

SHIRE OF MERREDIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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The Shire of Merredin conducts the operations of a local government with the following community vision:

*Merredin is the commercial and cultural heart of the eastern Wheatbelt region.
A place people are proud to call home and where visitors are always welcome.*

Principal place of business:
Cnr King & Barrack Streets
MERREDIN WA 6415

**SHIRE OF MERREDIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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

STATEMENT BY CEO

The accompanying financial report of the Shire of Merredin has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the _____ day of _____ 2023

Chief Executive Officer

Lisa Clack

Name of Chief Executive Officer

SHIRE OF MERREDIN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
Revenue				
Rates	2(a),22	4,850,490	4,851,200	4,671,042
Grants, subsidies and contributions	2(a)	4,777,148	1,026,200	4,086,381
Fees and charges	2(a)	955,099	906,300	849,001
Interest revenue	2(a)	249,447	109,000	72,235
Other revenue	2(a)	327,025	252,700	339,640
		11,159,209	7,145,400	10,018,299
Expenses				
Employee costs	2(b)	(4,132,657)	(3,867,020)	(3,920,669)
Materials and contracts		(3,215,451)	(3,689,090)	(3,253,782)
Utility charges		(448,133)	(345,960)	(303,268)
Depreciation		(5,875,660)	(3,607,000)	(5,085,197)
Finance costs	2(b)	(20,850)	(52,100)	(24,399)
Insurance		(233,996)	(157,770)	(205,427)
Other expenditure	2(b)	(320,434)	(229,900)	(356,443)
		(14,247,181)	(11,948,840)	(13,149,185)
		(3,087,972)	(4,803,440)	(3,130,886)
Capital grants, subsidies and contributions	2(a)	2,545,283	7,205,800	1,750,640
Profit on asset disposals		166,999	157,200	14,418
Loss on asset disposals		(150,546)	(231,600)	(43,541)
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	6,450	0	6,994
		2,568,186	7,131,400	1,728,511
Net result for the period		(519,786)	2,327,960	(1,402,375)
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	15	48,746,061	0	(359,019)
Total other comprehensive income for the period		48,746,061	0	(359,019)
Total comprehensive income for the period		48,226,275	2,327,960	(1,761,394)

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

**SHIRE OF MERREDIN
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	NOTE	2023	2022
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	12,218,595	11,125,672
Trade and other receivables	5	973,054	964,836
Other financial assets	4(a)	36,834	35,080
Inventories	6	32,708	10,101
Other assets	7	333,764	132,467
TOTAL CURRENT ASSETS		13,594,955	12,268,156
NON-CURRENT ASSETS			
Trade and other receivables	5	111,077	134,382
Other financial assets	4(b)	332,470	362,853
Inventories	6	184,000	244,000
Property, plant and equipment	8	30,598,537	31,430,059
Infrastructure	9	205,789,653	158,270,436
TOTAL NON-CURRENT ASSETS		237,015,737	190,441,730
TOTAL ASSETS		250,610,692	202,709,886
CURRENT LIABILITIES			
Trade and other payables	11	787,649	669,675
Other liabilities	12	1,288,770	1,641,567
Borrowings	13	99,461	95,779
Employee related provisions	14	571,585	551,288
TOTAL CURRENT LIABILITIES		2,747,465	2,958,309
NON-CURRENT LIABILITIES			
Borrowings	13	389,989	489,450
Employee related provisions	14	52,979	68,143
TOTAL NON-CURRENT LIABILITIES		442,968	557,593
TOTAL LIABILITIES		3,190,433	3,515,902
NET ASSETS		247,420,259	199,193,984
EQUITY			
Retained surplus		55,389,068	55,870,943
Reserve accounts	25	6,975,873	7,013,784
Revaluation surplus	15	185,055,318	136,309,257
TOTAL EQUITY		247,420,259	199,193,984

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

**SHIRE OF MERREDIN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2021		58,474,273	5,812,829	136,668,276	200,955,378
Comprehensive income for the period					
Net result for the period		(1,402,375)	0	0	(1,402,375)
Other comprehensive income for the period	15	0	0	(359,019)	(359,019)
Total comprehensive income for the period		(1,402,375)	0	(359,019)	(1,761,394)
Transfers from reserve accounts	25	300,000	(300,000)	0	0
Transfers to reserve accounts	25	(1,500,955)	1,500,955	0	0
Balance as at 30 June 2022		55,870,943	7,013,784	136,309,257	199,193,984
Comprehensive income for the period					
Net result for the period		(519,786)	0	0	(519,786)
Other comprehensive income for the period	15	0	0	48,746,061	48,746,061
Total comprehensive income for the period		(519,786)	0	48,746,061	48,226,275
Transfers from reserve accounts	25	687,193	(687,193)	0	0
Transfers to reserve accounts	25	(649,282)	649,282	0	0
Balance as at 30 June 2023		55,389,068	6,975,873	185,055,318	247,420,259

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

**SHIRE OF MERREDIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2022 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		4,858,156	4,556,572
Grants, subsidies and contributions		4,201,103	4,913,080
Fees and charges		955,099	893,209
Interest revenue		249,447	72,235
Goods and services tax received		259,603	301,738
Other revenue		327,022	339,640
		10,850,430	11,076,474
Payments			
Employee costs		(4,040,397)	(4,013,330)
Materials and contracts		(3,369,446)	(3,771,211)
Utility charges		(448,133)	(303,268)
Finance costs		(20,850)	(24,399)
Insurance paid		(233,996)	(205,427)
Goods and services tax paid		(259,356)	(287,269)
Other expenditure		(320,434)	(356,443)
		(8,692,612)	(8,961,347)
Net cash provided by (used in) operating activities		2,157,818	2,115,127
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(1,431,767)	(669,417)
Payments for construction of infrastructure	9(a)	(2,916,520)	(3,047,127)
Capital grants, subsidies and contributions		2,796,643	1,750,640
Proceeds from financial assets at amortised cost - self supporting loans		35,080	33,409
Proceeds from sale of property, plant & equipment		547,448	204,506
Net cash provided by (used in) investing activities		(969,116)	(1,727,989)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	24(a)	(95,779)	(92,242)
Net cash provided by (used In) financing activities		(95,779)	(92,242)
Net increase (decrease) in cash held		1,092,923	294,896
Cash at beginning of year		11,125,672	10,830,776
Cash and cash equivalents at the end of the year		12,218,595	11,125,672

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

**SHIRE OF MERREDIN
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2023 Budget \$	2022 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	22	4,787,289	4,785,500	4,607,841
Rates excluding general rates	22	63,201	65,700	63,201
Grants, subsidies and contributions		4,777,148	1,026,200	4,086,381
Fees and charges		955,099	906,300	849,001
Interest revenue		249,447	109,000	72,235
Other revenue		327,025	252,700	339,640
Profit on asset disposals		166,999	157,200	14,418
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	6,450	0	6,994
		11,332,658	7,302,600	10,039,711
Expenditure from operating activities				
Employee costs		(4,132,657)	(3,867,020)	(3,920,669)
Materials and contracts		(3,215,451)	(3,689,090)	(3,253,782)
Utility charges		(448,133)	(345,960)	(303,268)
Depreciation		(5,875,660)	(3,607,000)	(5,085,197)
Finance costs		(20,850)	(52,100)	(24,399)
Insurance		(233,996)	(157,770)	(205,427)
Other expenditure		(320,434)	(229,900)	(356,443)
Loss on asset disposals		(150,546)	(231,600)	(43,541)
		(14,397,727)	(12,180,440)	(13,192,726)
Non-cash amounts excluded from operating activities	23(a)	5,920,898	3,681,400	5,095,231
Amount attributable to operating activities		2,855,829	(1,196,440)	1,942,216
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		2,545,283	7,205,800	1,750,640
Proceeds from disposal of assets		547,448	461,000	204,506
Proceeds from financial assets at amortised cost - self supporting loans	24(a)	35,080	33,410	33,409
		3,127,811	7,700,210	1,988,555
Outflows from investing activities				
Purchase of property, plant and equipment	8(a)	(1,431,767)	(2,252,100)	(669,417)
Purchase and construction of infrastructure	9(a)	(2,916,520)	(9,136,800)	(3,047,127)
		(4,348,287)	(11,388,900)	(3,716,544)
Amount attributable to investing activities		(1,220,476)	(3,688,690)	(1,727,989)
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	24(a)	0	1,300,000	0
Transfers from reserve accounts	25	687,193	1,652,300	300,000
		687,193	2,952,300	300,000
Outflows from financing activities				
Repayment of borrowings	24(a)	(95,779)	(147,700)	(92,242)
Transfers to reserve accounts	25	(649,282)	(46,000)	(1,500,955)
		(745,061)	(193,700)	(1,593,197)
Amount attributable to financing activities		(57,868)	2,758,600	(1,293,197)
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	23(b)	2,356,761	2,254,300	3,435,731
Amount attributable to operating activities		2,855,829	(1,196,440)	1,942,216
Amount attributable to investing activities		(1,220,476)	(3,688,690)	(1,727,989)
Amount attributable to financing activities		(57,868)	2,758,600	(1,293,197)
Surplus or deficit after imposition of general rates	23(b)	3,934,246	127,770	2,356,761

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

**SHIRE OF MERREDIN
FOR THE YEAR ENDED 30 JUNE 2023
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**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

1. BASIS OF PREPARATION

The financial report of Shire of Merredin which is a Class 3 Local Government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied except for disclosure requirements of:

- AASB 7 Financial Instruments Disclosures
- AASB 16 Leases paragraph 58
- AASB 101 Presentation of Financial Statements paragraph 61
- AASB 107 Statement of Cash Flows paragraphs 43 and 45
- AASB 116 Property, Plant and Equipment paragraph 79
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
- AASB 140 Investment Property paragraph 75(f)
- AASB 1052 Disaggregated Disclosures paragraph 11
- AASB 1054 Australian Additional Disclosures paragraph 16

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

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

The local government reporting entity

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

Judgements and 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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual financial report

New accounting standards for application in future years

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

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
This standard will result in a terminology change for significant accounting policies
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities
The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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	Timing of revenue recognition
Grants, subsidies and contributions	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	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management.	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
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	On entry to facility
Fees and charges - sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	At point of sale
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	At point of service

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

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	4,850,490	0	0	0	4,850,490
Grants, subsidies and contributions	4,777,148	0	0	0	4,777,148
Fees and charges	955,099	0	0	0	955,099
Interest revenue	12,075	0	60,632	176,740	249,447
Other revenue	327,025	0	0	0	327,025
Capital grants, subsidies and contributions	0	2,512,864	0	32,419	2,545,283
Total	10,921,837	2,512,864	60,632	209,159	13,704,492

For the year ended 30 June 2022

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	4,671,042	0	0	0	4,671,042
Grants, subsidies and contributions	4,086,381	0	0	0	4,086,381
Fees and charges	849,001	0	0	0	849,001
Interest revenue	13,776	0	56,965	1,494	72,235
Other revenue	339,640	0	0	0	339,640
Capital grants, subsidies and contributions	0	1,750,640	0	0	1,750,640
Total	9,959,840	1,750,640	56,965	1,494	11,768,939

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Note	2023 Actual \$	2022 Actual \$
Interest revenue		
Financial assets at amortised cost - self supporting loans	12,075	13,776
Interest on reserve account funds	120,917	0
Trade and other receivables overdue interest	60,632	56,965
Other interest revenue	55,823	1,494
	<u>249,447</u>	<u>72,235</u>
The 2023 original budget estimate in relation to: Trade and other receivables overdue interest was \$18,000		
Fees and charges relating to rates receivable		
Charges on instalment plan	16,774	16,796
The 2023 original budget estimate in relation to: Charges on instalment plan was \$17,000		
(b) Expenses		
Auditors remuneration		
- Audit of the Annual Financial Report	29,250	26,000
- Other services – grant acquittals	2,850	0
	<u>32,100</u>	<u>26,000</u>
Employee Costs		
Employee benefit costs	3,895,948	3,713,782
Other employee costs	236,709	206,887
	<u>4,132,657</u>	<u>3,920,669</u>
Finance costs		
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	20,850	24,399
	<u>20,850</u>	<u>24,399</u>
Other expenditure		
Impairment losses on rates and statutory receivables	57,263	163,248
Sundry expenses	263,171	193,195
	<u>320,434</u>	<u>356,443</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

3. CASH AND CASH EQUIVALENTS

Note	2023	2022
	\$	\$
Cash at bank and on hand	12,218,595	11,125,672
Total cash and cash equivalents	12,218,595	11,125,672
Held as		
- Unrestricted cash and cash equivalents	3,953,952	2,470,321
- Restricted cash and cash equivalents	8,264,643	8,655,351
	12,218,595	11,125,672

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.

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

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, 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 and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

(a) Current assets

	2023	2022
	\$	\$
Financial assets at amortised cost	36,834	35,080
	36,834	35,080

Other financial assets at amortised cost

Self supporting loans receivable	36,834	35,080
	36,834	35,080

Held as

- Unrestricted other financial assets at amortised cost	36,834	35,080
	36,834	35,080

(b) Non-current assets

Financial assets at amortised cost	189,863	226,697
Financial assets at fair value through profit or loss	142,607	136,156
	332,470	362,853

Financial assets at amortised cost

Self supporting loans receivable	189,863	226,697
	189,863	226,697

Financial assets at fair value through profit or loss

Units in Local Government House Trust - opening balance	136,157	129,162
Movement attributable to fair value increment	6,450	6,994
Units in Local Government House Trust - closing balance	142,607	136,156

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 24(a) as self supporting loans. Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

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.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 21 (i)) due to the observable market rates).

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit or loss

The Shire has elected to classify the following financial assets at fair value through profit or 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 elected to recognise as fair value gains and losses through profit or loss.

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

5. TRADE AND OTHER RECEIVABLES

Current

Rates and statutory receivables	733,267	696,690
Trade receivables	253,215	183,998
GST receivable	0	247
Allowance for credit losses of other receivables	(24,156)	(44,208)
Other receivables	10,712	2,285
ATO Liabilities	16	125,824

Non-current

Rates and statutory receivables	111,077	134,382
	111,077	134,382

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

Other receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non financial assets.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Note	2023	2022
	\$	\$
	733,267	696,690
	253,215	183,998
	0	247
	(24,156)	(44,208)
	10,712	2,285
	16	125,824
	973,054	964,836
	111,077	134,382
	111,077	134,382

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire 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 MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

6. INVENTORIES

Note	2023	2022
	\$	\$
Current		
Fuel and materials	32,708	10,101
	32,708	10,101
Non-current		
Land held for resale	184,000	244,000
	184,000	244,000
The following movements in inventories occurred during the year:		
Balance at beginning of year	254,101	254,610
Inventories expensed during the year	(370,882)	(362,482)
Additions to inventory	333,489	361,973
Balance at end of year	216,708	254,101

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

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

Land held for resale (Continued)

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

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

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

7. OTHER ASSETS

	2023	2022
	\$	\$
Accrued income	8,472	7,538
Contract assets	325,292	124,929
	333,764	132,467

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.

Contract assets

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at Note 2(b).

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - non- specialised	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$		\$	\$	\$
Balance at 1 July 2021	2,551,000	2,594,060	28,457,987	33,603,047	176,360	2,925,960	36,705,367
Additions	0	0	61,837	61,837	0	607,580	669,417
Disposals	0	0	0	0	0	(233,629)	(233,629)
Revaluation increments / (decrements) transferred to revaluation surplus	(291,000)	1,291,136	(1,359,155)	(359,019)	0	0	(359,019)
Depreciation	0	(96,516)	(727,341)	(823,857)	(22,369)	(363,413)	(1,209,639)
Transfers	0	0	(4,153,236)	(4,153,236)	26,666	(15,868)	(4,142,438)
Balance at 30 June 2022	2,260,000	3,788,680	22,280,092	28,328,772	180,657	2,920,630	31,430,059
Comprises:							
Gross balance amount at 30 June 2022	2,260,000	6,431,592	42,920,000	51,611,592	288,312	4,825,843	56,725,747
Accumulated depreciation at 30 June 2022	0	(2,642,912)	(20,639,908)	(23,282,820)	(107,655)	(1,905,213)	(25,295,688)
Balance at 30 June 2022	2,260,000	3,788,680	22,280,092	28,328,772	180,657	2,920,630	31,430,059
Additions	12,949	46,794	98,682	158,425	0	1,273,342	1,431,767
Disposals	0	0	(106,322)	(106,322)	0	(424,673)	(530,995)
Depreciation	0	(165,707)	(1,119,713)	(1,285,420)	(27,703)	(419,171)	(1,732,294)
Transfers	0	0	0	0	(26,665)	26,665	0
Balance at 30 June 2023	2,272,949	3,669,767	21,152,739	27,095,455	126,289	3,376,793	30,598,537
Comprises:							
Gross balance amount at 30 June 2023	2,272,949	6,478,386	42,593,682	51,345,017	261,645	5,440,922	57,047,584
Accumulated depreciation at 30 June 2023	0	(2,808,619)	(21,440,943)	(24,249,562)	(135,356)	(2,064,129)	(26,449,047)
Balance at 30 June 2023	2,272,949	3,669,767	21,152,739	27,095,455	126,289	3,376,793	30,598,537

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2022	Price per hectare / market borrowing rate
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2022	Price per square metre / market borrowing rate
Buildings - specialised	3	Cost approach using current replacement cost	Independent registered valuer	June 2022	Construction costs and current condition, residual values and remaining useful life assessments inputs
<p>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.</p> <p>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.</p>					
(ii) Cost					
Furniture and equipment	N/A	Cost	N/A		Purchase cost
Plant and equipment	N/A	Cost	N/A		Purchase cost

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - Roads	Other infrastructure - Drainage	Other infrastructure - Footpaths	Other infrastructure - Parks & Ovals and Other	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2021	131,791,239	11,375,627	6,515,828	5,273,738	154,956,432
Additions	1,735,613	0	109,567	1,201,947	3,047,127
Depreciation	(2,672,251)	(631,570)	(291,652)	(280,085)	(3,875,558)
Transfers	0	0	0	4,142,435	4,142,435
Balance at 30 June 2022	130,854,601	10,744,057	6,333,743	10,338,035	158,270,436
Comprises:					
Gross balance at 30 June 2022	177,098,224	24,106,455	9,334,719	11,980,585	222,519,983
Accumulated depreciation at 30 June 2022	(46,243,623)	(13,362,398)	(3,000,976)	(1,642,550)	(64,249,547)
Balance at 30 June 2022	130,854,601	10,744,057	6,333,743	10,338,035	158,270,436
Additions	1,679,121	0	0	1,237,399	2,916,520
Revaluation increments / (decrements) transferred to revaluation surplus	60,079,092	(4,266,110)	(2,207,141)	(4,859,779)	48,746,062
Depreciation	(2,699,502)	(631,569)	(292,175)	(520,119)	(4,143,365)
Balance at 30 June 2023	189,913,312	5,846,378	3,834,427	6,195,536	205,789,653
Comprises:					
Gross balance at 30 June 2023	246,853,636	16,163,100	5,327,644	12,092,751	280,437,131
Accumulated depreciation at 30 June 2023	(56,940,324)	(10,316,722)	(1,493,217)	(5,897,215)	(74,647,478)
Balance at 30 June 2023	189,913,312	5,846,378	3,834,427	6,195,536	205,789,653

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - Roads	3	Cost Approach (using current replacement cost)	Independent Registered Valuer	June 2023	Replacement costs, condition rating, fair value and useful like assessments inputs.
Other infrastructure - Drainage	3	Cost Approach (using current replacement cost)	Independent Registered Valuer	June 2023	Replacement costs, condition rating, fair value and useful like assessments inputs.
Other infrastructure - Footpaths	3	Cost Approach (using current replacement cost)	Independent Registered Valuer	June 2023	Replacement costs, condition rating, fair value and useful like assessments inputs.
Other infrastructure - Parks & Ovals and Other	3	Cost Approach (using current replacement cost)	Independent Registered Valuer	June 2023	Replacement costs, condition rating, fair value and useful like assessments 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.

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS

(a) Depreciation

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
Land	not depreciated
Buildings - non-specialised	20 to 80 years
Buildings - specialised	20 to 80 years
Furniture and equipment	5 to 10 years
Plant and equipment	6 to 15 years
Infrastructure - Roads - Subgrade	not depreciated
Infrastructure - Roads - Pavement	60 to 120 years
Infrastructure - Roads - Surface	20 to 60 years
Other infrastructure - Footpaths	30 to 60 years
Other infrastructure - Parks & Ovals and Other	10 to 100 years
Other infrastructure - Drainage	10 to 80 years

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

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

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, 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 scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, 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 revaluation date consistent with *Financial Management Regulation 17A(4)*.

Revaluation

The fair value of land, buildings and infrastructure 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 carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with *Financial Management Regulation 17A(2)* which requires land, buildings, infrastructure and vested improvements to be shown at fair value.

Revaluation (continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of asset classes 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. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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.

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying 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 ready 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 in the Statement of Comprehensive Income.

Impairment

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 or losses on disposal

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.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

11. TRADE AND OTHER PAYABLES

Current

	2023	2022
	\$	\$
Sundry creditors	278,819	457,211
Prepaid rates	150,508	129,570
Accrued payroll liabilities	107,139	20,012
Bonds and deposits held	121,792	41,068
Other Accrued Expenses	122,540	12,791
Other payables - ESL Liability	0	803
Accrued Interest	6,851	8,220
	787,649	669,675

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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 any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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 usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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 income for the prepaid rates that have not been refunded.

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

12. OTHER LIABILITIES

Current

Contract liabilities
Capital grant/contributions liabilities

Reconciliation of changes in contract liabilities

Opening balance
Additions
Revenue from contracts with customers included as a contract liability at the start of the period

	2023	2022
	\$	\$
	86,792	690,949
	1,201,978	950,618
	1,288,770	1,641,567
	690,949	696,814
	86,792	690,949
	(690,949)	(696,814)
	86,792	690,949

The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 21(i)) due to the unobservable inputs, including own credit risk.

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

13. BORROWINGS

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		99,461	389,989	489,450	95,779	489,450	585,229
Total secured borrowings	24(a)	99,461	389,989	489,450	95,779	489,450	585,229

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Merredin.

The Shire of Merredin has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 years.

SIGNIFICANT ACCOUNTING POLICIES

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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 21(i)) due to the unobservable inputs, including own credit risk.

Risk

Details of individual borrowings required by regulations are provided at Note 24(a).

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2023	2022
	\$	\$
Current provisions		
Employee benefit provisions		
Annual leave	329,317	293,251
Long service leave	242,268	258,037
	<u>571,585</u>	<u>551,288</u>
Total current employee related provisions	571,585	551,288
Non-current provisions		
Employee benefit provisions		
Long service leave	52,979	68,143
	<u>52,979</u>	<u>68,143</u>
Total non-current employee related provisions	52,979	68,143
Total employee related provisions	<u>624,564</u>	<u>619,431</u>

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. 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.

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

15. REVALUATION SURPLUS

	2023 Opening Balance	Total Movement on Revaluation	2023 Closing Balance	2022 Opening Balance	Total Movement on Revaluation	2022 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	720,415	0	720,415	1,011,415	(291,000)	720,415
Revaluation surplus - Buildings	23,673,318	0	23,673,318	23,741,337	(68,019)	23,673,318
Revaluation surplus - Furniture and equipment	41,913	0	41,913	41,913	0	41,913
Revaluation surplus - Plant and equipment	1,239,408	0	1,239,408	1,239,408	0	1,239,408
Revaluation surplus - Infrastructure - Roads	65,964,504	60,079,091	126,043,595	65,964,504	0	65,964,504
Revaluation surplus - Other infrastructure - Drainage	30,954,899	(4,266,110)	26,688,789	30,954,899	0	30,954,899
Revaluation surplus - Other infrastructure - Footpaths	11,615,820	(2,207,141)	9,408,679	11,615,820	0	11,615,820
Revaluation surplus - Other infrastructure - Parks & Ovals and Other	2,098,980	(4,859,779)	(2,760,799)	2,098,980	0	2,098,980
	136,309,257	48,746,061	185,055,318	136,668,276	(359,019)	136,309,257

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

16. RESTRICTIONS OVER FINANCIAL ASSETS

	Note	2023 Actual \$	2022 Actual \$
The following classes of financial 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	3	8,264,643	8,655,351
		8,264,643	8,655,351
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	25	6,975,873	7,013,784
Contract liabilities	12	86,792	690,949
Capital grant liabilities	12	1,201,978	950,618
Total restricted financial assets		8,264,643	8,655,351
17. UNDRAWN BORROWING FACILITIES AND CREDIT STANDBY ARRANGEMENTS			
Bank overdraft limit		150,000	150,000
Credit card limit		15,000	15,000
Credit card balance at balance date		5,232	5,462
Total amount of credit unused		170,232	170,462
Loan facilities			
Loan facilities - current		99,461	95,779
Loan facilities - non-current		389,989	489,450
Total facilities in use at balance date		489,450	585,229
Unused loan facilities at balance date		Nil	Nil

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

18. CONTINGENT LIABILITIES

In accordance with the *Contaminated Sites Act 2003*, Department of Water and Environmental Regulation (DWER) has classified the following site as ‘possibly contaminated – investigation required’:

- Merredin Chandler Road Landfill, Lot 500 On Plan 66111, Merredin

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the DWER on the need and criteria for remediation of a risk-based approach, the Shire is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the DWER Guidelines.

19. CAPITAL COMMITMENTS

	2023	2022
	\$	\$
Contracted for:		
- capital expenditure projects	5,926,294	7,882,915
- plant & equipment purchases	81,074	0
	6,007,368	7,882,915
Payable:		
- not later than one year	6,007,368	7,882,915

The capital expenditure projects at the end of the current reporting period are for the following:

- Merredin Narambeen Road Construction
- Town Centre & Apex Park Redevelopment
- Merredin Water Tower Conservation Works
- Installation of Standpipe Controller
- Purchase of Light Rigid Truck

The prior year commitments were for the CBD Redevelopment, Apex Park, Reuse Water Network, Cemetery Improvement and Merredin-Narembeen Road projects.

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20. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.

	2023 Actual	2023 Budget	2022 Actual
Note	\$	\$	\$
President's annual allowance	14,794	14,800	14,433
	14,794	14,800	14,433
Deputy President's annual allowance	3,493	3,600	3,608
	3,493	3,600	3,608
All other council member's meeting attendance fees	71,884	77,500	77,913
	71,884	77,500	77,913
20(b)	90,171	95,900	95,954

(b) Key Management Personnel (KMP) Compensation

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

	2023 Actual	2022 Actual
Note	\$	\$
Short-term employee benefits	771,830	756,913
Post-employment benefits	96,820	88,610
Employee - other long-term benefits	13,120	14,955
Council member costs	90,171	95,954
20(a)	971,941	956,432

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

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20. RELATED PARTY TRANSACTIONS

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 provisions for doubtful debts or guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2023 Actual	2022 Actual
	\$	\$
Sale of goods and services	68	0
Purchase of goods and services	104,100	327,228
Amounts payable to related parties:		
Trade and other payables	4,401	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 council member, are considered key management personnel and are detailed in Notes 20(a) and 20(b)

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

There were no such entities requiring disclosure during the current or previous year.

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21. 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 report 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) Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost 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).

i) 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.

j) Impairment of assets

In accordance with Australian Accounting Standards the Shire's 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.

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22. RATING INFORMATION

(a) General Rates

RATE TYPE	Basis of valuation	Rate in \$	Number of Properties	2022/23 Actual Rateable Value*	2022/23 Actual Rate Revenue	2022/23 Actual Interim Rates	2022/23 Actual Total Revenue	2022/23 Budget Rate Revenue	2022/23 Budget Interim Rate	2022/23 Budget Total Revenue	2021/22 Actual Total Revenue
Rate Description		\$		\$	\$	\$	\$	\$	\$	\$	\$
Gross Rental Valuations	Gross rental valuation	11.26	1,270	18,418,577	2,111,283	1,337	2,112,620	2,111,300	0	2,111,300	1,982,692
Rural	Unimproved valuation	1.752	323	116,821,300	1,987,039	587	1,987,626	1,987,380	0	1,987,380	1,916,107
Urban Rural	Unimproved valuation	3.328	46	4,420,650	127,296	0	127,296	127,270	0	127,270	121,396
Mining	Unimproved valuation	3.22	18	265,662	5,128	1,346	6,474	5,140	0	5,140	5,842
Power Generation	Unimproved valuation	3.22	13	5,137,000	164,751	(1,130)	163,621	164,760	0	164,760	157,636
Airstrips	Unimproved valuation	3.22	1	219,000	7,052	0	7,052	7,050	0	7,050	6,288
Total general rates			1,671	145,282,189	4,402,549	2,140	4,404,689	4,402,900	0	4,402,900	4,189,961
Minimum payment		Minimum Payment \$									
Gross Rental Valuations	Gross rental valuation	910	217		197,470	0	197,470	197,470	0	197,470	227,500
Rural	Unimproved valuation	1,130	123		138,990	0	138,990	138,990	0	138,990	141,250
Urban Rural	Unimproved valuation	1,130	35		39,550	0	39,550	39,550	0	39,550	42,940
Mining	Unimproved valuation	200	16		3,200	0	3,200	3,200	0	3,200	2,800
Power Generation	Unimproved valuation	1,130	3		3,390	0	3,390	3,390	0	3,390	3,390
Airstrips	Unimproved valuation	1,130	0		0	0	0	0	0	0	0
Total minimum payments			394	0	382,600	0	382,600	382,600	0	382,600	417,880
Total general rates and minimum payments			2,065	145,282,189	4,785,149	2,140	4,787,289	4,785,500	0	4,785,500	4,607,841
Ex-gratia Rates											
Ex-gratia Rates	Gross rental valuation				63,201		63,201	65,700	0	65,700	63,201
Total amount raised from rates (excluding general rates)			0	0	63,201	0	63,201	65,700	0	65,700	63,201
Total Rates							4,850,490			4,851,200	4,671,042
Rate instalment interest							18,800			17,000	17,647
Rate overdue interest							42,964			36,000	39,286

The rate revenue was recognised from the rate record as soon as practicable after the Shire resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

*Rateable Value at time of raising of rate.

SHIRE OF MERREDIN
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23. DETERMINATION OF SURPLUS OR DEFICIT

Note	2022/23	2022/23	2021/22	
	(30 June 2023 Carried Forward) \$	Budget (30 June 2023 Carried Forward) \$	(30 June 2022 Carried Forward) \$	
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
	Less: Profit on asset disposals	(166,999)	(157,200)	(14,418)
	Less: Fair value adjustments to financial assets at fair value through profit or loss	(6,450)	0	(6,994)
	Add: Loss on disposal of assets	150,546	231,600	43,541
	Add: Depreciation	5,875,660	3,607,000	5,085,197
Non-cash movements in non-current assets and liabilities:				
	Pensioner deferred rates	23,305	0	(3,310)
	Employee benefit provisions	(15,164)	0	(8,785)
	Inventory	60,000	0	0
	Non-cash amounts excluded from operating activities	5,920,898	3,681,400	5,095,231
(b) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
	Less: Reserve accounts	25 (6,975,873)	(5,407,484)	(7,013,784)
	Less: Financial assets at amortised cost - self supporting loans	4(a) (36,834)	0	(35,080)
	Add: Current liabilities not expected to be cleared at end of year			
	- Current portion of borrowings	13 99,461	147,700	95,779
	- Employee benefit provisions	0	(552,420)	0
	Total adjustments to net current assets	(6,913,246)	(5,812,204)	(6,953,085)
Net current assets used in the Statement of Financial Activity				
	Total current assets	13,594,955	7,345,332	12,268,155
	Less: Total current liabilities	(2,747,463)	(1,405,358)	(2,958,309)
	Less: Total adjustments to net current assets	(6,913,246)	(5,812,204)	(6,953,085)
	Surplus or deficit after imposition of general rates	3,934,246	127,770	2,356,761

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24. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual							Budget			
		Principal at 1 July 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	New Loans During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022	New Loans During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Central Eastern Accommodation and Care Alliance		382,226	0	(58,833)	323,393	0	(60,699)	262,694	323,393	0	(60,700)	262,693
CBD Revelopment		0	0	0	0	0	0	0	0	1,300,000	(51,900)	1,248,100
Total		382,226	0	(58,833)	323,393	0	(60,699)	262,694	323,393	1,300,000	(112,600)	1,510,793
Self Supporting Loans												
Merritville		295,246	0	(33,410)	261,836	0	(35,080)	226,756	271,506	0	(35,100)	236,406
Total Self Supporting Loans		295,246	0	(33,410)	261,836	0	(35,080)	226,756	271,506	0	(35,100)	236,406
Total Borrowings	13	677,472	0	(92,243)	585,229	0	(95,779)	489,450	594,899	1,300,000	(147,700)	1,747,199

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Finance Cost Payments

Purpose	Note	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022
						\$	\$	\$
Central Eastern Accommodation and Care Alliance		217	WATC	3.15%	3/01/2027	(8,775)	(9,700)	(10,623)
Total						(8,775)	(9,700)	(10,623)
Self Supporting Loans Finance Cost Payments								
Merritville		215	WATC	4.94%	1/10/2028	(12,075)	(12,500)	(13,776)
Total Self Supporting Loans Finance Cost Payments						(12,075)	(12,500)	(13,776)
Total Finance Cost Payments						(20,850)	(22,200)	(24,399)

* WA Treasury Corporation

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25. RESERVE ACCOUNTS	2023	2023	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Plant Replacement Reserve	1,171,986	18,966	(461,824)	729,128	1,171,986	5,000	(650,000)	526,986	916,986	555,000	(300,000)	1,171,986
(b) Buildings Reserve	1,034,508	88,719	0	1,123,227	1,034,508	8,100	(450,000)	592,608	934,508	100,000	0	1,034,508
(c) Land & Development Reserve	1,573,763	26,933	0	1,600,696	1,573,763	12,400	0	1,586,163	1,288,763	285,000	0	1,573,763
(d) Apex Park Redevelopment Reserve	402,393	6,639	(104,561)	304,471	402,393	900	(286,300)	116,993	302,393	100,000	0	402,393
(e) ICT Reserve	316,632	5,352	(28,155)	293,829	316,632	2,500	0	319,132	316,632	0	0	316,632
(f) Disaster Relief Reserve	247,284	4,232	0	251,516	247,284	1,900	0	249,184	247,284	0	0	247,284
(g) Cummins Street Units Reserve	61,254	843	(15,687)	46,410	61,255	500	0	61,755	61,254	0	0	61,254
(h) Recreation Facilities Reserve	911,064	15,592	0	926,656	911,064	7,200	0	918,264	911,064	0	0	911,064
(i) Waste Management Reserve	374,651	6,412	0	381,063	374,651	2,900	(120,000)	257,551	374,651	0	0	374,651
(j) Unspent Capital Works Reserve	368,575	6,308	0	374,883	368,575	1,600	0	370,175	88,575	280,000	0	368,575
(k) Merredin-Narambeen Road	180,955	462,942	(76,966)	566,931	180,955	100	(146,000)	35,055	0	180,955	0	180,955
(l) Leave reserve	370,719	6,344	0	377,063	370,718	2,900	0	373,618	370,719	0	0	370,719
	7,013,784	649,282	(687,193)	6,975,873	7,013,784	46,000	(1,652,300)	5,407,484	5,812,829	1,500,955	(300,000)	7,013,784

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

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

Name of reserve account	Purpose of the reserve account
Restricted by council	
(a) Plant Replacement Reserve	Ongoing To be utilised to fund future capital plant purchases.
(b) Buildings Reserve	Ongoing To be utilised to fund future building construction and major maintenance within the Shire of Merredin.
(c) Land & Development Reserve	Ongoing To be utilised to fund major land development/purchases within the Shire of Merredin.
(d) Apex Park Redevelopment Reserve	Ongoing To be utilised to fund the redevelopment of works at Apex Park.
(e) ICT Reserve	Ongoing To be utilised to fund future information and communications technology (ICT) within the Shire of Merredin.
(f) Disaster Relief Reserve	Ongoing To be utilised to contribute to liabilities arising from a declared natural disaster that meets Disaster Recovery Funding Arrangements WA (DRFAWA) eligibility minimum spend.
(g) Cummins Street Units Reserve	Ongoing To be utilised to full maintenance and capital costs associated with Council owned units in Cummings Street Merredin.
(h) Recreation Facilities Reserve	Ongoing To be utilised to fund future development and major renewals in relation to Recreation.
(i) Waste Management Reserve	Ongoing To be utilised for the collection, transport, storage, treatment, processing, sorting, recycling or disposal of waste; or the provision of receptacles for the temporary deposit of waste; or the provision and management of waste facilities, machinery for the disposal of waste and processes for dealing with waste.
(j) Unspent Capital Works Reserve	Ongoing To be utilised for the quaranting of Grant Monies awaiting completion of Works.
(k) Merredin-Narambeen Road	Ongoing To be utilised for the maintenance, renewal and upgrade of the Merredin-Narambeen Road.
(l) Leave reserve	Ongoing To be utilised to fund staff leave as required