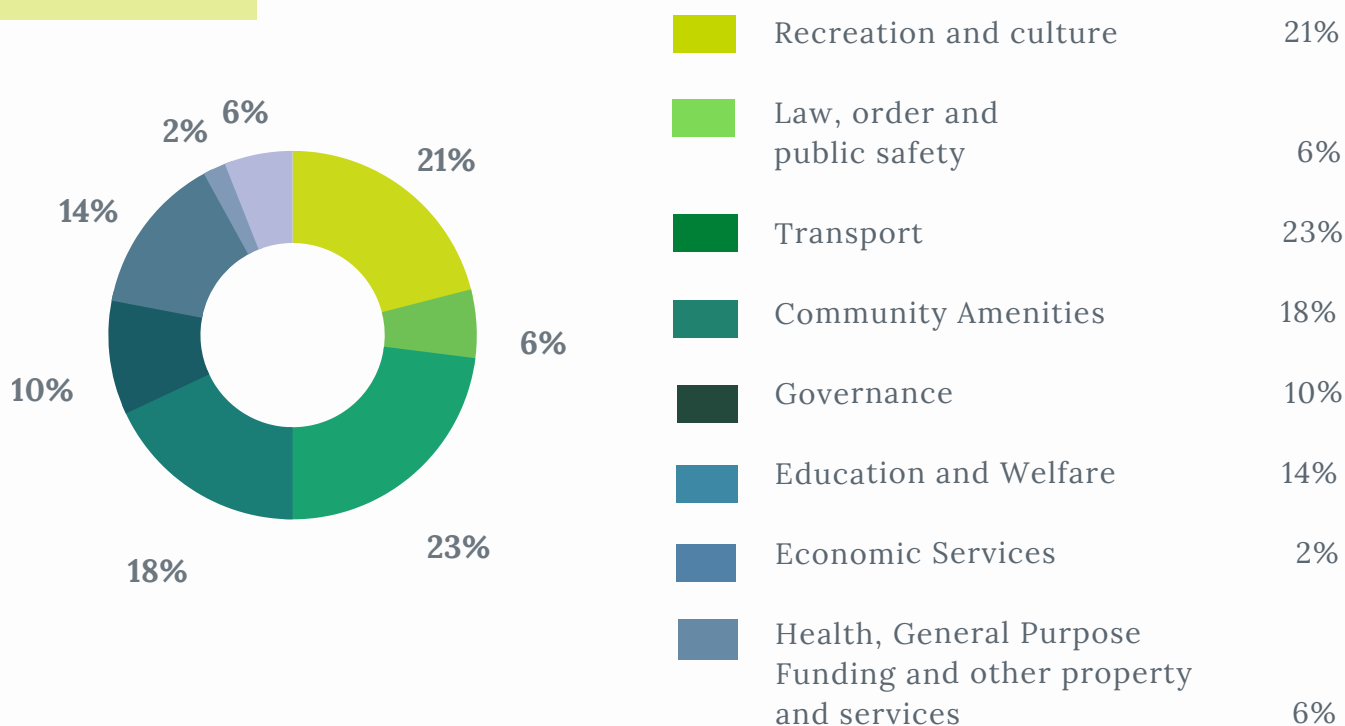
Shire of Mundaring is required, under the *Local Government Act 1995 Section 5.53*, to prepare and include audited financial statements within its Annual Report.

A selection of financial outcomes are highlighted below, followed by the full Auditor's Report.

## Revenue

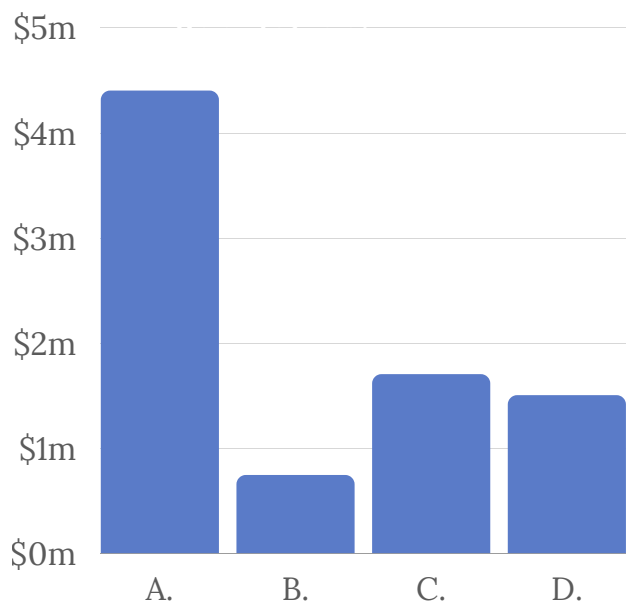


## Expenditure



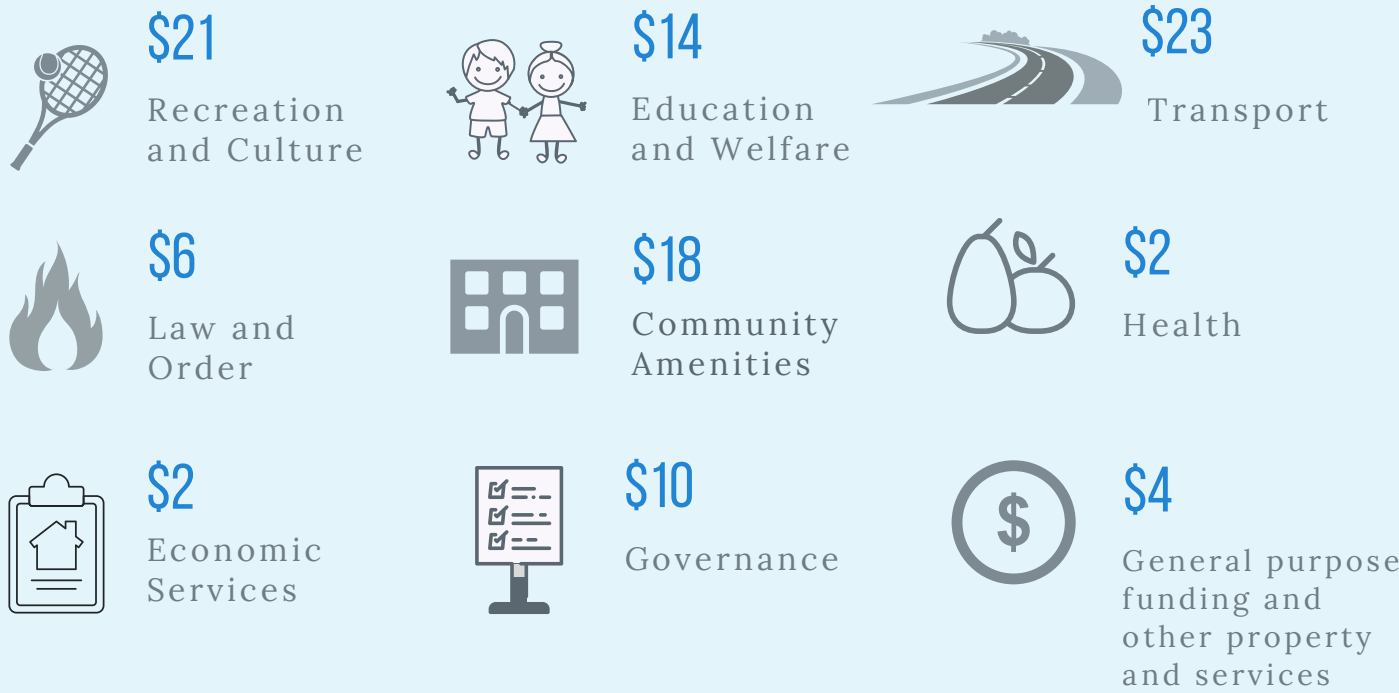
# FINANCIAL HIGHLIGHTS

## Capital Works



A. Roads and Infrastructure	\$4.4m
B. Buildings	\$0.74m
C. Parks Infrastructure	\$1.7m
D. Plant & Equipment	\$1.5m

## Expenditure by program for every \$100 spent





# ANNUAL FINANCIAL STATEMENTS

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

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**COMMUNITY VISION**

The place for sustainable living

**Principal place of business:**

7000 Great Eastern Highway, Mundaring WA 6073

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Mundaring for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Mundaring at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 1st day of December 2020



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Chief Executive Officer

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Jonathan Throssell



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	27(a)	29,096,034	29,092,301	28,386,167
Operating grants, subsidies and contributions	2(a)	6,214,762	4,436,750	6,332,488
Fees and charges	2(a)	11,793,327	12,071,901	12,792,343
Interest earnings	2(a)	857,739	1,070,620	1,097,000
Other revenue	2(a)	2,187,052	714,575	793,150
		50,148,914	47,386,147	49,401,148
<b>Expenses</b>				
Employee costs		(19,689,749)	(20,073,418)	(19,408,622)
Materials and contracts		(18,004,283)	(19,755,212)	(18,191,442)
Utility charges		(1,383,712)	(1,450,928)	(1,295,574)
Depreciation on non-current assets	11(b)	(7,533,373)	(7,309,307)	(8,950,800)
Interest expenses	2(b)	(480,450)	(470,846)	(577,456)
Insurance expenses		(472,985)	(524,246)	(488,792)
Other expenditure		(791,879)	(748,468)	(760,595)
		(48,356,431)	(50,332,425)	(49,673,281)
		1,792,483	(2,946,278)	(272,133)
Non-operating grants, subsidies and contributions	2(a)	1,912,854	1,874,323	2,024,236
Profit on asset disposals	11(a)	1,200	1,225,000	24,865
(Loss) on asset disposals	11(a)	(113,120)	(129,375)	(442,683)
Fair value adjustments to financial assets at fair value through profit or loss		2,017	0	122,620
Change in Equity - Investment in Associate	24	(1,041,469)	0	962,933
		761,482	2,969,948	2,691,971
<b>Net result for the period</b>		<b>2,553,965</b>	<b>23,670</b>	<b>2,419,838</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	7,901,385	0	701,002
Share of other comprehensive income of associate	13 & 24	125,171	0	0
<b>Total other comprehensive income for the period</b>		<b>8,026,556</b>	<b>0</b>	<b>701,002</b>
<b>Total comprehensive income for the period</b>		<b>10,580,521</b>	<b>23,670</b>	<b>3,120,840</b>

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		228,737	191,500	237,596
General purpose funding		32,453,105	31,354,421	32,058,340
Law, order, public safety		884,148	571,400	811,470
Health		66,790	50,700	107,187
Education and welfare		5,609,650	5,722,200	5,857,582
Community amenities		8,752,302	7,358,836	8,155,733
Recreation and culture		1,266,932	1,309,385	1,344,922
Transport		75,309	48,000	58,862
Economic services		270,836	277,780	246,745
Other property and services		541,105	501,925	522,711
		50,148,914	47,386,147	49,401,148
<b>Expenses</b>				
	2(b)			
Governance		(4,655,661)	(5,283,025)	(4,343,973)
General purpose funding		(861,984)	(650,773)	(622,803)
Law, order, public safety		(2,887,927)	(2,455,857)	(2,686,315)
Health		(747,168)	(732,343)	(659,616)
Education and welfare		(6,855,618)	(7,352,394)	(7,093,747)
Community amenities		(8,495,573)	(8,913,618)	(8,695,665)
Recreation and culture		(10,181,607)	(10,508,626)	(10,441,181)
Transport		(10,838,439)	(11,459,306)	(12,298,985)
Economic services		(721,473)	(759,663)	(787,286)
Other property and services		(1,630,531)	(1,745,974)	(1,466,254)
		(47,875,981)	(49,861,579)	(49,095,825)
<b>Finance Costs</b>				
	2(b)			
Governance		(240,205)	(230,601)	(270,695)
Recreation and culture		(240,245)	(240,245)	(306,761)
		(480,450)	(470,846)	(577,456)
		1,792,483	(2,946,278)	(272,133)
Non-operating grants, subsidies and contributions	2(a)	1,912,854	1,874,323	2,024,236
Profit on disposal of assets	11(a)	1,200	1,225,000	24,865
(Loss) on disposal of assets	11(a)	(113,120)	(129,375)	(442,683)
Fair value adjustments to financial assets at fair value through profit or loss		2,017	0	122,620
Change in Equity - Investment in Associate	24	(1,041,469)	0	962,933
		761,482	2,969,948	2,691,971
<b>Net result for the period</b>		<b>2,553,965</b>	<b>23,670</b>	<b>2,419,838</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	7,901,385	0	701,002
Share of other comprehensive income of associate	13 & 24	125,171	0	0
<b>Total other comprehensive income for the period</b>		<b>8,026,556</b>	<b>0</b>	<b>701,002</b>
<b>Total comprehensive income for the period</b>		<b>10,580,521</b>	<b>23,670</b>	<b>3,120,840</b>

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



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

	NOTE	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	9,256,541	8,551,291
Trade and other receivables	6	2,742,273	2,203,916
Other financial assets	5(a)	28,587,867	26,043,921
Inventories	7	92,674	96,367
Other assets	8	18,669	15,037
<b>TOTAL CURRENT ASSETS</b>		<b>40,698,024</b>	<b>36,910,532</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	1,165,797	1,020,261
Other financial assets	5(b)	124,637	122,620
Investment in associate	24	19,404,495	20,854,109
Property, plant and equipment	9	81,174,047	74,575,071
Infrastructure	10	296,591,856	295,687,864
Right of use assets	12(a)	285,695	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>398,746,527</b>	<b>392,259,925</b>
<b>TOTAL ASSETS</b>		<b>439,444,551</b>	<b>429,170,457</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	5,412,594	4,300,200
Contract liabilities	15	164,440	0
Lease liabilities	16(a)	206,263	0
Borrowings	17(a)	666,777	635,200
Employee related provisions	18	3,531,831	3,245,465
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,981,905</b>	<b>8,180,865</b>
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities	15	440,000	0
Lease liabilities	16(a)	82,752	0
Borrowings	17(a)	9,834,692	10,501,468
Employee related provisions	18	280,206	309,801
Other provisions	19	150,000	0
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10,787,650</b>	<b>10,811,269</b>
<b>TOTAL LIABILITIES</b>		<b>20,769,555</b>	<b>18,992,134</b>
<b>NET ASSETS</b>		<b>418,674,996</b>	<b>410,178,323</b>
<b>EQUITY</b>			
Retained surplus		135,761,948	142,699,111
Reserves - cash/financial asset backed	4	25,203,015	22,026,683
Revaluation surplus	13	257,710,033	245,452,529
<b>TOTAL EQUITY</b>		<b>418,674,996</b>	<b>410,178,323</b>

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

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

		RESERVES CASH/FINANCIAL		
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS
		\$	\$	\$
<b>Balance as at 1 July 2018</b>		<b>142,954,754</b>	<b>19,351,202</b>	<b>244,751,527</b>
Comprehensive income				
Net result for the period		2,419,838	0	0
Other comprehensive income	13	0	0	701,002
Total comprehensive income		2,419,838	0	701,002
Transfers from reserves	4	1,547,136	(1,547,136)	0
Transfers to reserves	4	(4,222,617)	4,222,617	0
<b>Balance as at 30 June 2019</b>		<b>142,699,111</b>	<b>22,026,683</b>	<b>245,452,529</b>
Change in accounting policies	31(b)	(1,283,848)	0	(800,000)
<b>Restated total equity at 1 July 2019</b>		<b>141,415,263</b>	<b>22,026,683</b>	<b>244,652,529</b>
Comprehensive income				
Net result for the period		2,553,965	0	0
Other comprehensive income	13	0	0	8,026,556
Total comprehensive income		2,553,965	0	8,026,556
Correction to share of associate's other comprehensive income*	13	(5,030,948)	0	5,030,948
Transfers from reserves	4	1,715,871	(1,715,871)	0
Transfers to reserves	4	(4,892,203)	4,892,203	0
<b>Balance as at 30 June 2020</b>		<b>135,761,948</b>	<b>25,203,015</b>	<b>257,710,033</b>

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

\* Relates to the Shire's share in the other comprehensive income of the EMRC in previous years being incorrectly recognised as part of the Shire's net result rather than other comprehensive income.

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		28,669,627	29,092,301	28,149,167
Operating grants, subsidies and contributions		6,589,066	4,436,750	6,253,696
Fees and charges		11,793,327	12,071,901	12,792,343
Interest received		857,739	1,070,620	1,097,000
Goods and services tax received		2,164,740	2,400,000	2,022,795
Other revenue		2,187,052	714,575	793,150
		52,261,551	49,786,147	51,108,151
<b>Payments</b>				
Employee costs		(19,331,281)	(20,073,418)	(19,154,849)
Materials and contracts		(18,334,558)	(19,755,212)	(15,562,039)
Utility charges		(1,383,712)	(1,450,928)	(1,295,574)
Interest expenses		(480,450)	(470,846)	(577,456)
Insurance paid		(472,985)	(524,246)	(488,792)
Goods and services tax paid		(2,134,905)	(2,400,000)	(2,002,242)
Other expenditure		(791,879)	(748,468)	(760,595)
		(42,929,770)	(45,423,118)	(39,841,547)
<b>Net cash provided by (used in) operating activities</b>	20	9,331,781	4,363,029	11,266,604
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	9(a)	(2,247,327)	(2,648,558)	(1,880,802)
Payments for construction of infrastructure	10(a)	(5,782,254)	(6,489,000)	(6,040,764)
Non-operating grants, subsidies and contributions	2(a)	1,912,854	1,874,323	2,024,236
Payments for financial assets at amortised cost - term deposits		(2,543,946)	0	(4,146,540)
Proceeds from sale of property, plant & equipment	11(a)	420,020	3,032,211	563,125
Proceeds from associate (dividend distribution)	24	533,316	0	0
<b>Net cash provided by (used in) investment activities</b>		(7,707,337)	(4,231,024)	(9,480,745)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(635,199)	(635,200)	(605,330)
Payments for principal portion of lease liabilities	16(b)	(283,995)	0	0
<b>Net cash provided by (used in) financing activities</b>		(919,194)	(635,200)	(605,330)
<b>Net increase (decrease) in cash held</b>		705,250	(503,195)	1,180,529
Cash at beginning of year		8,551,291	28,766,678	7,370,762
<b>Cash and cash equivalents at the end of the year</b>	20	9,256,541	28,263,483	8,551,291

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



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	28(b)	6,094,336	5,274,142	7,301,336
		6,094,336	5,274,142	7,301,336
<b>Revenue from operating activities (excluding rates)</b>				
Governance		228,737	191,500	237,596
General purpose funding		3,357,071	2,262,120	3,672,173
Law, order, public safety		884,148	571,400	811,470
Health		67,990	50,700	107,187
Education and welfare		5,609,650	5,722,200	5,857,582
Community amenities		8,752,302	7,358,836	8,155,733
Recreation and culture		1,266,932	1,869,385	1,344,922
Transport		75,309	48,000	83,727
Economic services		270,836	942,780	246,745
Other property and services		541,105	501,925	522,711
		21,054,080	19,518,846	21,039,846
<b>Expenditure from operating activities</b>				
Governance		(4,895,866)	(5,513,626)	(4,651,961)
General purpose funding		(861,984)	(650,773)	(622,803)
Law, order, public safety		(2,902,838)	(2,464,182)	(2,699,526)
Health		(747,168)	(738,090)	(660,614)
Education and welfare		(6,866,958)	(7,365,239)	(7,116,495)
Community amenities		(8,532,319)	(8,975,930)	(8,718,542)
Recreation and culture		(10,426,366)	(10,748,871)	(10,763,281)
Transport		(10,884,048)	(11,499,452)	(12,298,985)
Economic services		(721,473)	(759,663)	(789,833)
Other property and services		(1,630,531)	(1,745,974)	(1,793,924)
		(48,469,551)	(50,461,800)	(50,115,964)
Non-cash amounts excluded from operating activities	28(a)	7,870,162	6,213,682	9,341,815
<b>Amount attributable to operating activities</b>		(13,450,973)	(19,455,130)	(12,432,967)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	1,912,854	1,874,323	2,024,236
Proceeds from disposal of assets	11(a)	420,020	3,032,211	563,125
Purchase of property, plant and equipment	9(a)	(2,247,327)	(2,648,558)	(1,880,802)
Purchase and construction of infrastructure	10(a)	(5,782,254)	(6,489,000)	(6,040,764)
Proceeds from associate (dividend distribution)	24	533,316	0	0
<b>Amount attributable to investing activities</b>		(5,163,391)	(4,231,024)	(5,334,205)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(635,199)	(635,200)	(605,330)
Payments for principal portion of lease liabilities	16(b)	(283,995)	0	0
Transfers to reserves (restricted assets)	4	(4,892,203)	(5,644,276)	(4,222,617)
Transfers from reserves (restricted assets)	4	1,715,871	2,336,098	1,547,136
<b>Amount attributable to financing activities</b>		(4,095,526)	(3,943,378)	(3,280,811)
<b>Surplus/(deficit) before imposition of general rates</b>		(22,709,890)	(27,629,532)	(21,047,983)
<b>Total amount raised from general rates</b>	27(a)	29,096,034	29,092,301	28,386,167
<b>Surplus/(deficit) after imposition of general rates</b>	28(b)	<b>6,386,144</b>	<b>1,462,769</b>	<b>7,338,184</b>

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

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

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## 1. BASIS OF PREPARATION

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

### **AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

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

From 1 July 2019, the Shire has applied AASB 16 *Leases* which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

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

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

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

### **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**

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

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

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

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

### **CRITICAL ACCOUNTING ESTIMATES**

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

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

### **THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 32 to these financial statements.



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

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and charges Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Fees and charges Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Fees and charges Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Fees and charges Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Fees and charges Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Fees and charges Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Other revenue Sale of stock	Kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Other revenue Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

**2. REVENUE AND EXPENSES**

**(a) Grant revenue**

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	2,293,321	941,500	2,333,840
Law, order, public safety	647,415	375,000	617,609
Education and welfare	3,138,184	3,024,000	3,197,795
Community amenities	0	3,000	87,075
Recreation and culture	71,683	55,000	35,584
Transport	49,722	32,000	45,356
Other property and services	14,437	6,250	15,229
	6,214,762	4,436,750	6,332,488
<b>Non-operating grants, subsidies and contributions</b>			
Recreation and culture	280,855	855,000	565,161
Transport	1,631,999	1,019,323	1,459,075
	1,912,854	1,874,323	2,024,236
<b>Total grants, subsidies and contributions</b>	8,127,616	6,311,073	8,356,724
<b>Fees and charges</b>			
Governance	92,729	35,000	32,247
General purpose funding	169,700	210,500	201,448
Law, order, public safety	217,194	193,500	193,860
Health	66,790	50,700	107,187
Education and welfare	2,449,058	2,676,200	2,639,574
Community amenities	7,262,126	7,355,836	8,066,566
Recreation and culture	1,125,095	1,246,385	1,260,036
Transport	25,588	16,000	15,597
Economic services	270,836	277,780	246,745
Other property and services	114,211	10,000	29,083
	11,793,327	12,071,901	12,792,343

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, subsidies and contributions**

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

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

**Fees and Charges**

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

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

**2. REVENUE AND EXPENSES (Continued)**

(a) Revenue (Continued)	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>				
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:				
Non-operating grants, subsidies and contributions		1,912,854	1,874,323	2,024,236
		1,912,854	1,874,323	2,024,236
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:				
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period		140,000	0	0
Other revenue from performance obligations satisfied during the year		1,772,854	1,874,323	2,024,236
		1,912,854	1,874,323	2,024,236
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:				
Trade and other receivables from contracts with customers	6	296,883		274,508
Contract liabilities from contracts with customers	15	(64,440)		0
Contract liabilities from transfers for recognisable non financial assets	15	(540,000)		0

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

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

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

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



**SHIRE OF MUNDARING**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**2. REVENUE AND EXPENSES (Continued)**

**(a) Revenue (Continued)**

**Revenue from statutory requirements**

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates  
 Statutory permits and licences  
 Fines  
 Public open space contributions

**Other revenue**

Reimbursements and recoveries  
 Other

**Interest earnings**

Interest on reserve funds  
 Penalty interest (refer Note 27(c))  
 Other interest earnings

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
General rates	29,096,034	29,092,301	28,386,167
Statutory permits and licences	466,287	563,100	506,134
Fines	69,611	63,000	53,731
Public open space contributions	95,829	80,000	22,747
	29,727,761	29,798,401	28,968,779
Other revenue			
Reimbursements and recoveries	526,031	162,400	146,304
Other	1,661,021	552,175	646,846
	2,187,052	714,575	793,150
Interest earnings			
Interest on reserve funds	340,967	525,620	457,381
Penalty interest (refer Note 27(c))	199,822	195,000	221,822
Other interest earnings	316,950	350,000	417,797
	857,739	1,070,620	1,097,000

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (continued)**

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

**(b) Expenses**

**Auditors remuneration**

- Audit of the Annual Financial Report  
 - Other services

**Interest expenses (finance costs)**

Borrowings  
 Lease liabilities

Note	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	48,000	45,000	48,000
- Other services	2,600	3,000	2,710
	50,600	48,000	50,710
Interest expenses (finance costs)			
Borrowings	17(b) 467,466	470,846	577,456
Lease liabilities	16(b) 12,984	0	0
	480,450	470,846	577,456

**SHIRE OF MUNDARING**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**3. CASH AND CASH EQUIVALENTS**

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		9,256,541	8,551,291
<b>Total cash and cash equivalents</b>		<b>9,256,541</b>	<b>8,551,291</b>
<b>Restrictions</b>			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		2,277,532	2,497,594
- Financial assets at amortised cost		25,203,015	22,026,683
		<b>27,480,547</b>	<b>24,524,277</b>
The restricted assets are a result of the following specific purposes to which the assets may be used:			
Reserves - financial asset backed	4	25,203,015	22,026,683
Bonds and deposits held	14	2,277,532	2,497,594
<b>Total restricted assets</b>		<b>27,480,547</b>	<b>24,524,277</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

**Restricted assets**

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

**SHIRE OF MUNDARING**  
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**4. RESERVES - CASH/FINANCIAL ASSET BACKED**

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Plant Reserve	1,214,606	849,340	(925,215)	1,138,731	751,982	854,256	(1,041,151)	565,087	1,185,811	726,053	(697,258)	1,214,606
(b) Reserves cash backed - Civic Facilities Reserve	8,774,504	1,040,822	(239,025)	9,576,301	8,837,765	1,173,538	(674,101)	9,337,202	7,097,652	1,935,532	(258,680)	8,774,504
(c) Reserves cash backed - Information Technology Reserve	1,044,192	66,060	(30,000)	1,080,252	1,027,668	81,807	(30,000)	1,079,475	982,506	61,686	0	1,044,192
(d) Reserves cash backed - Childrens Services Reserve	2,305,803	407,386	0	2,713,189	1,721,276	53,275	(47,846)	1,726,705	2,154,342	151,461	0	2,305,803
(e) Reserves cash backed - Capital Investment Reserve	3,896,605	0	0	3,896,605	3,896,605	2,725,000	0	6,621,605	3,896,605	0	0	3,896,605
(f) Reserves cash backed - Capital Income Reserve	4,104,921	384,633	(188,000)	4,301,554	4,063,724	518,451	(323,000)	4,259,175	3,783,891	556,030	(235,000)	4,104,921
(g) Reserves cash backed - Gravel Pit Rehabilitation Reserve	59,519	912	0	60,431	24,194	749	0	24,943	58,229	1,290	0	59,519
(h) Reserves cash backed - Long Service Leave Reserve	403,533	214,580	(283,631)	334,482	553,717	227,200	(220,000)	560,917	79,914	657,565	(333,946)	403,533
(i) Reserves cash backed - Unspent Grants Reserves	223,000	464,440	(50,000)	637,440	0	0	0	0	112,252	133,000	(22,252)	223,000
(j) Reserves cash backed - Telecommunications facility Bailup reserve (Reserve 11625)	0	8,830	0	8,830	0	10,000	0	10,000	0	0	0	0
(k) Reserves cash backed - Waste management reserve	0	1,455,200	0	1,455,200	0	0	0	0	0	0	0	0
	22,026,683	4,892,203	(1,715,871)	25,203,015	20,876,931	5,644,276	(2,336,098)	24,185,109	19,351,202	4,222,617	(1,547,136)	22,026,683

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

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

**Anticipated**

**date of use**

**Purpose of the reserve**

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves cash backed - Plant Reserve	Ongoing	To fund the replacement and purchase of works plant and light vehicles.
(b) Reserves cash backed - Civic Facilities Reserve	Ongoing	To fund the construction and/or purchase of public buildings and facilities.
(c) Reserves cash backed - Information Technology Reserve	Ongoing	To fund the upgrade and replacement of the Shire's information technology.
(d) Reserves cash backed - Childrens Services Reserve	Ongoing	To provide funds for the purchase of capital items, preventative maintenance for Children Service's buildings and employee entitlements. Also allows cash surpluses to be quarantined to fund operations for future years.
(e) Reserves cash backed - Capital Investment Reserve	Ongoing	To fund the advancement of the Shire's Property Strategy.
(f) Reserves cash backed - Capital Income Reserve	Ongoing	To fund the development of Shire facilities and infrastructure.
(g) Reserves cash backed - Gravel Pit Rehabilitation Reserve	Ongoing	To fund the production of gravel and the rehabilitation of gravel pits.
(h) Reserves cash backed - Long Service Leave Reserve	Ongoing	To fund the Shire's Long Service Leave Liability.
(i) Reserves cash backed - Unspent Grants Reserves	Ongoing	To quarantine any unspent grant funds at the end of each financial year.
(j) Reserves cash backed - Telecommunications facility Bailup reserve (Reserve 11625)	Ongoing	To maintain the grounds and facilities of the reserve. Where there are surplus reserve funds, to maintain the grounds and facilities of other reserves within the locality.
(k) Reserves cash backed - Waste management reserve	Ongoing	To fund capital costs and any operating deficits associated with the provision of the Shire's waste management services.

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

**(a) Current assets**

Financial assets at amortised cost

2020	2019
\$	\$
28,587,867	26,043,921
28,587,867	26,043,921

**Other financial assets at amortised cost**

Term deposits

28,587,867	26,043,921
28,587,867	26,043,921

**(b) Non-current assets**

Financial assets at fair value through profit and loss

124,637	122,620
124,637	122,620

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

Units in Local Government House Trust

124,637	122,620
124,637	122,620

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

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

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

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

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

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

**Impairment and risk**

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



## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable	
Trade and other receivables	
GST receivable	
Waste charges	
LSL contributions - other local governments	

### Non-current

Pensioner's rates and ESL deferred	
LSL contributions - other local governments	
POS Payments	

2020	2019
\$	\$
1,906,475	1,398,710
296,883	274,508
266,384	296,219
210,605	174,833
61,926	59,646
2,742,273	2,203,916
1,106,809	990,982
31,751	2,042
27,237	27,237
1,165,797	1,020,261

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other receivables

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

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

#### Impairment and risk exposure

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

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Classification and subsequent measurement

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

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

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

SHIRE OF MUNDARING  
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## 7. INVENTORIES

### Current

Fuel and materials

	2020	2019
	\$	\$
	92,674	96,367
	92,674	96,367
	96,367	112,090
	(530,208)	(535,026)
	526,515	519,303
	92,674	96,367

The following movements in inventories occurred during the year:

### Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

### Carrying amount at end of period

## SIGNIFICANT ACCOUNTING POLICIES

### General

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

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

## 8. OTHER ASSETS

### Other assets - current

Prepayments

2020	2019
\$	\$
18,669	15,037
18,669	15,037

### SIGNIFICANT ACCOUNTING POLICIES

#### Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

SHIRE OF MUNDARING  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	25,954,702	800,000	26,754,702	41,289,820	41,289,820	68,044,522	502,864	6,637,497	42,329	75,227,212
Additions	0	0	0	505,734	505,734	505,734	83,081	1,289,937	2,050	1,880,802
(Disposals)	0	0	0	(9,646)	(9,646)	(9,646)	(344,723)	(626,574)	0	(980,943)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	701,002	0	701,002
Depreciation (expense)	0	0	0	(1,507,104)	(1,507,104)	(1,507,104)	(30,364)	(715,534)	0	(2,253,002)
Transfers	0	0	0	42,329	42,329	42,329	0	0	(42,329)	0
<b>Carrying amount at 30 June 2019</b>	25,954,702	800,000	26,754,702	40,321,133	40,321,133	67,075,835	210,858	7,286,328	2,050	74,575,071
<b>Comprises:</b>										
Gross carrying amount at 30 June 2019	25,954,702	800,000	26,754,702	64,881,463	64,881,463	91,636,165	559,413	11,040,680	2,050	103,238,308
Accumulated depreciation at 30 June 2019	0	0	0	(24,560,330)	(24,560,330)	(24,560,330)	(348,555)	(3,754,352)	0	(28,663,237)
<b>Carrying amount at 30 June 2019</b>	25,954,702	800,000	26,754,702	40,321,133	40,321,133	67,075,835	210,858	7,286,328	2,050	74,575,071
Change in accounting policy	0	(800,000)	(800,000)	0	0	(800,000)	0	0	0	(800,000)
<b>Adjusted carrying amount at 30 June 2019</b>	25,954,702	0	25,954,702	40,321,133	40,321,133	66,275,835	210,858	7,286,328	2,050	73,775,071
Additions	0	0	0	256,317	256,317	256,317	94,714	1,407,235	489,061	2,247,327
(Disposals)	0	0	0	0	0	0	(4,514)	(527,426)	0	(531,940)
Revaluation increments / (decrements) transferred to revaluation surplus	(330,002)	0	(330,002)	8,231,387	8,231,387	7,901,385	0	0	0	7,901,385
Depreciation (expense)	0	0	0	(1,517,369)	(1,517,369)	(1,517,369)	(17,668)	(682,759)	0	(2,217,796)
<b>Carrying amount at 30 June 2020</b>	25,624,700	0	25,624,700	47,291,468	47,291,468	72,916,168	283,390	7,483,378	491,111	81,174,047
<b>Comprises:</b>										
Gross carrying amount at 30 June 2020	25,624,700	0	25,624,700	74,112,701	74,112,701	99,737,401	642,458	11,304,505	491,111	112,175,475
Accumulated depreciation at 30 June 2020	0	0	0	(26,821,233)	(26,821,233)	(26,821,233)	(359,068)	(3,821,127)	0	(31,001,428)
<b>Carrying amount at 30 June 2020</b>	25,624,700	0	25,624,700	47,291,468	47,291,468	72,916,168	283,390	7,483,378	491,111	81,174,047



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9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	Level 2	Market approach using recent observable data for similar properties in the area	Independent Registered Valuers	June 2020	Price per square metre
Land - freehold land	Level 3	Cost approach	Independent Registered Valuers	June 2020	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3) inputs
Land - vested in and under the control of Council	Level 3	Cost approach	Independent Registered Valuers	June 2020	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3) inputs
Buildings - specialised	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2020	Construction costs and current condition (Level 2) and remaining useful life assessments (Level 3) inputs
<b>Furniture and equipment</b>	Level 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
<b>Plant and equipment</b>					
<b>Plant and equipment</b>	Level 2	Market approach using recent observable data for similar plant	Independent Registered Valuers	June 2019	Price per item (Level 2)
<b>Plant and equipment</b>	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	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.

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

## 10. INFRASTRUCTURE

### (a) Movements in Carrying Amounts

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks and ovals	Total Infrastructure
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	216,324,274	12,312,166	47,545,657	20,162,801	296,344,898
Additions	3,316,502	365,241	692,760	1,666,261	6,040,764
Depreciation (expense)	(4,942,433)	(245,906)	(700,438)	(809,021)	(6,697,798)
<b>Carrying amount at 30 June 2019</b>	214,698,343	12,431,501	47,537,979	21,020,041	295,687,864
<b>Comprises:</b>					
Gross carrying amount at 30 June 2019	270,400,621	15,823,108	69,903,702	27,683,796	383,811,227
Accumulated depreciation at 30 June 2019	(55,702,278)	(3,391,607)	(22,365,723)	(6,663,755)	(88,123,363)
<b>Carrying amount at 30 June 2019</b>	214,698,343	12,431,501	47,537,979	21,020,041	295,687,864
Additions	3,635,766	413,927	544,342	1,188,219	5,782,254
Recognition of rehabilitation costs for Mathieson Road Waste Transfer Station as at 30 June 2020	0	0	0	150,000	150,000
Depreciation (expense)	(3,220,207)	(249,558)	(707,365)	(851,132)	(5,028,262)
<b>Carrying amount at 30 June 2020</b>	215,113,902	12,595,870	47,374,956	21,507,128	296,591,856
<b>Comprises:</b>					
Gross carrying amount at 30 June 2020	274,036,387	16,237,035	70,448,045	29,022,015	389,743,482
Accumulated depreciation at 30 June 2020	(58,922,485)	(3,641,165)	(23,073,089)	(7,514,887)	(93,151,626)
<b>Carrying amount at 30 June 2020</b>	215,113,902	12,595,870	47,374,956	21,507,128	296,591,856

SHIRE OF MUNDARING  
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10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - roads (bridges)	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	Level 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
Infrastructure - drainage	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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**11. FIXED ASSETS**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

**Initial recognition and measurement between mandatory revaluation dates**

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

**Revaluation**

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

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

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

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY**

**Land under control prior to 1 July 2019**

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

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

**Land under roads prior to 1 July 2019**

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

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

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

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

**Land under roads from 1 July 2019**

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

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

**Vested improvements from 1 July 2019**

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

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

SHIRE OF MUNDARING  
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## 11. FIXED ASSETS

### (a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	0	0	0	0	1,500,000	2,725,000	1,225,000	0	0	0	0	0
Buildings - specialised	0	0	0	0	0	0	0	0	9,646	0	0	(9,646)
Furniture and equipment	4,514	0	0	(4,514)	0	0	0	0	344,723	2,966	0	(341,757)
Plant and equipment	527,426	420,020	1,200	(108,606)	436,586	307,211	0	(129,375)	626,574	560,159	24,865	(91,280)
	531,940	420,020	1,200	(113,120)	1,936,586	3,032,211	1,225,000	(129,375)	980,943	563,125	24,865	(442,683)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
<b>Plant and Equipment</b>				
Law, order, public safety	48,547	33,636	0	(14,911)
Health	17,164	18,364	1,200	0
Education and welfare	38,613	27,273	0	(11,340)
Community amenities	87,746	51,000	0	(36,746)
Transport	335,356	289,747	0	(45,609)
	527,426	420,020	1,200	(108,606)
<b>Furniture and equipment</b>				
Recreation and culture	4,514	0	0	(4,514)
	4,514	0	0	(4,514)
	531,940	420,020	1,200	(113,120)



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**11. FIXED ASSETS**

**(b) Depreciation**

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings	1,517,369	1,505,685	1,507,104
Furniture and equipment	17,668	26,869	30,364
Plant and equipment	682,759	706,288	715,534
Infrastructure - Roads	3,220,207	3,265,465	4,942,433
Infrastructure - Footpaths	249,558	250,000	245,906
Infrastructure - Drainage	707,365	705,000	700,438
Infrastructure - Parks and ovals	851,132	850,000	809,021
Right of use assets - furniture and equipment	287,315	0	0
	<b>7,533,373</b>	<b>7,309,307</b>	<b>8,950,800</b>

**Revision of useful lives of roads**

During the year the estimated useful lives for roads were revised. The review was based on a detailed analysis of historical renewal and intervention data for roads. This resulted in the useful lives for sealed road pavement being increased from 70-110 years to 70-150 years, and the useful lives for sealed road surface being increased from 15-30 years to 15-45 years.

**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
<b>Buildings</b>	
- Structure	30 to 75 years
- Fit out	18 to 45 years
- Mechanical	18 to 45 years
- Roof Cladding	24 to 60 years
<b>Furniture and Equipment</b>	3 to 12 years
Plant and Equipment	3 to 60 years
Sealed Roads and Streets	
- Formation	not depreciated
- Pavement	70 to 150 years
- Surface	15 to 45 years
- Kerb	60 to 70 years
<b>Unsealed Roads</b>	
- Formation	not depreciated
- Surface	15 years
<b>Drainage</b>	60 to 100 years
<b>Bridges</b>	40 to 100 years
<b>Footpaths</b>	15 to 100 years
<b>Heritage Trails</b>	
- Formation	not depreciated
- Pavement	60 years
- Point Items	15 to 100 years

**Depreciation rates (continued)**

Asset Class	Useful life
<b>Waste Transfer Stations</b>	15 to 100 years
<b>Bus Shelters</b>	20 to 50 years
<b>Parks Hard Assets</b>	5 to 80 years

**Depreciation on revaluation**

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

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

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

**Amortisation**

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

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

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

## 12. LEASES

### (a) Right of Use Assets

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

	Right of use assets - furniture and equipment \$	Right of use assets Total
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	567,397	567,397
Restated total equity at the beginning of the financial year	567,397	567,397
Additions	5,613	5,613
Depreciation (expense)	(287,315)	(287,315)
Carrying amount at 30 June 2020	285,695	285,695
(b) Cash outflow from leases		
Interest expense on lease liabilities	12,984	12,984
Lease principal expense	283,995	283,995
Total cash outflow from leases	296,979	296,979

The Shire has 6 leases relating to furniture and equipment. The lease terms range between 3 and 6 years.

The Shire has not revalued the right of use assets relating to leased furniture and equipment as the difference between the fair value and carrying amount is immaterial.

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

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

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

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

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

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

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

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

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

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

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**13. REVALUATION SURPLUS**

	2020 Opening Balance	2020 Change in Accounting Policy	2021 Transfer from Retained Surplus*	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Plant and equipment	1,627,873	0	0	0	0	0	1,627,873	926,871	701,002	0	701,002	1,627,873
Revaluation surplus - Land and buildings	41,318,001	(800,000)	0	7,901,385	0	7,901,385	48,419,386	41,318,001	0	0	0	41,318,001
Revaluation surplus - Infrastructure - roads	153,544,587	0	0	0	0	0	153,544,587	153,544,587	0	0	0	153,544,587
Revaluation surplus - Infrastructure - footpaths	6,315,940	0	0	0	0	0	6,315,940	6,315,940	0	0	0	6,315,940
Revaluation surplus - Infrastructure - drainage	30,852,091	0	0	0	0	0	30,852,091	30,852,091	0	0	0	30,852,091
Revaluation surplus - Infrastructure - parks and ovals	11,794,037	0	0	0	0	0	11,794,037	11,794,037	0	0	0	11,794,037
Revaluation surplus - EMRC Asset Valuations	0	0	5,030,948	125,171	0	125,171	5,156,119	0	0	0	0	0
	245,452,529	(800,000)	5,030,948	8,026,556	0	8,026,556	257,710,033	244,751,527	701,002	0	701,002	245,452,529

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.

\* Relates to the Shire's share in the other comprehensive income of the EMRC in previous years being incorrectly recognised as part of the Shire's net result rather than other comprehensive income.

SHIRE OF MUNDARING  
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## 14. TRADE AND OTHER PAYABLES

### Current

Sundry creditors  
Prepaid rates  
Accrued salaries and wages  
Bonds and deposits held  
Creditor accruals

2020	2019
\$	\$
1,038,072	1,093,964
1,341,033	0
359,062	257,365
2,277,532	2,497,594
396,895	451,277
5,412,594	4,300,200

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

#### Prepaid rates

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

## 15. CONTRACT LIABILITIES

### Current

Contract liabilities from contracts with customers	64,440	0
Contract liabilities from transfers for recognisable non financial assets	100,000	0
	<u>164,440</u>	<u>0</u>

### Non-current

Contract liabilities from transfers for recognisable non financial assets	440,000	0
	<u>440,000</u>	<u>0</u>
	<u>604,440</u>	<u>0</u>

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

Less than 1 year	164,440
1 to 2 years	0
2 to 3 years	440,000
3 to 4 years	0
4 to 5 years	0
> 5 years	0
	<u>604,440</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Contract Liabilities

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

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

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



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**16. LEASE LIABILITIES**

**(a) Lease Liabilities**

	2020	2019
	\$	\$
Current	206,263	0
Non-current	82,752	0
	<u>289,015</u>	<u>0</u>

**(b) Movements in Carrying Amounts**

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2019	30 June 2020 Budget New Leases	30 June 2020 Budget Lease Principal Repayments	30 June 2020 Budget Lease Principal Outstanding	30 June 2020 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2018	30 June 2019 Actual New Loans	30 June 2019 Actual Lease Principal Repayments	30 June 2019 Actual Lease Principal Outstanding	30 June 2019 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>																			
Data Centres (servers) x 2	1	HP Financial Services (Australia) P/L	3.33%	60 months	268,099	0	167,710	100,389	6,289	0	0	0	0	0	0	0	0	0	0
Security Appliance & Software	2	HP Financial Services (Australia) P/L	2.99%	60 months	132,034	0	38,259	93,775	3,381	0	0	0	0	0	0	0	0	0	0
Telvic Microphone Delegate System	4	HP Financial Services (Australia) P/L	3.05%	36 months	14,408	0	14,408	0	244	0	0	0	0	0	0	0	0	0	0
Photocopier / Printers	5	Konica Minolta Business Solutions Australia P/L	2.00%	60 months	71,657	0	29,023	42,634	1,757	0	0	0	0	0	0	0	0	0	0
Photocopier / Printers	6	Konica Minolta Business Solutions Australia P/L	1.80%	24 months	81,199	0	34,341	46,858	1,299	0	0	0	0	0	0	0	0	0	0
<b>Recreation and culture</b>																			
KSP Library Scanning / Electronics Equipment	3	HP Financial Services (Australia) P/L	4.11%	36 months	0	5,613	254	5,359	14	0	0	0	0	0	0	0	0	0	0
					<u>567,397</u>	<u>5,613</u>	<u>283,995</u>	<u>289,015</u>	<u>12,984</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

**(a) Borrowings**

	2020	2019
	\$	\$
Current	666,777	635,200
Non-current	9,834,692	10,501,468
	10,501,469	11,136,668

**(b) Repayments - Borrowings**

Particulars	Loan Number	Institution	Interest Rate	Actual Principal	30 June 2020 Actual New Loans	30 June 2020 Actual Principal repayments	30 June 2020 Actual Interest repayments	30 June 2020 Actual Principal outstanding	Budget Principal	30 June 2020 Budget New Loans	30 June 2020 Budget Principal repayments	30 June 2020 Budget Interest repayments	30 June 2020 Budget Principal outstanding	Actual Principal	30 June 2019 Actual New Loans	30 June 2019 Actual Principal repayments	30 June 2019 Actual Interest repayments	30 June 2019 Actual Principal outstanding
				1 July 2019					1 July 2019					1 July 2018				
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>																		
Civic Facility Redevelopment	170	WATC*	6.95%	3,396,782	0	281,520	227,221	3,115,262	3,396,782	0	281,520	230,601	3,115,262	3,659,454	0	262,672	270,695	3,396,782
<b>Recreation and culture</b>																		
Community Building Projects	171	WATC*	3.17%	7,739,886	0	353,679	240,245	7,386,207	7,739,887	0	353,680	240,245	7,386,207	8,082,544	0	342,658	306,761	7,739,886
				11,136,668	0	635,199	467,466	10,501,469	11,136,669	0	635,200	470,846	10,501,469	11,741,998	0	605,330	577,456	11,136,668

\* WA Treasury Corporation

All loan repayments were financed by general purpose revenue.

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**17. INFORMATION ON BORROWINGS (Continued)**

	2020	2019
	\$	\$
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	56,000	55,300
Credit card balance at balance date	(25,986)	(28,538)
<b>Total amount of credit unused</b>	<b>530,014</b>	<b>526,762</b>
<b>Loan facilities</b>		
Loan facilities - current	666,777	635,200
Loan facilities - non-current	9,834,692	10,501,468
Lease liabilities - current	206,263	0
Lease liabilities - non-current	82,752	0
<b>Total facilities in use at balance date</b>	<b>10,790,484</b>	<b>11,136,668</b>
<b>Unused loan facilities at balance date</b>	<b>0</b>	<b>0</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

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

## 18. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

#### Opening balance at 1 July 2019

Current provisions

Non-current provisions

Additional provision

Amounts used

#### Balance at 30 June 2020

#### Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2019			
Current provisions	1,545,980	1,699,485	3,245,465
Non-current provisions	0	309,801	309,801
	1,545,980	2,009,286	3,555,266
Additional provision	1,264,998	442,927	1,707,925
Amounts used	(1,164,589)	(286,565)	(1,451,154)
Balance at 30 June 2020	1,646,389	2,165,648	3,812,037
Comprises			
Current	1,646,389	1,885,442	3,531,831
Non-current	0	280,206	280,206
	1,646,389	2,165,648	3,812,037

#### Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other WA local governments

	2020	2019
	\$	\$
Less than 12 months after the reporting date	1,541,220	1,571,242
More than 12 months from reporting date	2,177,140	1,922,336
Expected reimbursements from other WA local governments	93,677	61,688
	3,812,037	3,555,266

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.

## 19. OTHER PROVISIONS

	Provision for Remediation Costs	Total
	\$	\$
<b>Opening balance at 1 July 2019</b>		
Current provisions	0	0
Non-current provisions	0	0
	<u>0</u>	<u>0</u>
 Additional provision	 150,000	 150,000
<b>Balance at 30 June 2020</b>	<b>150,000</b>	<b>150,000</b>
 <b>Comprises</b>		
Current	0	0
Non-current	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

### Provision for remediation costs

Under the licence for the operation of the Mathieson Road Waste Transfer Station, the Shire has a legal obligation to restore the site upon the expiry of the licence.

A provision for remediation is recognised when:

- there is a present obligation as a result of waste activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be reliably measured.

The estimated future obligations include the costs of restoring the affected areas.

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

The payment of the non-current obligations is expected to be post 27 June 2035 i.e. upon the expiry of the licence.

## 20. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and cash equivalents	9,256,541	28,263,483	8,551,291
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	2,553,965	23,670	2,419,838
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(2,017)	0	(122,620)
Depreciation on non-current assets	7,533,373	7,309,307	8,950,800
(Profit)/loss on sale of asset	111,920	(1,095,625)	417,818
Movement in equity in associates	1,041,469	0	(962,933)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(683,893)	0	(295,239)
(Increase)/decrease in other assets	(3,632)	0	0
(Increase)/decrease in inventories	3,693	0	15,723
Increase/(decrease) in payables	(31,454)	0	2,871,045
Increase/(decrease) in provisions	256,771	0	(3,592)
Increase/(decrease) in contract liabilities	464,440	0	0
Non-operating grants, subsidies and contributions	(1,912,854)	(1,874,323)	(2,024,236)
Net cash from operating activities	9,331,781	4,363,029	11,266,604



## 21. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	9,784,215	10,461,844
General purpose funding	40,859,714	37,375,477
Law, order, public safety	4,114,169	3,709,433
Health	586,080	337,944
Education and welfare	2,856,391	1,619,338
Community amenities	21,354,609	22,492,954
Recreation and culture	59,564,298	53,839,413
Transport	278,929,326	278,192,994
Economic services	51,219	55,568
Other property and services	21,344,530	21,085,492
	439,444,551	429,170,457

## 22. LEASING COMMITMENTS

### (a) Operating Lease Commitments

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

Payable:

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

2020	2019
\$	\$
0	283,995
0	346,002
0	629,997

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

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

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

#### Leases (Continued)

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

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

## 23. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	265,019	265,024	255,420
President's allowance	53,759	53,759	50,852
Deputy President's allowance	13,440	13,440	12,713
Travelling expenses	12,242	12,000	12,858
Telecommunications allowance and expenses	42,350	43,000	42,359
Child care expenses	1,088	0	0
	387,898	387,223	374,202

### Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	1,058,310	1,184,687
Post-employment benefits	93,006	95,800
Other long-term benefits	24,448	24,582
	1,175,764	1,305,069

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

## 23. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

KMP, other than elected members, are entitled to and do utilise the free use of the Shire's Aquatic Centres.

Elected members are provided with food and refreshments before all Council meetings.

The following transactions occurred with related parties:

#### Associate entity:

Purchase of goods and services  
 Distributions received

	2020 Actual	2019 Actual
	\$	\$
Purchase of goods and services	3,127,528	2,906,685
Distributions received	1,988,516	0

### Related Parties

The Shire's main related parties are as follows:

#### i. Key management personnel

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

#### ii. 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.

## 24. INVESTMENT IN ASSOCIATES

The Shire of Mundaring has a share in the net assets of the Eastern Metropolitan Regional Council (EMRC) as a member council. The EMRC provides services in waste management, resource recovery, environmental management and regional development.

The accounting share applicable to the Shire of Mundaring as at 30 June 2020 as disclosed in the financial statements of the EMRC is \$19,404,495. This represents the Shire's 10.52% share of the total equity of the EMRC.

	2020	2019
	\$	\$
<b>EMRC Financial Information</b>		
<b>Statement of Comprehensive Income</b>		
Revenue	44,441,898	42,510,894
Expenses	(51,693,459)	(34,265,171)
Net result	(7,251,561)	8,245,723
Other comprehensive income	1,189,840	0
Total comprehensive income	(6,061,721)	8,245,723
<b>Statement of Financial Position</b>		
Current Assets	89,551,063	107,716,368
Non Current Assets	110,359,239	99,466,539
Total assets	199,910,302	207,182,907
Current liabilities	8,026,410	7,175,888
Non Current Liabilities	7,432,011	4,493,417
Total liabilities	15,458,421	11,669,305
Net Assets	184,451,881	195,513,602

The Shire's share in the assets and liabilities based on the audited results of the EMRC is as follows:

	2020	2019
	\$	\$
Current Assets	9,420,848	11,489,374
Non Current Assets	11,609,886	10,609,421
Total assets	21,030,734	22,098,795
Current liabilities	844,385	765,404
Non Current Liabilities	781,854	479,282
Total liabilities	1,626,239	1,244,686
Net Assets	19,404,495	20,854,109
Net increase/(decrease) in share of the EMRC's net assets	(1,449,614)	962,933
Share of EMRC'S profit/(loss) from ordinary activities	(1,041,469)	962,933
Share of EMRC'S other comprehensive income	125,171	0
Share of EMRC's total comprehensive income	(916,298)	962,933
Distributions received from EMRC	(533,316)	0
Net increase/(decrease) in share of EMRC's net assets	(1,449,614)	962,933
<b>Carrying amount at 1 July</b>	20,854,109	19,891,176
Share of EMRC's total comprehensive income	(916,298)	962,933
Distributions received from EMRC	(533,316)	0
<b>Carrying amount at 30 June</b>	19,404,495	20,854,109

## 24. INVESTMENT IN ASSOCIATES (Continued)

### SIGNIFICANT ACCOUNTING POLICIES

#### Investment in associates

An associate is an entity over which the Shire has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying 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.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment in associates (Continued)

Profits and losses resulting from transactions between the Shire and the associate are eliminated to the extent of the Shire's interest in the associate. When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.



## 25. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2019/2020 financial year.

## 26. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2019/2020 financial year.

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**27. RATING INFORMATION**

**(a) Rates**

**RATE TYPE**

Differential general rate / general rate

**Gross rental valuations**

	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
GRV - Residential	0.08401	11,308	221,943,114	18,645,443	106,713	0	18,752,156	18,645,441	144,738	0	18,790,179	18,269,278
GRV - Commercial	0.08401	280	24,664,851	2,072,094	3,621	0	2,075,715	2,072,094	0	0	2,072,094	2,018,362
GRV - Light Industrial	0.08401	283	16,269,688	1,366,817	10,843	0	1,377,660	1,366,816	0	0	1,366,816	1,333,268
GRV - Rural Residential	0.08401	3,072	66,012,446	5,545,706	27,290	0	5,572,996	5,545,706	0	0	5,545,706	5,400,842

**Unimproved valuations**

UV - Rural	0.00607	243	140,867,000	854,359	0	0	854,359	854,358	0	0	854,358	833,529
<b>Sub-Total</b>		15,186	469,757,099	28,484,419	148,467	0	28,632,886	28,484,415	144,738	0	28,629,153	27,855,279

**Minimum payment**

**Gross rental valuations**

GRV - Residential	864	453	3,524,208	391,392	0	0	391,392	391,392	0	0	391,392	291,827
GRV - Commercial	864	3	22,790	2,592	0	0	2,592	2,592	0	0	2,592	2,523
GRV - Light Industrial	864	1	8,400	864	0	0	864	864	0	0	864	841
GRV - Rural Residential	864	74	677,630	63,936	0	0	63,936	63,936	0	0	63,936	63,916

**Unimproved valuations**

UV - Mining	1,091	4	50,239	4,364	0	0	4,364	4,364	0	0	4,364	4,248
<b>Sub-Total</b>		535	4,283,267	463,148	0	0	463,148	463,148	0	0	463,148	363,355

Movement in prepaid rates

Total amount raised from general rate

Totals

0	0	0	0	0	0	0	0	0	0	0	0	0
29,096,034	29,096,034	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	28,386,167
29,096,034	29,096,034	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	29,092,301	28,386,167

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

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

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

**SHIRE OF MUNDARING**  
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**27. RATING INFORMATION (Continued)**

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

**Waivers or Concessions**

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

**Type**

**Discount**

**%**

**Discount**

**\$**

**2020  
Actual**

**\$**

**2020  
Budget**

**\$**

**2019  
Actual**

**\$**

Rates	Write-Off	0.00%	0	1,290	500	44
Penalty Interest	Write-Off	0.00%	0.00	342	5,000	2,826
				1,632	5,500	2,870
Total discounts/concessions (Note 27(a))				1,632	5,500	2,870

No discount or concession on rates was available.

## 27. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	22/08/2019	0.00	0.00%	11.00%
<b>Option Two</b>				
First instalment	22/08/2019	0.00	0.00%	11.00%
Second instalment	24/10/2019	9.50	0.00%	11.00%
Third instalment	9/01/2020	9.50	0.00%	11.00%
Fourth instalment	12/03/2020	9.50	0.00%	11.00%
		<b>2020 Actual</b>	<b>2020 Budget</b>	<b>2019 Actual</b>
		\$	\$	\$
Interest on unpaid rates		199,822	195,000	221,822
Charges on instalment plan		154,003	153,000	151,443
		353,825	348,000	373,265

**SHIRE OF MUNDARING**  
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**28. RATE SETTING STATEMENT INFORMATION**

		2019/20 Budget	2019/20	2018/19
		(30 June 2020	(1 July 2019	(30 June 2019
		Carried	Brought	Carried
Note		Forward)	Forward)	Forward
		\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	11(a)	(1,200)	(1,225,000)	(24,865)
Movement in pensioner deferred rates (non-current)		(115,827)	0	(64,053)
Movement in employee benefit provisions (non-current)		(59,304)	0	37,250
Grants and contributions received accounted for as non-current contract liabilities		400,000	0	0
Add: Loss on disposal of assets	11(a)	113,120	129,375	442,683
Add: Depreciation on non-current assets	11(b)	7,533,373	7,309,307	8,950,800
<b>Non cash amounts excluded from operating activities</b>		<b>7,870,162</b>	<b>6,213,682</b>	<b>9,341,815</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
Less: Reserves - cash/financial asset backed	4	(25,203,015)	(24,185,109)	(22,026,683)
Add:				
- Current portion of borrowings	17(a)	666,777	666,777	635,200
- Current portion of lease liabilities	16(a)	206,263	0	0
<b>Total adjustments to net current assets</b>		<b>(24,329,975)</b>	<b>(23,518,332)</b>	<b>(21,391,483)</b>
<b>Net current assets used in the Rate Setting Statement</b>				
Total current assets		40,698,024	30,357,555	36,910,532
Less: Total current liabilities		(9,981,905)	(5,376,454)	(8,180,865)
Less: Total adjustments to net current assets		(24,329,975)	(23,518,332)	(21,391,483)
<b>Net current assets used in the Rate Setting Statement</b>		<b>6,386,144</b>	<b>1,462,769</b>	<b>7,338,184</b>
<b>(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>				
<b>Total current assets at 30 June 2019</b>				36,910,532
- Contract assets	30(a)			0
<b>Total current assets at 1 July 2019</b>				<b>36,910,532</b>
<b>Total current liabilities at 30 June 2019</b>				(8,180,865)
- Contract liabilities from transfers for recognisable non financial assets	30(b)			(100,000)
- Rates paid in advance	30(b)			(1,143,848)
<b>Total current liabilities at 1 July 2019</b>				<b>(9,424,713)</b>

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## 29. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	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	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>2020</b>					
Cash and cash equivalents	0.25%	9,256,541	0	9,250,941	5,600
Financial assets at amortised cost - term deposits	1.16%	28,587,867	28,587,867	0	0
<b>2019</b>					
Cash and cash equivalents	1.40%	8,551,291	0	8,545,691	5,600
Financial assets at amortised cost	2.60%	26,043,921	26,043,921	0	0

#### Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	378,444	345,952

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17(b).



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**29. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit risk**

**Trade and Other Receivables**

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

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

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

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

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

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for rates receivable. No expected credit loss was forecast on 30 June 2019 or 30 June 2020 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,515,848	102,160	100,422	188,045	1,906,475
Loss allowance	0	0	0	0	0
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,050,715	93,246	89,490	165,259	1,398,710
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for trades receivables as historical data indicates that any expected credit loss would be immaterial.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	383,135	13,237	11,100	100,016	507,488
Loss allowance	0	0	0	0	0
<b>30 June 2019</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	433,487	13,089	1,006	1,759	449,341
Loss allowance	0	0	0	0	0

## 29. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<b>2020</b>					
Payables	5,412,594	0	0	5,412,594	5,412,594
Borrowings	1,103,182	4,412,729	7,961,955	13,477,866	10,501,469
Contract liabilities	164,440	440,000	0	604,440	604,440
Lease liabilities	211,170	84,115	0	295,285	289,015
	6,891,386	4,936,844	7,961,955	19,790,185	16,807,518
<b>2019</b>					
Payables	4,300,200	0	0	4,300,200	4,300,200
Borrowings	1,103,182	4,412,729	9,065,137	14,581,048	11,136,668
	5,403,382	4,412,729	9,065,137	18,881,248	15,436,868

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**30. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS**

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

**(a) AASB 15: Revenue from Contracts with Customers**

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. No adjustments were made to the amounts recognised in the Statement of Financial Position at the date of initial application (1 July 2019).

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

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

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

	Note	AASB 118 and AASB 1004 carrying amount 30 June 2019 \$	Reclassification \$	AASB 1058 carrying amount 01 July 2019 \$
<b>Trade and other payables</b>				
Rates paid in advance	14	0	(1,143,848)	(1,143,848)
<b>Contract liabilities - current</b>				
Contract liabilities from transfers for recognisable non financial assets	15	0	(100,000)	(100,000)
<b>Contract liabilities non-current</b>				
Contract liabilities from transfers for recognisable non financial assets	15	0	(40,000)	(40,000)
Adjustment to retained surplus from adoption of AASB 1058	31(b)		(1,283,848)	

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

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

Volunteer services were not recognised as the fair value of the services cannot be reliably estimated.

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**30. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)**

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

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	27(a)	29,096,034	1,341,033	30,437,067
Operating grants, subsidies and contributions	2(a)	6,214,762	64,440	6,279,202
Fees and charges	2(a)	11,793,327	0	11,793,327
Non-operating grants, subsidies and contributions	2(a)	1,912,854	540,000	2,452,854
Net result		2,553,965	1,945,473	4,499,438
<b>Statement of Financial Position</b>				
Trade and other payables	14	5,412,594	(1,341,033)	4,071,561
Contract liabilities	15	604,440	(604,440)	0
Net assets		418,674,996	1,945,473	420,620,469
<b>Statement of Changes in Equity</b>				
Net result		2,553,965	1,945,473	4,499,438
Retained surplus		135,761,948	1,945,473	137,707,421

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

**(c) AASB 16: Leases**

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

On adoption of AASB 16, the Shire recognised lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is 3.06%.

	Note	2020 \$
Operating lease commitments at 30 June 2019 applying AAS 117		629,997
Discount applied using incremental borrowing rate		(62,600)
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate of 3.06%	16(b)	567,397
Lease liability - current		283,742
Lease liability - non-current		283,655
Right-of-use assets recognised at 1 July 2019		567,397

On adoption of AASB 16, the Shire recognised 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 deemed to be equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. Property, plant and equipment increased by \$567,397 on 1 July 2019 resulting in no impact on retained surplus.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Asset for which the fair value as at the date of acquisition is under \$5000 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.

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**31. CHANGE IN ACCOUNTING POLICIES**

**(a) Change in Accounting Policies due to regulation changes**

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

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

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

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	9	74,575,071	(800,000)	73,775,071
Revaluation surplus	13	245,452,529	(800,000)	244,652,529

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

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

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			142,699,111
Adjustment to retained surplus from adoption of AASB 15	30(a)	0	
Adjustment to retained surplus from adoption of AASB 1058	30(b)	(1,283,848)	(1,283,848)
Retained surplus - 1 July 2019			141,415,263

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

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			245,452,529
Adjustment to revaluation surplus from deletion of FM Reg 16	31(a)	(800,000)	
Adjustment to revaluation surplus from deletion of FM Reg 17	31(a)	0	(800,000)
Revaluation surplus - 1 July 2019			244,652,529

## 32. TRUST FUNDS

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

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
Public Open Space Contributions	3,357,786	106,397	(95,829)	3,368,354
	3,357,786	106,397	(95,829)	3,368,354



# SHIRE OF MUNDARING

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

### FOR THE YEAR ENDED 30 JUNE 2020

#### 33. OTHER SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

##### c) Rounding off figures

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

##### d) Comparative figures

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

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

##### e) Budget comparative figures

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

##### f) Superannuation

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

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

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

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

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

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

##### h) Fair value hierarchy

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

##### Level 1

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

##### Level 2

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

##### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

##### Valuation techniques

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

##### Market approach

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

##### Income approach

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

##### Cost approach

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

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

##### i) Impairment of assets

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

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

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

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

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**34. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<b>GOVERNANCE</b> To provide a decision making process for the efficient allocation of resources.	Includes the activities of members of council and the administrative support required for the Council and Shire services.
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer community.	Supervision and enforcement of legislation and various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
<b>HEALTH</b> To provide an operational framework for environmental and community health.	Prevention of human illnesses, including inspection of premises/food control.
<b>EDUCATION AND WELFARE</b> To provide services to disadvantaged persons, the elderly, children and youth.	Operating and maintaining child minding centres and playgroup centres. Provision of services and programs for the youth and seniors of the Shire.
<b>COMMUNITY AMENITIES</b> To provide essential services required by the community.	Rubbish collection services, operation of waste disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.
<b>RECREATION AND CULTURE</b> To establish and effectively manage infrastructure and resources which will help the social well being of the community.	Maintenance of public halls, civic centres, aquatic centres, lake, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries and other cultural facilities.
<b>TRANSPORT</b> To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, pathways, depots, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
<b>ECONOMIC SERVICES</b> To help promote the shire and its economic wellbeing.	Tourism and area promotion. Provision of standpipes. Approval of building construction and implementation of statutory building controls.
<b>OTHER PROPERTY AND SERVICES</b> To monitor and control the Shire's overheads operating accounts.	Public works overheads, plant and equipment operations and activities not reported in the above programs.

### 35. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.83	2.35	2.29
Asset consumption ratio	0.72	0.73	0.74
Asset renewal funding ratio	1.13	1.11	1.14
Asset sustainability ratio	0.76	0.56	0.62
Debt service cover ratio	7.59	8.39	7.27
Operating surplus ratio	0.02	0.01	0.02
Own source revenue coverage ratio	0.87	0.85	0.86

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

### 36. SUBSEQUENT EVENTS

There have been no material events after the end of the reporting period that would require an adjustment or disclosure in the financial report.

### 37. CONTINGENT LIABILITIES

As at the end of the reporting period the Shire had no contingent liabilities that could result in a future financial obligation.



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the Shire of Mundaring

#### Report on the Audit of the Financial Report

##### **Opinion**

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

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

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

##### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past three years.  
The financial ratios are reported in Note 35 of the financial report.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

### **Other Matter**

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

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

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



ALOHA MORRISSEY  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
7 December 2020





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