



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Shire of Merredin

To the Councillors of the Shire of Merredin

Report on the audit of the annual financial report

Opinion

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

- the Statement of Financial Position at 30 June 2021, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

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

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

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

Emphasis of Matter – Restatement of comparative balances

I draw your attention to Note 27 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

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

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

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

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

Auditor's responsibility for the audit of the financial report

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

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

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

Report on other legal and regulatory requirements

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

- (i) In my opinion, the following material matters indicate a significant adverse trend in the financial position of the Shire:
 - a) The Asset Sustainability Ratio and Operating Surplus Ratio are below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years. The financial ratios are reported at Note 30 of the annual financial report.
- (ii) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
 - a) Accounting journal entries were processed with no evidence of independent review and approval by a senior staff member. In addition, adequate supporting documentation was not always retained to support journal entries. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be independently reviewed and approved with evidence of this review being retained.
 - b) Purchasing card expenditure and statements lacked adequate approval and independent review.

- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Other information

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

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

Matters relating to the electronic publication of the audited financial report

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

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
9 August 2022



Our Ref: 8338

7th Floor, Albert Facey House
469 Wellington Street, Perth

Ms Lisa Clack
Chief Executive Officer
Shire of Merredin
PO Box 42
MERREDIN WA 6415

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Dear Ms Clack

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

The Office has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the *Local Government Act 1995*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Matters of regulatory non-compliance and adverse trends in the financial position are reported on page 2 of the auditor's report.

Management Control Issues

While the result of the audit was generally satisfactory, we would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of the Shire and the Minister for Local Government and may not be suitable for other purposes.

We would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact the undersigned on 6557 7703 if you would like to discuss these matters further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mona Loo', with a small dot to the right of the signature.

Mona Loo
Senior Director
Financial Audit
8 August 2022

Attach

SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current year issues			
1. Approval of credit card transactions	✓		
2. Changes to employee master file		✓	
3. Purchase orders dated after invoice dates		✓	
4. Review of bank reconciliations		✓	
5. Employment pay rate letters			✓
Matters outstanding from prior year			
6. Journals not independently review	✓		

KEY TO RATINGS

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

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

SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

1. Approval of Credit Card Transactions

Finding

We noted four of the twelve sampled credit card statements were only signed off by credit card holders and were not independently reviewed by a senior staff member for payment authorisation.

The Shire's Council reviews card transactions and approves credit card statements on monthly basis in the Council meeting. However, approval has not occurred for the financial year 2020-21.

Rating: Significant Implication

Appropriate approval of credit card transactions is necessary to ensure that expenditure is appropriate and unauthorised transactions are detected and not processed.

Recommendation

The Shire should ensure that senior staff member, independent to the card holder, should review, sign and date the monthly credit card statement to identify any usual card use.

The Council to review and approved the credit card statements in the Council meeting.

Management Comment

<p>Action 1:</p> <p>Process change implementation</p>	<p>Action: <i>A process has recently been implemented whereby all credit cards held by executive staff must be signed off by the card holder and then be signed off by the CEO. For the card held by the CEO, a member of the executive will provide the secondary authorisation. To verify this the Executive Manager Corporate Services must check all statements before they are issued to Council for approval, to ensure this process has been followed. Singed off Credit statements will be submitted monthly to Council with the payment listing schedule and approved by Council.</i></p> <p>Responsible Person: Chief Executive Officer Completion Date: Completed 15/03/2022</p>
<p>Action 2:</p> <p>Documentation of change</p>	<p><i>The Shire has an existing credit card policy (3.22 Credit Card Policy) in our Policy manual that will be updated top clarify this requirement.</i></p> <p>Responsible Person: Executive Manager Corporate Services Completion Date: To be completed 31/12/2022</p>

SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

2. Changes to Employee Master File

Finding

We noted the exception reports, which highlight changes made to the employee master file were not generated from the Synergy system and independently reviewed.

Rating: Moderate**Implication**

Failure to generate and independently review payroll exception reports, which detail all changes made to the employee master file, increases the risk of unauthorised changes being made or failure to quickly correct unintended errors.

Recommendation

The Shire should produce exception reports from Synergy on a fortnightly basis and ensure these are independently reviewed by an appropriate officer.

Management Comment

<p>Action 1:</p> <p>Process change implementation</p>	<p>Action: <i>The Shire identifies this process has not been in place previously. The Shire will update compliance checklist to ensure officers meet this requirement and produce exception reports from Synergy on a fortnightly basis. These reports will be reviewed by an appropriate officer.</i></p> <p>Responsible Person: Executive Manager Corporate Services</p> <p>Completion Date: 01/07/2022</p>
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SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

3. Purchase Orders Dated After Invoice Dates

Finding

During our sample testing of payments made during the year, we identified two instances where the authorised purchase orders were dated after the dates of corresponding supplier invoices.

Rating: Moderate**Implication**

Delays in raising and approving purchase orders increases the risk of unauthorised goods or services being incurred.

Recommendation

Management should ensure that all purchase orders are appropriately raised and approved prior to receiving goods or services for all applicable transactions that require purchase orders.

Management Comment

<p>Action 1:</p> <p>Process change implementation</p>	<p>Action:</p> <p><i>The Shire requires all staff to have an approved purchase orders before any works or services are procured.</i></p> <p><i>Where an invoice is received before a purchase order has been raised, it is a requirement to have a file note which is signed by the responsible officer and the CEO, attached to both the requisition before raised and with the invoice before paid.</i></p> <p><i>Staff are being inducted into the process at the time of recruitment and this process will be reviewed to ensure processes are clear and refresher training will be carried out for existing staff.</i></p> <p>Responsible Person: Chief Executive Officer Completion Date: Completed 15/03/2022</p>
<p>Action 2:</p> <p>Documentation of change and internal audit process</p>	<p><i>The Shire is currently putting in place a Governance officer who will carry out internal audits around the raising of purchase orders and issue breach notices to staff where non-compliance occurs. Where there is a non-compliance, the officer will complete the following actions, listed under the Shires 3.12 Purchasing Policy:</i></p> <p><i>“A failure to comply with legislation or policy requirements, including compliance with the Code of Conduct when undertaking purchasing activities, may be subject to investigation, with findings to be considered in context of the responsible person’s training, experience, seniority and reasonable expectations for performance of their role. Where a breach is substantiated it may be treated as:</i></p> <p><i>(a) an opportunity for additional training to be provided;</i></p> <p><i>(b) a disciplinary matter, which may or may not be subject to reporting requirements under the Public Sector Management Act 1994; or</i></p> <p><i>(c) where the beach is also identified as potentially serious misconduct, the matter will be reported in accordance with the Corruption, Crime and Misconduct Act 2003.”</i></p>

SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

	<p><i>3.12 Purchasing Policy will be updated to clarify the overall procurement requirements further.</i></p> <p>Responsible Person: Executive Manager Corporate Services Completion Date: To be completed 31/12/2022</p>
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SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

4. Review of Bank Reconciliations

Finding

We noted no evidence of review by the Executive Manager Corporate Services on all 4 sampled monthly bank reconciliations of the municipal, trust and reserves bank accounts. In addition, we noted an unreconciled difference of \$2,617.10 in the July 2020 municipal bank account reconciliation. The difference was subsequently corrected in the September 2020 reconciliation.

Rating: Moderate**Implication**

The effectiveness of the reconciliation diminishes if reconciliations are not independently reviewed. This may result in errors not being identified and resolved promptly which could lead to misstatements in financial reporting.

Recommendation

The Shire to ensure that all bank account reconciliations are formally reviewed, where the bank reconciliations are fully reconciled and printed, signed by the preparer and reviewer and dated as evidence of independent review.

Management Comment

<p>Action 1:</p> <p>Process change implementation</p>	<p>Action: <i>Through the audit process the current administration have also identified this as an issue. The actions taken to resolve this are:</i></p> <ol style="list-style-type: none"> <i>1. Interim completion of Bank reconciliations by a Finance consultant, signed off by Executive Manager Corporate Services.</i> <i>2. Training of senior finance staff in the completion of bank reconciliations process, so that there is multiple staff members available to prepare and review.</i> <i>3. All bank reconciliations must be signed by the preparer and the reviewer.</i> <p>Responsible Person: Executive Manager Corporate Services Completion Date: Completed 30/03/2022</p>
<p>Action 2:</p> <p>Documentation of change</p>	<p><i>A work instruction will be created to document the process.</i></p> <p>Responsible Person: Executive Manager Corporate Services Completion Date: To be completed 31/12/2022</p>

SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

5. Employment Pay Rate Letters

Finding

We noted instances where:

- one employee had received an increase in pay or pay level, however there was no correspondence to the employee confirming this change in circumstances
- one employee had a pay letter on file however it was unsigned
- one employee where the current pay rate was not documented on file.

Rating: Minor**Implication**

The absence of agreed signed pay rate letters may make it difficult to resolve any potential disputes with employees.

Recommendation

Management should ensure agreed pay rates letters are documented in employee files for all applicable personnel.

Management Comment

~~The Shire identifies this as a clerical error.~~

~~The Shire has recently engaged as Human Resource consultant to help the Shire update our processes to ensure mistakes like this are not made. Additionally this consultant is actively reviewing contracts and staff entitlements, which is hoped to pick up any further issues not yet identified.~~

~~A checklist will be introduced to ensure all relevant documentation is received for new staff and any alterations to existing staff pay rates and other conditions. This checklist will be reviewed and signed off by the relevant Executive Manager.~~

~~Responsible Person: Human Resource Consultant~~

~~Completion Date: 30/09/2022~~

<p>Action 1:</p> <p>Documentation change</p>	<p>Action:</p> <p><i>The Shire identifies this as a clerical error.</i></p> <p><i>The Shire has recently engaged as Human Resource consultant to help the Shire update our processes to ensure mistakes like this are not made. Additionally this consultant is actively reviewing contracts and staff entitlements, which is hoped to pick up any further issues not yet identified.</i></p> <p><i>A checklist will be introduced to ensure all relevant documentation is received for new staff and any alterations to existing staff pay rates and other conditions. This checklist will be reviewed and signed off by the relevant Executive Manager.</i></p> <p>Responsible Person: Human Resource Consultant</p> <p>Completion Date: to be completed 30/09/2022</p>
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SHIRE OF MERREDIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

6. Journals Not Independently Approved

Finding

This finding has not been resolved. In addition, during the current year audit assessment we noted that 7 of 10 the journal entries tested samples did not have supporting documentation on file related to the following journal type:

- same account code reclassifications - 2 journals
- clearing suspense account – 1 journal
- stock allocation – 1 journal
- correction of account classification – 3 journals

Finding 2019 - 2020

We noted that journal entries processed in the accounting system are processed and posted by the Executive Manager Corporates Services on a monthly basis in preparation of the monthly financial reports. There is no evidence that these are formally reviewed by a second officer.

Rating: Significant (2020: Significant)**Implication**

If journals are not independently reviewed and approved and made with supporting documentation, there is a risk that erroneous or fraudulent transactions may pass undetected. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved.

Recommendation

We recommend that a person more senior than the preparer such as the Chief Executive Officer, formally authorises the journal entries and evidences this by way of signature and all journals should have supporting documentation maintained on file.

Management Comment

Action 1: Process change implementation	Action: <i>The Shire notes journals should be reviewed prior to posting.</i> <i>As this issue was also identified by the Shires financial consultant helping with audit, a process for this has already been implemented. The Executive Manager Corporate Services has implemented that all journals will be processed only by either the Senior Finance Officer, Finance Officer or Financial Consultant and must be signed of the Executive Manager Corporate Services. Where there is an emergency circumstance whereby no approved officer can complete this process, the Executive Manager may complete a journal, but it must be then signed off by the CEO. The updated practice is to ensure there is always a senior level employee overseeing the process, before posting.</i> Responsible Person: Executive Manager Corporate Services Completion Date: Completed on 15/03/2022
Action 2: Documentation of change	<i>A work instruction will be created to document this process.</i> Responsible Person: Executive Manager Corporate Services Completion Date: To be completed 31/12/2022

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

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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 2021**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 2nd day of August 2022



Chief Executive Officer

Lisa Clack

Name of Chief Executive Officer



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

		2021	2021	2020
	NOTE	Actual	Budget	Restated *
		\$	\$	\$
Revenue				
Rates	23(a)	4,435,003	4,392,497	4,290,219
Operating grants, subsidies and contributions	2(a)	3,236,996	2,014,607	3,102,156
Fees and charges	2(a)	900,866	873,683	1,035,153
Interest earnings	2(a)	68,188	128,010	197,462
Other revenue	2(a)	297,836	238,113	297,063
		8,938,889	7,646,910	8,922,053
Expenses				
Employee costs		(3,252,161)	(3,361,537)	(3,169,327)
Materials and contracts		(2,977,049)	(3,817,148)	(5,169,704)
Utility charges		(380,836)	(232,379)	(417,441)
Depreciation on non-current assets	11(c)	(4,798,293)	(3,456,204)	(4,716,126)
Interest expenses	2(b)	(31,468)	(30,069)	(42,939)
Insurance expenses		(209,102)	(124,690)	(120,066)
Other expenditure		(182,396)	(210,772)	(216,425)
		(11,831,305)	(11,232,799)	(13,852,028)
		(2,892,416)	(3,585,889)	(4,929,975)
Non-operating grants, subsidies and contributions	2(a)	2,581,478	8,484,144	3,437,864
Profit on asset disposals	11(a)	44,504	33,943	227
Loss on asset disposals	11(a)	(28,251)	(71,105)	(23,317)
Fair value adjustments to financial assets at fair value through profit or loss		129,162	-	-
		2,726,893	8,446,982	3,414,774
Net result for the period		(165,523)	4,861,093	(1,515,201)
Total other comprehensive income for the period		-	-	-
Total comprehensive income for the period		(165,523)	4,861,093	(1,515,201)

This statement is to be read in conjunction with the accompanying notes.
*Refer to Note 27 Correction of Errors.



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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Restated Actual \$
Revenue				
Governance		38,637	-	49,159
General purpose funding		6,950,653	5,829,945	6,941,054
Law, order, public safety		119,078	143,400	160,670
Health		17,073	27,508	17,680
Education and welfare		69,501	58,469	37,846
Housing		98,565	118,890	123,458
Community amenities		511,745	638,212	663,263
Recreation and culture		519,469	289,279	376,159
Transport		423,872	305,445	286,450
Economic services		110,673	169,112	180,787
Other property and services		79,623	66,650	85,527
		8,938,889	7,646,910	8,922,053
Expenses				
Governance		(614,172)	(718,053)	(537,864)
General purpose funding		(120,660)	(84,405)	(88,847)
Law, order, public safety		(485,116)	(586,471)	(549,116)
Health		(209,510)	(238,065)	(213,210)
Education and welfare		(149,908)	(168,824)	(107,387)
Housing		(230,866)	(430,267)	(248,808)
Community amenities		(1,102,180)	(1,219,222)	(1,034,973)
Recreation and culture		(2,651,816)	(2,869,029)	(2,703,269)
Transport		(4,945,149)	(3,761,442)	(4,911,364)
Economic services		(826,768)	(1,062,672)	(774,043)
Other property and services		(463,692)	(64,280)	(2,640,208)
		(11,799,837)	(11,202,730)	(13,809,089)
Finance Costs				
Education and welfare		(27,888)	(27,849)	(31,241)
Other property and services		(3,580)	(2,220)	(11,698)
		(31,468)	(30,069)	(42,939)
	2(b)	(2,892,416)	(3,585,889)	(4,929,975)
Non-operating grants, subsidies and contributions	2(a)	2,581,478	8,484,144	3,437,864
Profit on disposal of assets	11(a)	44,504	33,943	227
Loss on disposal of assets	11(a)	(28,251)	(71,105)	(23,317)
Fair value adjustments to financial assets at fair value through profit or loss		129,162	-	-
		2,726,893	8,446,982	3,414,774
Net result for the period		(165,523)	4,861,093	(1,515,201)
Total other comprehensive income for the period		-	-	-
Total comprehensive income for the period		(165,523)	4,861,093	(1,515,201)

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



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

	NOTE	2021	Restated 2020	Restated 2019
		\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	3	10,830,776	9,120,456	13,175,305
Trade and other receivables	6	844,238	592,264	861,495
Other financial assets	5(a)	33,409	31,818	30,303
Inventories	7	10,610	40,731	179,437
Other assets	8	205,066	-	-
TOTAL CURRENT ASSETS		11,924,099	9,785,269	14,246,540
NON-CURRENT ASSETS				
Trade and other receivables	6	131,073	123,942	113,126
Other financial assets	5(b)	390,939	295,186	327,004
Inventories	7	446,023	446,023	446,023
Property, plant and equipment	9	37,007,630	38,192,599	38,888,080
Infrastructure	10	154,956,429	155,327,292	156,872,774
TOTAL NON-CURRENT ASSETS		192,932,094	194,385,042	196,647,007
TOTAL ASSETS		204,856,193	204,170,311	210,893,547
CURRENT LIABILITIES				
Trade and other payables	13	1,333,520	462,370	2,681,403
Other liabilities	14	756,190	696,814	3,373,877
Borrowings	15(a)	92,241	171,364	240,400
Employee related provisions	16	552,420	506,501	535,175
TOTAL CURRENT LIABILITIES		2,734,371	1,837,049	6,830,855
NON-CURRENT LIABILITIES				
Borrowings	15(a)	585,230	677,472	851,824
Employee related provisions	16	76,928	30,603	70,481
TOTAL NON-CURRENT LIABILITIES		662,158	708,075	922,305
TOTAL LIABILITIES		3,396,529	2,545,124	7,753,160
NET ASSETS		201,459,664	201,625,187	203,140,387
EQUITY				
Retained surplus		58,664,808	59,217,445	57,755,527
Reserves - cash backed	4	5,812,829	5,425,715	8,402,833
Revaluation surplus	12	136,982,027	136,982,027	136,982,027
TOTAL EQUITY		201,459,664	201,625,187	203,140,387

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 2021

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Restated balance as at 1 July 2019		76,537,156	8,402,835	136,982,027	221,922,018
Restatement of fixed assets due to CEACA project adjustment and accrual of depreciation.	27	(18,781,630)	-	-	(18,781,630)
Restated balance at the beginning of the financial year		57,755,526	8,402,835	136,982,027	203,140,388
Comprehensive income					
Net result for the period (restated)		(1,515,201)	-	-	(1,515,201)
Total comprehensive income		(1,515,201)	-	-	(1,515,201)
Transfers from reserves	4	3,770,584	(3,770,584)	-	-
Transfers to reserves	4	(793,464)	793,464	-	-
Restated balance at 1 July 2020		59,217,445	5,425,715	136,982,027	201,625,187
Comprehensive income					
Net result for the period		(165,523)	-	-	(165,523)
Total comprehensive income		(165,523)	-	-	(165,523)
Transfers from reserves	4	-	-	-	-
Transfers to reserves	4	(387,114)	387,114	-	-
Balance as at 30 June 2021		58,664,808	5,812,829	136,982,027	201,459,664

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 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		4,366,531	4,400,498	4,186,119
Operating grants, subsidies and contributions		3,200,995	1,312,793	502,802
Fees and charges		900,866	873,683	1,035,153
Interest received		68,188	128,010	197,462
Goods and services tax received		267,890	44,300	-
Other revenue		297,836	238,112	297,063
		9,102,306	6,997,396	6,218,599
Payments				
Employee costs		(3,058,437)	(3,361,537)	(3,365,520)
Materials and contracts		(2,394,856)	(3,816,148)	(7,116,578)
Utility charges		(380,836)	(232,379)	(417,441)
Interest expenses		(33,028)	(30,069)	(44,680)
Insurance paid		(209,102)	(124,690)	(120,066)
Goods and services tax paid		(408,430)	-	280,736
Other expenditure		(182,396)	(210,771)	(216,425)
		(6,667,085)	(7,775,594)	(10,999,974)
Net cash provided by/(used in) operating activities	17	2,435,221	(778,198)	(4,781,375)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(a)	(629,034)	(3,764,871)	(658,574)
Payments for construction of infrastructure	10(a)	(3,138,354)	(14,106,824)	(1,915,108)
Non-operating grants, subsidies and contributions	2(a)	2,640,854	8,484,144	3,437,864
Proceeds from financial assets at amortised cost - self supporting loans		31,818	31,818	30,303
Proceeds from sale of property, plant & equipment	11(a)	541,180	724,000	75,429
Net cash provided by (used in) investment activities		(553,536)	(8,631,733)	969,914
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(171,365)	(171,364)	(243,388)
Proceeds from new borrowings	15(b)	-	5,525,000	-
Net cash provided by (used in) financing activities		(171,365)	5,353,636	(243,388)
Net increase (decrease) in cash held		1,710,320	(4,056,295)	(4,054,849)
Cash at beginning of year		9,120,456	9,110,456	13,175,305
Cash and cash equivalents at the end of the year	17	10,830,776	5,054,161	9,120,456

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



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

NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$	
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	24 (b)	2,662,051	3,156,245	(777,052)
		2,662,051	3,156,245	(777,052)
Revenue from operating activities (excluding rates)				
Governance		38,637	-	49,386
General purpose funding		2,703,499	1,490,598	2,714,918
Law, order, public safety		119,078	144,200	160,670
Health		17,073	27,908	17,680
Education and welfare		69,501	58,469	37,846
Housing		128,356	118,890	123,458
Community amenities		511,745	638,212	663,263
Recreation and culture		531,158	292,117	376,159
Transport		426,896	335,350	286,450
Economic services		110,673	169,112	180,787
Other property and services		79,623	66,650	85,527
		4,736,239	3,341,506	4,696,144
Expenditure from operating activities				
Governance		(614,172)	(723,853)	(537,864)
General purpose funding		(120,660)	(84,405)	(88,847)
Law, order, public safety		(485,116)	(586,471)	(549,116)
Health		(209,510)	(238,065)	(215,421)
Education and welfare		(177,796)	(196,673)	(138,628)
Housing		(230,866)	(433,087)	(248,808)
Community amenities		(1,102,180)	(1,219,222)	(1,034,973)
Recreation and culture		(2,651,816)	(2,872,829)	(2,703,269)
Transport		(4,973,400)	(3,820,127)	(4,932,470)
Economic services		(826,768)	(1,062,672)	(774,043)
Other property and services		(467,272)	(66,500)	(2,651,906)
		(11,859,556)	(11,303,904)	(13,875,345)
Non-cash amounts excluded from operating activities	24(a)	4,692,072	3,493,366	4,688,522
Amount attributable to operating activities		230,806	(1,312,787)	(5,267,731)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	2,581,478	8,484,144	3,437,864
Proceeds from disposal of assets	11(a)	541,180	724,000	75,429
Proceeds from financial assets at amortised cost - self supporting loans		31,818	31,818	30,303
Purchase of property, plant and equipment	9(a)	(629,034)	(3,764,871)	(658,574)
Purchase and construction of infrastructure	10(a)	(3,138,354)	(14,106,824)	(1,915,108)
		(612,912)	(8,631,733)	969,914
Amount attributable to investing activities		(612,912)	(8,631,733)	969,914
FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(171,365)	(171,364)	(243,388)
Proceeds from borrowings	15(c)	-	5,525,000	-
Transfers to reserves (restricted assets)	4	(387,114)	(695,963)	(793,464)
Transfers from reserves (restricted assets)	4	-	947,500	3,770,584
Amount attributable to financing activities		(558,479)	5,605,173	2,733,732
Surplus/(deficit) before imposition of general rates		(940,585)	(4,339,347)	(1,564,085)
Total amount raised from general rates	23(a)	4,376,316	4,339,347	4,226,136
Surplus/(deficit) after imposition of general rates	24(b)	3,435,731	-	2,662,051

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



SHIRE OF MERREDIN
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FOR THE YEAR ENDED 30 JUNE 2021

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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.

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

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

- Employee expenses
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
Governance	-	-	5,000
General purpose funding	2,383,386	1,264,937	2,400,441
Law, order, public safety	71,960	112,600	119,007
Education and welfare	69,519	58,469	20,935
Housing	68,072	96,390	14,569
Community amenities	45,238	53,254	10,108
Recreation and culture	194,875	137,722	249,463
Transport	354,284	225,445	222,983
Economic services	37,280	65,790	59,650
Other property and services	12,382	-	-
	3,236,996	2,014,607	3,102,156
Non-operating grants, subsidies and contributions			
Governance	-	823,735	-
Law, order, public safety	29,000	-	-
Housing	-	25,000	-
Recreation and culture	-	300,000	-
Transport	2,365,532	6,707,573	865,680
Economic services	22,985	-	-
Other property and services	163,961	627,836	2,572,184
	2,581,478	8,484,144	3,437,864
Total grants, subsidies and contributions	5,818,474	10,498,751	6,540,020
Total non-operating grants, subsidies and contributions	2,581,478	8,484,144	3,437,864
Non cash adjustment to grant liability affecting cash flow	59,376	-	-
Total as per cash flow statement	2,640,854	8,484,144	3,437,864
Fees and charges			
Governance	12,576	-	8,220
General purpose funding	22,162	22,000	22,568
Law, order, public safety	12,089	25,600	36,226
Health	17,073	27,508	17,680
Housing	30,492	22,500	108,889
Community amenities	660,379	584,358	653,155
Recreation and culture	96,478	141,457	119,540
Economic services	48,574	44,110	62,622
Other property and services	1,043	6,150	6,253
	900,866	873,683	1,035,153

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

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

**Contracts with customers and transfers
for recognisable non-financial assets**

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions	3,236,996	2,014,607	3,102,156
Fees and charges	900,866	873,683	1,035,153
Other revenue	160,724	157,513	174,969
Non-operating grants, subsidies and contributions	2,581,478	8,484,144	3,437,864
	<u>6,880,064</u>	<u>11,529,947</u>	<u>7,750,142</u>

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Revenue from contracts with customers recognised during the year	4,298,586	3,045,803	4,312,278
Revenue from transfers intended for acquiring or constructing recognisable non-financial assets held as a liability at the start of the period	696,814	-	-
Revenue from transfers intended for acquiring or constructing recognisable non-financial assets during the year	1,884,664	8,484,144	3,437,864
	<u>6,880,064</u>	<u>11,529,947</u>	<u>7,750,142</u>

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers	120,797	-	89,880
Financial assets held from transfers for recognisable financial assets	756,190	-	696,814
Grant liabilities from transfers for recognisable non financial assets	(756,190)	-	(696,814)

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'.

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

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

Other revenue

Reimbursements and recoveries

Other

Interest earnings

Financial assets at amortised cost - self supporting loans

Interest on reserve funds

Rates instalment and penalty interest (refer Note 23(f))

Other interest earnings

	2021 Actual \$	2021 Budget \$	2020 Actual \$
General rates	4,376,316	4,339,347	4,226,136
	<u>4,376,316</u>	<u>4,339,347</u>	<u>4,226,136</u>
Other revenue			
Reimbursements and recoveries	137,112	80,600	122,094
Other	160,724	157,513	174,969
	<u>297,836</u>	<u>238,113</u>	<u>297,063</u>
Interest earnings			
Financial assets at amortised cost - self supporting loans	-	-	16,911
Interest on reserve funds	6,544	62,010	75,121
Rates instalment and penalty interest (refer Note 23(f))	55,976	46,000	73,784
Other interest earnings	5,668	20,000	31,646
	<u>68,188</u>	<u>128,010</u>	<u>197,462</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
Auditors remuneration				
Audit services		22,750	35,000	22,750
Other services		1,800	-	800
		24,550	35,000	23,550
Interest expenses (finance costs)				
Borrowings	15(b)	31,468	30,069	42,939
		31,468	30,069	42,939
Other expenditure				
Impairment loss on trade and other receivables		-	-	-
Sundry expenses		182,396	210,772	216,425
		182,396	210,772	216,425

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates - general	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
Rates - Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Rates - Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	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	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 funding bodies	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contractual 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 -Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
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	On entry or at conclusion of hire
Fees and charges - Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction	Output method over 12 months matched to access right
Fees and charges -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
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	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction	Output method based on goods
Other Revenue - Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
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 MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

3. CASH AND CASH EQUIVALENTS

NOTE	2021	2020
	\$	\$
Cash at bank and on hand	10,830,776	9,120,456
Total cash and cash equivalents	10,830,776	9,120,456
Restrictions		
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	6,612,500	6,141,162
	6,612,500	6,141,162

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash backed	4	5,812,829	5,425,715
Current liabilities from transfers for recognisable non-financial assets	14	756,190	696,814
Bonds and deposits held	13	43,481	18,633
Total restricted assets		6,612,500	6,141,162

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.

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

4. RESERVES - CASH BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee Entitlements Reserve	370,301	417	0	370,718	370,301	3,702	0	374,003	544,026	6,387	(180,112)	370,301
(b) Plant Replacement Reserve	915,953	1,033	0	916,986	915,953	258,074	(635,500)	538,527	798,264	278,689	(161,000)	915,953
(c) Building Reserve	933,456	1,052	0	934,508	933,456	9,335	0	942,791	922,942	10,514	0	933,456
(d) Land & Development Reserve	1,287,312	1,451	0	1,288,763	1,287,312	12,873	0	1,300,185	1,272,890	14,422	0	1,287,312
(e) Apex Park Redevelopment Reserve	227,053	75,340	0	302,393	227,053	77,271	(300,000)	4,324	150,000	77,053	0	227,053
(f) ICT Reserve	296,276	20,356	0	316,632	296,276	23,287	(12,000)	307,563	258,426	93,446	(55,596)	296,276
(g) Disaster Relief Reserve	247,006	278	0	247,284	247,006	2,470	0	249,476	244,215	2,791	0	247,006
(h) Cummins Street Units Reserve	61,186	69	0	61,255	61,186	612	0	61,798	60,505	681	0	61,186
(i) Recreation Facilities Reserve	710,039	201,025	0	911,064	710,039	207,101	0	917,140	502,804	207,235	0	710,039
(j) Waste Management Reserve	288,658	85,993	0	374,651	288,658	91,816	0	380,474	197,266	91,392	0	288,658
(k) Unspent Grant Reserve	88,475	100	0	88,575	88,475	9,422	0	97,897	3,451,497	10,854	(3,373,876)	88,475
	5,425,715	387,114	0	5,812,829	5,425,715	695,963	(947,500)	5,174,178	8,402,835	793,464	(3,770,584)	5,425,715

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee Entitlements Reserve	Ongoing	To be utilised to fund staff leave as required
(b) Plant Replacement Reserve	Ongoing	To be utilised to fund future capital plant purchases
(c) Building Reserve	Ongoing	To be utilised to fund future building construction and major maintenance within the Shire of Merredin
(d) Land & Development Reserve	Ongoing	To be utilised to fund major land development/purchases within the Shire of Merredin
(e) Apex Park Redevelopment Reserve	Ongoing	To be utilised to fund the redevelopment of works at Apex Park
(f) ICT Reserve	Ongoing	To be utilised to fund future information and communications technology (ICT) within the Shire of Merredin
(g) 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.
(h) Cummins Street Units Reserve	Ongoing	To be utilised to full maintenance and capital costs associated with Council owned units in Cummings Street Merredin.
(i) Recreation Facilities Reserve	Ongoing	To be utilised to fund future development and major renewals in relation to Recreation.
(j) 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
(k) Unspent Grant Reserve	Ongoing	To be utilised for the quaranting of Grant Monies awaiting completion of works.

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

2021	2020
\$	\$
33,409	31,818
33,409	31,818

Other financial assets at amortised cost

Self supporting loans

33,409	31,818
33,409	31,818

(b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit and loss

261,777	295,186
129,162	-
390,939	295,186

Financial assets at amortised cost

Self supporting loans

261,777	295,186
261,777	295,186

Financial assets at fair value through profit and loss

Units in Local Government House Trust

129,162	-
129,162	-

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 15(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 25.

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Other receivables	

Non-current

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

	2021	2020
	\$	\$
	576,093	500,660
	120,797	89,880
	140,540	-
	6,808	1,724
	<u>844,238</u>	<u>592,264</u>
	131,073	123,942
	<u>131,073</u>	<u>123,942</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

7. INVENTORIES

Current

Fuel and materials

Non-current

Land held for resale - cost

Cost of acquisition

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year

Additions to inventory

Balance at end of year

	2021	2020
	\$	\$
	10,610	40,731
	10,610	40,731
	446,023	446,023
	446,023	446,023
	486,754	625,460
	(329,064)	(138,706)
	298,943	-
	456,633	486,754

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.

8. OTHER ASSETS

Other assets - current

Accrued grants

Accrued other income

	2021	2020
	\$	\$
	197,528	-
	7,538	-
	205,066	-

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.

Accrued grants

Accrued grants includes grant income where the Shire has an enforceable right to receive funding from the grant funder.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021
9. 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	Buildings - work in progress*	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	2,551,000	3,052,129	30,661,574	16,862,716	53,127,419	194,236	3,222,395	56,544,050
Prior year adjustment (Refer Note 27)	-	-	(793,253)	(16,862,716)	(17,655,969)	-	-	(17,655,969)
Additions	-	-	190,333	-	190,333	21,005	447,236	658,574
Disposals	-	-	-	-	-	-	(98,519)	(98,519)
Depreciation expense	-	(102,716)	(713,798)	-	(816,514)	(18,610)	(420,413)	(1,255,537)
Balance at 30 June 2020	2,551,000	2,949,413	29,344,856	-	34,845,269	196,631	3,150,699	38,192,599
Comprises:								
Gross balance amount at 30 June 2020	2,551,000	3,561,354	33,374,369	-	39,486,723	261,645	4,341,835	44,090,203
Accumulated depreciation at 30 June 2020	-	(611,941)	(4,029,513)	-	(4,641,454)	(65,014)	(1,191,136)	(5,897,604)
Balance at 30 June 2020	2,551,000	2,949,413	29,344,856	-	34,845,269	196,631	3,150,699	38,192,599
Additions	-	-	129,192	-	129,192	-	499,842	629,034
Disposals	-	(254,183)	-	-	(254,183)	-	(270,744)	(524,927)
Depreciation expense	-	(101,171)	(713,798)	-	(814,969)	(20,270)	(453,837)	(1,289,076)
Balance at 30 June 2021	2,551,000	2,594,059	28,760,250	-	33,905,309	176,361	2,925,960	37,007,630
Comprises:								
Gross balance amount at 30 June 2021	2,551,000	3,251,354	33,503,562	-	39,305,916	261,645	4,570,932	44,138,493
Accumulated depreciation at 30 June 2021	-	(657,295)	(4,743,312)	-	(5,400,607)	(85,284)	(1,644,972)	(7,130,863)
Balance at 30 June 2021	2,551,000	2,594,059	28,760,250	-	33,905,309	176,361	2,925,960	37,007,630

* Work in progress represents construction of retirement villages on behalf of Central East Accommodation & Care Alliance Inc (CEACA).

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

9. 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 - freehold land	2	Observe open Market valuations, adjusted for conditions and comparability	Independent Valuation	2017	Price per hectare, with reference to zoning of land. Market values were used unless there were some restrictions or other factors associated with the land.
Buildings - non-specialised	2	Observe open Market valuations, adjusted for conditions and comparability	Independent Valuation	2017	Construction costs and current condition, residual value and remaining useful life assessments.
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent Valuation	2017	Construction costs, current condition, residual value and remaining useful life assessments.
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
(ii) Cost					
Furniture and equipment	3	Cost Approach using depreciated replacement cost	Independent Valuation	2017	Purchase cost, current conditions, residual values and remaining useful life assessments.
Plant and equipment - Management valuation 2020	3	Cost approach	Cost	2020	Purchase cost

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

10. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Infrastructure - footpath	Infrastructure - drainage	Infrastructure - parks & gardens	Infrastructure other	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	133,819,448	6,762,193	12,268,478	5,148,317	-	157,998,436
Prior year adjustment (Refer Note 27)	(1,125,662)	-	-	-	-	(1,125,662)
Additions	1,756,988	158,120	-	-	-	1,915,108
Depreciation expense	(2,748,452)	(213,043)	(474,110)	(24,985)	-	(3,460,590)
Balance at 30 June 2020	131,702,322	6,707,270	11,794,368	5,123,332	-	155,327,292
Comprises:						
Gross balance at 30 June 2020	172,395,885	9,225,151	24,106,456	5,211,883	-	210,939,375
Accumulated depreciation at 30 June 2020	(40,693,563)	(2,517,881)	(12,312,088)	(88,551)	-	(55,612,083)
Balance at 30 June 2020	131,702,322	6,707,270	11,794,368	5,123,332	-	155,327,292
Additions	2,966,725	-	-	47,441	124,188	3,138,354
Depreciation (expense)	(2,877,810)	(191,443)	(418,740)	(21,224)	-	(3,509,217)
Transfers	-	-	-	124,188	(124,188)	0
Balance at 30 June 2021	131,791,237	6,515,827	11,375,628	5,273,737	-	154,956,429
Comprises:						
Gross balance at 30 June 2021	175,362,610	9,225,151	24,106,456	5,383,512	-	214,077,729
Accumulated depreciation at 30 June 2021	(43,571,373)	(2,709,324)	(12,730,828)	(109,775)	-	(59,121,300)
Balance at 30 June 2021	131,791,237	6,515,827	11,375,628	5,273,737	-	154,956,429

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

10. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management Valuation	2018	Construction costs and current conditions, residual values and remaining usefull life assessment
Infrastructure - footpath	3	Cost approach using depreciated replacement cost	Management Valuation	2018	Construction costs and current conditions, residual values and remaining usefull life assessment
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Management Valuation	2018	Construction costs and current conditions, residual values and remaining usefull life assessment
Infrastructure - parks & gardens	3	Cost approach using depreciated replacement cost	Management Valuation	2018	Construction costs and current conditions, residual values and remaining usefull life assessment

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.

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.

Revaluation (Continued)

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

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

11. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	-	-	-	-	45,000	45,000	-	-	-	-	-	-
Buildings - non-specialised	254,183	283,975	29,792	-	-	-	-	-	-	-	-	-
Buildings - specialised	-	-	-	-	242,820	240,000	-	(2,820)	-	-	-	-
Plant and equipment	270,744	257,205	14,713	(28,252)	473,342	439,000	33,943	(68,285)	98,519	75,429	227	(23,317)
	524,927	541,180	44,505	(28,252)	761,162	724,000	33,943	(71,105)	98,519	75,429	227	(23,317)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
Plant and Equipment				
Transport				
Backhoe Loader JD 315SJ	43,259	32,727	-	(10,532)
Skid Steer JD 318D 2010	21,650	22,727	1,077	-
Ford Ranger Dual Cab	33,670	25,838	-	(7,832)
Tip Truck Fuso 2013	95,082	97,029	1,947	-
Wood Chipper 1998 PWCH02	6,039	17,728	11,689	-
2014 Mitsubishi Canter Tip Truck - 1EMK125	29,244	24,152	-	(5,092)
2017 Nissan Navara 4x4 Dual Cab Ute MD9353	29,000	24,817	-	(4,183)
2014 Kubota RTVX900 Utility Vehicle - 060RVY	12,800	12,187	-	(613)
	270,744	257,205	14,713	(28,252)
	270,744	257,205	14,713	(28,252)

(b) Fully Depreciated Assets in Use

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

	2021 \$	2020 \$
Buildings - specialised	5,346	5,346
Furniture and equipment	11,880	6,120
Plant and equipment	799,598	174,996
Infrastructure - parks & gardens	72,000	40,600
	888,824	227,062

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

11. FIXED ASSETS

(c) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	101,171	-	102,716
Buildings - specialised	713,798	858,631	713,798
Furniture and equipment	20,270	-	18,610
Plant and equipment	453,837	285,251	420,413
Infrastructure - roads	2,877,810	1,604,825	2,748,451
Infrastructure - footpath	191,443	233,853	213,043
Infrastructure - drainage	418,740	446,528	474,110
Infrastructure - parks & gardens	21,224	27,116	24,985
	4,798,293	3,456,204	4,716,126

Revision of useful lives of plant and equipment

The remaining useful lives are assessed at the time of revaluation of assets. Management don't believe that there would be any significant changes to remaining useful lives since that time, i.e. there has been no dramatic changes in condition of assets since the last revaluation of each class.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Infrastructure - roads:	
Sealed roads and streets	
Formation	not depreciated
Pavement	50 years
Seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
Formation	not depreciated
Pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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.

12. REVALUATION SURPLUS

	2021 Opening Balance	2021 Closing Balance	2020 Opening Balance	2020 Change in Accounting Policy	2020 Closing Balance
	\$	\$	\$	\$	\$
Land - freehold land	1,011,415	1,011,415	1,011,415	-	1,011,415
Revaluation surplus - Land - vested in and under the control of Council	-	-	760,000	(760,000)	-
Buildings - non-specialised	1,941,019	1,941,019	1,941,019	-	1,941,019
Buildings - specialised	22,114,069	22,114,069	22,114,069	-	22,114,069
Furniture and equipment	41,913	41,913	41,913	-	41,913
Plant and equipment	1,239,408	1,239,408	1,239,408	-	1,239,408
Infrastructure - roads	65,964,504	65,964,504	65,964,504	-	65,964,504
Infrastructure - footpath	11,615,820	11,615,820	11,615,820	-	11,615,820
Infrastructure - drainage	30,954,899	30,954,899	30,954,899	-	30,954,899
Infrastructure - parks & gardens	2,098,980	2,098,980	2,098,980	-	2,098,980
	136,982,027	136,982,027	137,742,027	(760,000)	136,982,027

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued salaries and wages
ATO liabilities
Bonds and deposits held
Accrued interest
Accrued expenses

2021	2020
\$	\$
713,156	299,156
120,134	106,042
11,431	-
91,325	1,276
43,481	18,633
9,580	11,140
344,413	26,123
1,333,520	462,370

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.

14. OTHER LIABILITIES

Current

Contract liabilities
 Capital grant liabilities

2021	2020
\$	\$
463,983	696,814
292,207	-
756,190	696,814

Performance obligations for each type of liability are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

Contract liabilities	Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity
\$	\$
756,190	-
756,190	-

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.

Grant Liabilities

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

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

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15. INFORMATION ON BORROWINGS

(a) Borrowings	2021	2020
	\$	\$
Current	92,241	171,364
Non-current	585,230	677,472
	677,471	848,836

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Budget	30 June 2021	30 June 2021	30 June 2021	30 June 2021	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020
				Principal	Actual	Actual	Actual	Principal	Budget	Budget	Budget	Principal	Principal	Actual	Actual	Actual	Actual	Actual
				1 July 2020	New Loans	Principal repayments	Interest repayments	Principal outstanding	1 July 2020	New Loans	Principal repayments	Interest repayments	Principal outstanding	1 July 2019	New Loans	Principal repayments	Interest repayments	Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance																		
New Loan	219			-	-	-	-	-	-	4,925,000	-	-	4,925,000	-	-	-	-	-
Education and welfare																		
CEACA Council Contribution	217	WATC*	3.17%	439,248	-	(57,022)	(10,194)	382,226	439,248	-	(57,022)	(12,472)	382,226	494,515	-	(55,267)	(14,330)	439,248
Housing																		
New Loan	218			-	-	-	-	-	-	600,000	-	-	600,000	-	-	-	-	-
Other property and services																		
Amalgamated Loans	214	WATC*	6.08%	82,525	-	(82,525)	(3,580)	-	82,524	-	(82,524)	(2,220)	-	240,343	-	(157,818)	(11,698)	82,525
				521,773	-	(139,547)	(13,774)	382,226	521,772	5,525,000	(139,546)	(14,692)	5,907,226	734,858	-	(213,085)	(26,028)	521,773
Self Supporting Loans																		
Education and welfare																		
Merritville	215	WATC*	4.94%	327,063	-	(31,818)	(17,694)	295,245	327,063	-	(31,818)	(15,377)	295,245	357,366	-	(30,303)	(16,911)	327,063
				327,063	-	(31,818)	(17,694)	295,245	327,063	-	(31,818)	(15,377)	295,245	357,366	-	(30,303)	(16,911)	327,063
				848,836	-	(171,365)	(31,468)	677,471	848,835	5,525,000	(171,364)	(30,069)	6,202,471	1,092,224	-	(243,388)	(42,939)	848,836

* WA Treasury Corporation

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

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15. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2020/21

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2021 Actual	2021 Budget	2021 Actual	2021 Budget		
Housing	WATC*	P&I	10	4.00%	\$ -	\$ 600,000	\$ -	\$ (600,000)	-	-
Matching Funds	WATC*	P&I	20	4.00%	-	4,925,000	-	(4,925,000)	-	-
* WA Treasury Corporation					-	5,525,000	-	(5,525,000)	-	-

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2021	2020
Bank overdraft limit	143,000	140,000
Bank overdraft at balance date	-	-
Credit card limit	10,000	20,000
Credit card balance at balance date	3,230	-
Total amount of credit unused	156,230	160,000

Loan facilities

Loan facilities - current	92,241	171,364
Loan facilities - non-current	585,230	677,472
Total facilities in use at balance date	677,471	848,836

Unused loan facilities at balance date

NIL NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 25.

16. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	258,888	247,613	506,501
Non-current provisions	-	30,603	30,603
	258,888	278,216	537,104
Additional provision	56,058	36,186	92,244
Balance at 30 June 2021	314,946	314,402	629,348
Comprises			
Current	314,946	237,474	552,420
Non-current	-	76,928	76,928
	314,946	314,402	629,348

	2021	2020
	\$	\$
Less than 12 months after the reporting date	143,856	315,848
More than 12 months from reporting date	460,448	247,926
Expected reimbursements from other WA local governments	25,044	(26,670)
	629,348	537,104

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

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees.

Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

17. 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. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	10,830,776	5,054,161	9,120,456
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result for the period	(165,523)	4,861,093	(1,515,201)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(129,162)	-	-
Depreciation on non-current assets	4,798,293	3,456,204	4,716,126
(Profit)/loss on sale of asset	(16,253)	37,162	23,090
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(259,105)	47,301	258,415
(Increase)/decrease in other assets	(205,066)	-	-
(Increase)/decrease in inventories	30,121	(24,000)	138,706
Increase/(decrease) in payables	871,150	25,000	(2,219,033)
Increase/(decrease) in employee provisions	92,244	-	(68,552)
Increase/(decrease) in other liabilities	59,376	(696,814)	(2,677,062)
Non-operating grants, subsidies and contributions	(2,640,854)	(8,484,144)	(3,437,864)
Net cash from operating activities	2,435,221	(778,198)	(4,781,375)

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	30,000	30,000
General purpose funding	707,166	625,257
Law, order, public safety	468,053	579,048
Health	177,036	210,099
Education and welfare	2,591,342	2,677,066
Housing	1,422,191	1,742,020
Community amenities	2,659,276	2,542,976
Recreation and culture	24,007,207	24,488,393
Transport	149,832,299	150,369,302
Economic services	758,651	1,228,687
Other property and services	6,066,843	5,761,720
Unallocated	16,136,129	13,915,743
	<u>204,856,193</u>	<u>204,170,311</u>

19. CONTINGENT LIABILITIES

The Shire of Merredin did not have any contingent liabilities as at 30 June 2021.

20. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

The Shire has no outstanding capital expenditure commitments at 30 June 2021.

(a) Operating Lease Commitments

The Shire had no operating leases current at 30 June 2021.

21. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Councillor - Julie Flockhart - President			
President's annual allowance	16,427	14,080	7,040
Meeting attendance fees	9,855	8,442	8,442
ICT expenses	222	-	223
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	2,158	3,000	1,282
	28,662	25,922	16,987
Councillor - Malcolm Willis - Deputy President			
Deputy President's annual allowance	4,107	3,520	3,520
Meeting attendance fees	9,853	8,446	8,446
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	712	3,000	-
	14,894	15,366	12,186
Councillor - Ross Billing			
Meeting attendance fees	9,853	8,446	4,223
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	-
	10,075	11,846	4,443
Councillor - Leah Boehme			
Meeting attendance fees	9,853	8,446	8,446
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	-
	10,075	11,846	8,666
Councillor - Roy Butler			
Meeting attendance fees	9,853	8,446	8,446
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	-
	10,075	11,846	8,666
Councillor - Renee Manning			
Meeting attendance fees	9,853	8,446	4,223
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	-
	10,075	11,846	4,443
Councillor- Mark McKenzie			
Meeting attendance fees	9,853	8,446	4,223
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	-
	10,075	11,846	4,443

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21 ELECTED MEMBERS REMUNERATION (continued)

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Councillor - Romolo Patroni			
Meeting attendance fees	9,853	8,446	4,223
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	323
	10,075	11,846	4,766
Councillor - Phil Van Der Merwe			
Meeting attendance fees	9,853	8,446	4,223
ICT expenses	222	-	220
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	-
	10,075	11,846	4,443
Councillor - Kenneth Hooper			
President's annual allowance	-	-	7,040
Meeting attendance fees	-	-	4,223
Travel and accommodation expenses	-	-	809
	-	-	12,072
Councillor - Bradley Anderson			
Meeting attendance fees	-	-	4,223
	-	-	4,223
Councillor - Mark Crees			
Meeting attendance fees	-	-	4,223
Travel and accommodation expenses	-	-	527
	-	-	4,750
Councillor - Mathew Crisafio			
Meeting attendance fees	-	-	4,223
	-	-	4,223
Elected member Councillors			
Annual allowance for ICT expenses	-	400	-
Travel and accommodation expenses	-	3,000	-
	-	3,400	-
	114,081	127,610	94,311
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	16,427	14,080	14,080
Deputy President's allowance	4,107	3,520	3,520
Meeting attendance fees	88,679	76,010	71,787
Other expenses	-	-	-
ICT expenses	1,998	-	1,983
Annual allowance for ICT expenses	-	4,000	-
Travel and accommodation expenses	2,870	30,000	2,941
	114,081	127,610	94,311

22. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

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

	2021 Actual	2020 Actual
	\$	\$
Short-term employee benefits	624,325	813,787
Post-employment benefits	65,313	85,804
Other long-term benefits	9,320	36,915
	698,958	936,506

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.

22. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2021 Actual	2020 Actual
	\$	\$
Purchase of goods and services		
<i>i. Key management personnel</i>	303,877	-

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

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

iii. Entities subject to significant influence by the Shire

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

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23. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21 Actual Rateable Value \$	2020/21 Actual Rate Revenue \$	2020/21 Actual Interim Rates \$	2020/21 Actual Back Rates \$	2020/21 Actual Total Revenue \$	2020/21 Budget Rate Revenue \$	2020/21 Budget Interim Rate \$	2020/21 Budget Back Rate \$	2020/21 Budget Total Revenue \$	2019/20 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
Gross rental valuations	0.106152	1,238	18,167,847	1,928,553	26,403	16,673	1,971,629	1,928,553	-	-	1,928,553	1,930,252
Unimproved valuations												
UV 1 Rural	0.019300	317	89,143,000	1,721,521	1,755	(531)	1,722,745	1,712,528	-	-	1,712,528	1,602,929
UV 2 Urban Rural	0.031100	43	3,748,000	116,563	-	-	116,563	116,563	-	-	116,563	116,563
UV 3 Mining	0.036800	4	45,934	1,690	717	107	2,514	1,690	-	-	1,690	1,842
UV 4 Power Generation	0.036800	13	485,560	149,242	-	-	149,242	166,391	-	-	166,391	161,818
UV 5 Airstrips	0.036800	1	168,000	6,183	-	-	6,183	6,182	-	-	6,182	5,962
Sub-Total		1,616	111,758,341	3,923,752	28,875	16,249	3,968,876	3,931,907	-	-	3,931,907	3,819,366
Minimum payment	Minimum \$											
Gross rental valuations												
Gross rental valuations	890	245	807,573	218,050	-	-	218,050	218,050	-	-	218,050	217,380
Unimproved valuations												
UV 1 Rural	1,110	129	3,050,500	142,080	-	-	142,080	143,190	-	-	143,190	143,190
UV 2 Urban Rural	1,110	38	700,650	42,180	-	-	42,180	42,180	-	-	42,180	42,180
UV 3 Mining	200	9	17,639	1,800	-	-	1,800	1,800	-	-	1,800	1,800
UV 4 Power Generation	1,110	3	55,200	3,330	-	-	3,330	2,220	-	-	2,220	2,220
UV 5 Airstrips	1,110	-	-	-	-	-	-	-	-	-	-	-
Sub-Total		424	4,631,562	407,440	-	-	407,440	407,440	-	-	407,440	406,770
Total amount raised from general rate		2,040	116,389,903	4,331,192	28,875	16,249	4,376,316	4,339,347	-	-	4,339,347	4,226,136
Ex-gratia rates							4,376,316				4,339,347	4,226,136
							58,687				53,150	64,083
Totals							4,435,003				4,392,497	4,290,219

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.

23. RATING INFORMATION (Continued)

(c) Specified Area Rate

No specified area rates were charged in 2020/21.

(d) Service Charges

No service charges were raised in 2020/21.

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

No discounts, incentives, concessions or write offs occurred in 2020/21.

23. RATING INFORMATION (Continued)

(f) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	4/09/2020	0.00	0.00%	0.00%
Option Two				
First instalment	4/09/2020	0.00	0.00%	0.00%
Second instalment	5/11/2020	13.00	5.50%	5.50%
Third instalment	15/01/2021	13.00	5.50%	5.50%
Fourth instalment	19/03/2021	13.00	5.50%	5.50%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	35,229	25,000	52,872
Interest on instalment plan	20,747	21,000	20,912
Charges on instalment plan	20,150	22,000	22,568
	76,126	68,000	96,352

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24. RATE SETTING STATEMENT INFORMATION

		2020/21 Budget	2020/21	2019/20
	2020/21 (30 June 2021 Carried Forward)	(30 June 2021 Carried Forward)	(1 July 2020 Brought Forward)	(30 June 2020 Carried Forward)
Note	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	11(a)	(44,504)	(33,943)	(227)
Less: Fair value adjustments to financial assets at fair value through profit and loss		(129,162)	-	-
Movement in pensioner deferred rates (non-current)		(7,131)	(10,816)	(10,816)
Movement in employee benefit provisions (non-current)		46,325	(39,878)	(39,878)
Add: Loss on disposal of assets	11(a)	28,251	71,105	23,317
Add: Depreciation on non-current assets	11(c)	4,798,293	3,456,204	4,716,126
Non cash amounts excluded from operating activities		4,692,072	3,493,366	4,688,522
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - cash backed	4	(5,812,829)	(5,174,178)	(5,425,715)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(33,409)	(33,409)	(31,818)
Less: Current assets not expected to be received at end of year				
- Land held for resale	7	-	(446,023)	-
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	15(a)	92,241	5,525,000	171,364
- Employee benefit provisions		-	374,003	-
Add: Movement in provisions between current and non-current provisions		-	22,876	-
Total adjustments to net current assets		(5,753,997)	268,269	(5,286,169)
Net current assets used in the Rate Setting Statement				
Total current assets		11,924,099	6,262,458	9,785,269
Less: Total current liabilities		(2,734,371)	(6,530,727)	(1,837,049)
Less: Total adjustments to net current assets		(5,753,997)	268,269	(5,286,169)
Net current assets used in the Rate Setting Statement		3,435,731	-	2,662,051

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at 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 \$
2021					
Cash and cash equivalents	0.087%	10,830,776	3,918,210	6,911,616	950
2020					
Cash and cash equivalents	0.34%	9,120,456	-	9,117,566	2,890

Sensitivity

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

	2021 \$	2020 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	108,298	91,176

* 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 15(b).

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	292,105	105,673	63,062	246,326	707,166
Loss allowance	-	-	-	-	-
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	13,224	254,632	103,005	253,741	624,602
Loss allowance	-	-	-	-	-

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	85,159	2,595	-	33,043	120,797
Loss allowance	-	-	-	-	-
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	30,652	24,268	1,355	33,605	89,880
Loss allowance	-	-	-	-	-

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 15(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2021					
Payables	1,243,195	-	-	1,243,195	1,243,195
Borrowings	92,241	447,527	137,703	677,471	677,471
Other liabilities	756,190	-	-	756,190	756,190
	<u>2,091,626</u>	<u>447,527</u>	<u>137,703</u>	<u>2,676,856</u>	<u>2,676,856</u>
2020					
Payables	461,094	-	-	461,094	461,094
Borrowings	171,365	390,292	287,179	848,836	848,836
Other liabilities	696,814	-	-	696,814	696,814
	<u>2,026,087</u>	<u>390,292</u>	<u>287,179</u>	<u>2,703,558</u>	<u>2,703,558</u>

26. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There were no events occurring after balance day which would have had an impact on the financial accounts.

27. CORRECTION OF ERRORS

(a) Depreciation on Fixed Assets

A prior year error occurred in 2018/19 and 2019/20, being depreciation not calculated on all infrastructure non-current assets except Parks and Gardens for a period of March to June 2019, and the period of April to June 2020. This resulted in a material overstatement of the carrying value of these group of assets.

The amount of depreciation corrected in these years is:

2018/19	\$1,125,662
2019/20	\$856,548
	<u>\$1,982,210</u>

(b) Aged Accommodation Project

The Shire has been participating in a project to construct and provide aged accommodation to the Eastern Wheatbelt through the Central East Aged Care Alliance Inc. (CEACA). Prior year errors occurred in 2016/17, 2017/18, 2018/19 and 2019/20, being the capitalisation of expenditure on construction of CEACA assets. The correction is to process expenses through profit and loss.

The Shire is not the owner of the assets but has agreed to act as banker for the project and to provide financial statements to participants through the CEACA Executive Committee.

The amount of capital expenditure corrected in the years to 30 June 2019 is:

2016/17	\$ 1,159,670
2017/18	\$ 2,155,624
2018/19	\$ 14,340,674
	<u>\$ 17,655,968</u>

A further correction was made in 2019/20 being the amount of:

2019/20	\$ 2,572,183
	<u>\$ 2,572,183</u>

The impact on the Statement of Financial Position and the Statement of Comprehensive Income are shown in the statements as a third column in the Statement of Financial Position showing the amended statement at the first instance of the correction of the error.

Statement of Financial Position (Extract)	30 June 2020 \$	Increase/ (Decrease) \$	(Restated) \$	01 July 2019 \$	Increase/ (Decrease) \$	01 July 2019 Restated \$
Property, plant and equipment	58,420,751	(20,228,152)	38,192,599	56,544,049	(17,655,968)	38,888,081
Infrastructure	157,309,502	(1,982,210)	155,327,292	157,998,436	(1,125,662)	156,872,774
Net assets	<u>215,730,253</u>	<u>(22,210,362)</u>	<u>193,519,891</u>	<u>214,542,485</u>	<u>(18,781,630)</u>	<u>195,760,855</u>
Retained earnings	81,427,807	(22,210,362)	59,217,445	76,537,157	18,781,630	57,755,527
Total equity	<u>81,427,807</u>	<u>(22,210,362)</u>	<u>59,217,445</u>	<u>76,537,157</u>	<u>18,781,630</u>	<u>57,755,527</u>

The financial ratios have been effected by the above prior year adjustments, the impact of the these adjustments are detailed below

FINANCIAL RATIOS

	2021 Actual	2020 Restated	2020 As previously stated	2019 Restated	2019 As previously stated
Current ratio	3.40	4.85	2.48	2.00	2.00
Asset consumption ratio	0.68	0.76	0.78	0.78	0.80
Asset renewal funding ratio	1.02	1.06	1.06	0.96	0.96
Asset sustainability ratio	0.48	0.53	1.31	0.65	0.68
Debt service cover ratio	10.27	(0.68)	8.31	(53.14)	7.53
Operating surplus ratio	(0.49)	(0.88)	(0.28)	(3.14)	(0.20)
Own source revenue coverage ratio	0.47	0.41	0.53	0.22	0.61

27. CORRECTION OF ERRORS (continued)

Statement of Comprehensive Income (Extract)

	2020	Increase/ (Decrease)	2020
	\$	\$	(Restated) \$
<i>By Nature or Type</i>			
Depreciation on non-current assets	(3,859,579)	(856,548)	(4,716,127)
Materials and contracts	(2,597,520)	(2,572,183)	(5,169,703)
<i>By program</i>			
Expenses			
Governance	(537,864)	-	(537,864)
General purpose funding	(88,847)	-	(88,847)
Law, order, public safety	(549,116)	-	(549,116)
Health	(213,210)	-	(213,210)
Education and welfare	(107,387)	-	(107,387)
Housing	(248,808)	-	(248,808)
Community amenities	(1,034,973)	-	(1,034,973)
Recreation and culture	(2,703,269)	-	(2,703,269)
Transport	(4,054,816)	(856,548)	(4,911,364)
Economic services	(774,043)	-	(774,043)
Other property and services	(68,025)	(2,572,183)	(2,640,208)
TOTAL EXPENSES	(10,380,358)	(3,428,731)	(13,809,089)
Net result for the period	1,913,530	(3,428,731)	(1,515,201)

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28. 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 regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

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29. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE To provide a decision-making process for the efficient allocation of scarce resources.</p>	Administration and operation of facilities and services to Members of Council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Shire services.
<p>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	Rates, general purpose government grants, and interest revenue.
<p>LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
<p>HEALTH To provide an operational framework for environmental and community health.</p>	Inspection of food outlets and their control, provision of noise control and waste disposal compliance.
<p>EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children & youth.</p>	Maintenance of child minding centre, playgroup centre, senior citizens centre and aged care centres. Provision and maintenance of youth services.
<p>HOUSING To provide and maintain housing for elderly residents.</p>	Provision and maintenance of residential housing for the elderly.
<p>COMMUNITY AMENITIES To provide services required by the community.</p>	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
<p>RECREATION AND CULTURE To establish and effectively manage infrastructure and resource which will help the social well being of the community.</p>	Maintenance of public halls, civic centres, aquatic centres, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museums and other cultural facilities.
<p>TRANSPORT To provide safe effective and efficient transport services to the community.</p>	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
<p>ECONOMIC SERVICES To help promote the Shire and its economic wellbeing.</p>	Tourism and area promotion. Provision of rural services including weed control, vermin control, standpipe and building control.
<p>OTHER PROPERTY AND SERVICES To monitor and control the Shire's overheads operating accounts.</p>	Private works operations, Administration recharged through Activity Based costing, .

30. FINANCIAL RATIOS

	2021 Actual	2020 Restated	2019 Restated
Current ratio	3.40	4.85	2.00
Asset consumption ratio	0.68	0.76	0.78
Asset renewal funding ratio	1.02	1.06	0.96
Asset sustainability ratio	0.48	0.53	0.65
Debt service cover ratio	10.27	(0.68)	(53.14)
Operating surplus ratio	(0.49)	(0.88)	(3.14)
Own source revenue coverage ratio	0.47	0.41	0.22

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