



# **Appendices**

**Audit Committee Meeting**

**Thursday 14 November 2019**

# Annual Financial Report

## 2018 - 2019



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

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**COMMUNITY VISION**

By 2030, the Shire of Murray will be a place where business thrives, we protect our environment, and all people enjoy an outstanding quality of life.  
We will be an organisation with a can-do attitude that strives for service excellence, continued improvement and a commitment to outcomes.

Principal place of business: 1915 Pinjarra Road, Pinjarra WA

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

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

Signed on the first day of November 2019



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Chief Executive Officer

Dean Leonard Unsworth

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Name of Chief Executive Officer

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	25(a)	16,441,728	16,790,537	16,410,451
Operating grants, subsidies and contributions	2(a)	3,381,351	1,603,185	3,236,216
Fees and charges	2(a)	5,685,837	5,635,139	5,528,744
Interest earnings	2(a)	675,024	567,078	636,741
Other revenue	2(a)	727,901	245,548	486,743
		26,911,841	24,841,487	26,298,895
<b>Expenses</b>				
Employee costs		(11,694,233)	(11,816,750)	(11,388,391)
Materials and contracts		(8,463,161)	(10,271,871)	(8,929,802)
Utility charges		(816,753)	(880,900)	(831,077)
Depreciation on non-current assets	11(b)	(6,175,944)	(5,557,626)	(5,437,650)
Interest expenses	2(b)	(155,245)	(158,087)	(264,528)
Insurance expenses		(401,278)	(423,703)	(385,983)
Other expenditure		(640,093)	(722,374)	(562,433)
		(28,346,707)	(29,831,311)	(27,799,864)
		(1,434,866)	(4,989,824)	(1,500,969)
Non-operating grants, subsidies and contributions	2(a)	3,778,712	4,570,640	8,743,571
Profit on asset disposals	11(a)	17,301	2,595	14,526
(Loss) on asset disposals	11(a)	(60,959)	(54,791)	(59,674)
		3,735,054	4,518,444	8,698,423
<b>Net result for the period</b>		<b>2,300,188</b>	<b>(471,380)</b>	<b>7,197,454</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(150,772)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(150,772)</b>
<b>Total comprehensive income for the period</b>		<b>2,300,188</b>	<b>(471,380)</b>	<b>7,046,682</b>

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

## STATEMENT OF COMPREHENSIVE INCOME

## BY PROGRAM

FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		175,948	50,942	146,014
General purpose funding		18,867,054	18,148,027	18,779,787
Law, order, public safety		736,379	493,968	544,448
Health		133,424	117,126	137,380
Education and welfare		104,492	1,705	102,306
Housing		28,728	48,657	47,680
Community amenities		3,546,606	3,507,477	3,400,114
Recreation and culture		1,304,337	1,091,010	1,115,188
Transport		712,736	424,085	372,610
Economic services		673,621	522,504	1,149,561
Other property and services		628,516	435,986	503,807
		<b>26,911,841</b>	<b>24,841,487</b>	<b>26,298,895</b>
<b>Expenses</b>				
	2(b)			
Governance		(2,076,084)	(1,990,492)	(1,791,817)
General purpose funding		(429,686)	(389,751)	(355,410)
Law, order, public safety		(1,547,314)	(1,676,715)	(1,548,985)
Health		(699,051)	(761,876)	(734,164)
Education and welfare		(262,696)	(178,995)	(284,030)
Housing		(34,366)	(27,792)	(32,445)
Community amenities		(5,181,648)	(6,056,511)	(5,111,147)
Recreation and culture		(6,479,533)	(6,679,929)	(6,349,456)
Transport		(8,628,496)	(9,112,568)	(7,894,352)
Economic services		(2,297,705)	(2,504,221)	(3,022,437)
Other property and services		(554,883)	(294,374)	(411,093)
		<b>(28,191,462)</b>	<b>(29,673,224)</b>	<b>(27,535,336)</b>
<b>Finance Costs</b>				
	2(b)			
Governance		(31,487)	(33,444)	(40,347)
Law, order, public safety		0	0	(82,886)
Recreation and culture		(66,225)	(66,963)	(81,504)
Transport		(28,461)	(28,502)	(29,519)
Economic services		(29,072)	(29,178)	(30,272)
		<b>(155,245)</b>	<b>(158,087)</b>	<b>(264,528)</b>
		<b>(1,434,866)</b>	<b>(4,989,824)</b>	<b>(1,500,969)</b>
Non-operating grants, subsidies and contributions	2(a)	3,778,712	4,570,640	8,743,571
Profit on disposal of assets	11(a)	17,301	2,595	14,526
(Loss) on disposal of assets	11(a)	(60,959)	(54,791)	(59,674)
		<b>3,735,054</b>	<b>4,518,444</b>	<b>8,698,423</b>
<b>Net result for the period</b>		<b>2,300,188</b>	<b>(471,380)</b>	<b>7,197,454</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(150,772)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(150,772)</b>
<b>Total comprehensive income for the period</b>		<b>2,300,188</b>	<b>(471,380)</b>	<b>7,046,682</b>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	16,291,661	15,897,355
Trade receivables	5	2,687,143	2,021,018
Other financial assets at amortised cost	8(a)	40,399	39,571
Inventories	6	30,094	36,174
Other current assets	7	110,547	99,481
<b>TOTAL CURRENT ASSETS</b>		<b>19,159,844</b>	<b>18,093,599</b>
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	449,760	464,689
Other financial assets at amortised cost	8(b)	149,773	0
Other loans and receivables	8(b)	0	102,586
Property, plant and equipment	9	63,524,885	61,478,752
Infrastructure	10	210,047,510	209,557,029
<b>TOTAL NON-CURRENT ASSETS</b>		<b>274,171,928</b>	<b>271,603,056</b>
<b>TOTAL ASSETS</b>		<b>293,331,772</b>	<b>289,696,655</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	3,090,196	1,673,331
Current portion of long term borrowings	14(a)	535,268	548,315
Employee related provisions	15	2,366,226	2,176,879
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,991,690</b>	<b>4,398,525</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	14(a)	2,902,342	3,115,610
Employee related provisions	15	203,339	248,307
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,105,681</b>	<b>3,363,917</b>
<b>TOTAL LIABILITIES</b>		<b>9,097,371</b>	<b>7,762,442</b>
<b>NET ASSETS</b>		<b>284,234,401</b>	<b>281,934,213</b>
<b>EQUITY</b>			
Retained surplus		106,260,340	103,149,038
Reserves - cash backed	4	9,257,034	10,068,148
Revaluation surplus	12	168,717,027	168,717,027
<b>TOTAL EQUITY</b>		<b>284,234,401</b>	<b>281,934,213</b>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2017</b>		<b>97,100,145</b>	<b>8,919,587</b>	<b>168,867,799</b>	<b>274,887,531</b>
Comprehensive income					
Net result for the period		7,197,454	0	0	7,197,454
Other comprehensive income	12	0	0	(150,772)	(150,772)
Total comprehensive income		7,197,454	0	(150,772)	7,046,682
Transfers from/(to) reserves		(1,148,561)	1,148,561	0	0
<b>Balance as at 30 June 2018</b>		<b>103,149,038</b>	<b>10,068,148</b>	<b>168,717,027</b>	<b>281,934,213</b>
Comprehensive income					
Net result for the period		2,300,188	0	0	2,300,188
Other comprehensive income	12	0	0	0	0
Total comprehensive income		2,300,188	0	0	2,300,188
Transfers from/(to) reserves		811,114	(811,114)	0	0
<b>Balance as at 30 June 2019</b>		<b>106,260,340</b>	<b>9,257,034</b>	<b>168,717,027</b>	<b>284,234,401</b>

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



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		16,470,299	16,518,564	16,086,283
Operating grants, subsidies and contributions		3,002,612	1,723,373	3,584,682
Fees and charges		5,922,256	5,700,139	5,528,744
Interest received		676,596	567,078	652,148
Goods and services tax received		1,909,055	1,775,751	1,633,502
Other revenue		727,901	108,161	253,046
		28,708,719	26,393,066	27,738,405
<b>Payments</b>				
Employee costs		(11,573,596)	(11,814,750)	(11,204,358)
Materials and contracts		(7,457,034)	(10,330,646)	(10,205,747)
Utility charges		(816,753)	(845,900)	(831,077)
Interest expenses		(158,280)	(158,087)	(272,194)
Insurance paid		(401,278)	(423,703)	(385,983)
Goods and services tax paid		(2,015,545)	(1,795,751)	(1,544,148)
Other expenditure		(640,093)	(722,374)	(562,433)
		(23,062,579)	(26,091,211)	(25,005,940)
<b>Net cash provided by (used in) operating activities</b>	16	5,646,140	301,855	2,732,465
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(3,779,321)	(4,572,723)	(1,603,808)
Payments for construction of infrastructure		(5,323,995)	(9,193,304)	(8,627,595)
Payments for financial assets at fair value through profit and loss		(87,586)	0	0
Non-operating grants, subsidies and contributions		3,778,712	4,570,640	8,743,571
Proceeds from self supporting loans		39,571	39,571	38,761
Proceeds from sale of property, plant & equipment		347,100	330,975	926,887
<b>Net cash provided by (used in) investment activities</b>		(5,025,519)	(8,824,841)	(522,184)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(548,315)	(548,315)	(1,069,525)
Proceeds from new borrowings		322,000	1,647,000	0
<b>Net cash provided by (used in) financing activities</b>		(226,315)	1,098,685	(1,069,525)
<b>Net increase (decrease) in cash held</b>		394,306	(7,424,301)	1,140,756
Cash at beginning of year		15,897,355	15,903,904	14,756,599
<b>Cash and cash equivalents at the end of the year</b>	16	16,291,661	8,479,603	15,897,355

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

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

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	26 (b)	4,732,672	3,987,871	3,598,450
		4,732,672	3,987,871	3,598,450
<b>Revenue from operating activities (excluding rates)</b>				
Governance		176,850	50,942	146,014
General purpose funding		2,614,129	1,544,804	2,544,019
Law, order, public safety		736,379	493,968	544,448
Health		133,424	117,126	137,380
Education and welfare		104,492	1,705	102,306
Housing		28,728	48,657	47,680
Community amenities		3,546,606	3,507,477	3,400,114
Recreation and culture		1,310,344	1,093,605	1,116,505
Transport		723,128	424,085	385,791
Economic services		673,621	522,504	1,149,589
Other property and services		628,516	435,986	503,807
		10,676,217	8,240,859	10,077,653
<b>Expenditure from operating activities</b>				
Governance		(2,112,976)	(2,032,985)	(1,832,164)
General purpose funding		(429,686)	(389,751)	(355,410)
Law, order, public safety		(1,555,006)	(1,676,715)	(1,631,871)
Health		(699,842)	(762,983)	(734,164)
Education and welfare		(262,696)	(178,995)	(284,030)
Housing		(34,366)	(27,792)	(32,445)
Community amenities		(5,182,926)	(6,056,511)	(5,114,424)
Recreation and culture		(6,553,105)	(6,749,250)	(6,430,960)
Transport		(8,684,648)	(9,181,147)	(7,973,746)
Economic services		(2,327,649)	(2,535,599)	(3,052,709)
Other property and services		(564,766)	(294,374)	(417,615)
		(28,407,666)	(29,886,102)	(27,859,538)
Non-cash amounts excluded from operating activities	26(a)	6,189,563	5,491,930	5,420,609
<b>Amount attributable to operating activities</b>		(6,809,214)	(12,165,442)	(8,762,826)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		3,778,712	4,570,640	8,743,571
Proceeds from disposal of assets	11(a)	347,100	330,975	926,887
Proceeds from self supporting loans	14(b)	39,571	39,571	38,761
Purchase of property, plant and equipment	9(a)	(3,779,321)	(4,572,723)	(1,603,808)
Purchase and construction of infrastructure	10(a)	(5,323,995)	(9,193,304)	(8,627,595)
<b>Amount attributable to investing activities</b>		(4,937,933)	(8,824,841)	(522,184)
<b>FINANCING ACTIVITIES</b>				
Units in Local Government House Trust		(87,586)		0
Repayment of borrowings	14(b)	(548,315)	(548,315)	(1,069,525)
Proceeds from borrowings	14(c)	322,000	1,647,000	0
Transfers to reserves (restricted assets)	4	(4,953,796)	(4,004,348)	(5,994,514)
Transfers from reserves (restricted assets)	4	5,764,910	7,322,524	4,845,953
<b>Amount attributable to financing activities</b>		497,213	4,416,861	(2,218,086)
<b>Surplus/(deficit) before imposition of general rates</b>		(11,249,934)	(16,573,422)	(11,503,096)
<b>Total amount raised from general rates</b>	25(a)	16,252,925	16,603,223	16,235,768
<b>Surplus/(deficit) after imposition of general rates</b>	26(b)	<b>5,002,991</b>	<b>29,801</b>	<b>4,732,672</b>

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

## 1. BASIS OF PREPARATION

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

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

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

### CRITICAL ACCOUNTING ESTIMATES

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

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

### THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 to these financial statements.

**2. REVENUE AND EXPENSES****(a) Revenue****Grant Revenue**

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,784,243	808,498	1,737,436
Law, order, public safety	539,950	349,366	349,218
Education and welfare	101,795	1,000	101,630
Community amenities	79,322	14,152	39,295
Recreation and culture	208,206	182,583	215,387
Transport	546,042	244,586	184,717
Economic services	121,793	3,000	608,533
	3,381,351	1,603,185	3,236,216
<b>Non-operating grants, subsidies and contributions</b>			
General purpose funding	256,462	256,462	254,174
Law, order, public safety	145,032	0	631,897
Community amenities	0	10,000	42,854
Recreation and culture	719,199	479,603	598,497
Transport	2,102,019	2,371,988	6,925,522
Economic services	556,000	1,452,587	290,627
	3,778,712	4,570,640	8,743,571
<b>Total grants, subsidies and contributions</b>	7,160,063	6,173,825	11,979,787

**SIGNIFICANT ACCOUNTING POLICIES****Grants, donations and other contributions**

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 24.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

**2. REVENUE AND EXPENSES (Continued)****(a) Revenue (Continued)****Significant revenue**

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Gifted road infrastructure	0	0	1,992,261
Gifted footpath infrastructure	0	0	147,069
Gifted drainage infrastructure	0	0	354,776
Gifted land and building infrastructure	584,923	0	0
Gifted other infrastructure	0	0	383,614
	584,923	0	2,877,720

**Other revenue**

Reimbursements and recoveries	265,528	137,387	233,697
Subsidies and Contributions	462,373	108,161	253,046
	727,901	245,548	486,743

**Fees and Charges**

Governance	366	306	817
General purpose funding	150,600	158,228	151,998
Law, order, public safety	161,835	121,761	165,621
Health	133,424	117,126	137,380
Education and welfare	1,715	107	154
Housing	28,496	48,398	47,169
Community amenities	3,375,612	3,482,800	3,350,644
Recreation and culture	822,888	822,515	785,700
Transport	21,647	35,075	46,390
Economic services	519,904	500,797	491,649
Other property and services	469,350	348,026	351,222
	5,685,837	5,635,139	5,528,744

**Interest earnings**

Reserve accounts interest	217,414	170,000	186,403
Rates instalment and penalty interest (refer Note 25(d))	290,951	254,278	270,663
Other interest earnings	166,659	142,800	179,675
	675,024	567,078	636,741

**2. REVENUE AND EXPENSES (Continued)****(b) Expenses****Auditors remuneration**

- Audit of the Annual Financial Report
- Grant acquittal audits
- Financial Management Systems Review

**Interest expenses (finance costs)**

Borrowings (refer Note 14(b))

**Operating lease expenses**

- Office equipment
- Plant and equipment

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
	17,800	18,700	18,790
	2,620	4,900	902
	4,500	0	0
	24,920	23,600	19,692
	155,245	158,087	264,528
	155,245	158,087	264,528
	260,703	244,957	239,031
	50,328	52,144	45,975
	311,031	297,101	285,006

**3. CASH AND CASH EQUIVALENTS**

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		14,273,610	6,371,599
Term deposits		2,018,051	9,525,756
		16,291,661	15,897,355
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		7,034,627	5,829,207
- Restricted cash and cash equivalents		9,257,034	10,068,148
		16,291,661	15,897,355
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Leave Reserve	4	597,002	597,002
Workers Compensation Reserve	4	198,003	198,003
Waste Management Reserve	4	2,351,685	2,076,488
Peel Mosquito Management Reserve	4	15,856	13,162
Unspent Grants, Contributions & Loans Reserve	4	1,043,186	2,087,857
Yunderup Canal General Maintenance Reserve	4	244,055	200,818
Willow Gardens General Canal Maintenance Reserve	4	68,568	63,163
Murray Lakes General Canal Maintenance Reserve	4	322,700	302,774
Entrance Channel Reserve	4	102,324	330,048
Austin Lakes Phase 2 Maintenance Reserve	4	193,982	150,226
Asset Enhancement Reserve	4	824,231	1,668,449
Building Renewal Reserve	4	184,358	120,455
Plant & Vehicle Reserve	4	845,869	711,494
Road, Drainage & Pathway Reserve	4	256,474	235,551
Parks & Recreation Reserve	4	216,052	181,408
Heritage Rail Precinct Reserve	4	59,834	22,973
General Developers Reserve	4	657,910	142,823
Austin Lakes Asset Replacement Reserve	4	659,738	642,640
Murray Leisure Centre Capital Reserve	4	296,214	231,631
Herron Point Reserve	4	118,993	91,183
<b>Total restricted cash and cash equivalents</b>		<b>9,257,034</b>	<b>10,068,148</b>

**SIGNIFICANT ACCOUNTING POLICIES****Cash and cash equivalents**

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

## 4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	597,002	0	0	597,002	597,002	0	(117,892)	479,110	597,002	0	0	597,002
(b) Workers Compensation Reserve	198,003	0	0	198,003	198,003	0	0	198,003	135,779	62,224	0	198,003
(c) Waste Management Reserve	2,076,488	3,270,888	(2,995,691)	2,351,685	2,069,985	3,282,175	(3,081,809)	2,270,351	1,786,986	3,115,929	(2,826,427)	2,076,488
(d) Peel Mosquito Management Reserve	13,162	2,694	0	15,856	13,162	2,500	0	15,662	10,939	2,223	0	13,162
(e) Unspent Grants, Contributions & Loans Reserve	2,087,857	388,093	(1,432,764)	1,043,186	2,089,856	0	(1,953,093)	136,763	1,441,899	1,270,560	(624,602)	2,087,857
(f) Yunderup Canal General Maintenance Reserve	200,818	50,439	(7,202)	244,055	199,952	50,150	(34,846)	215,256	159,519	49,141	(7,842)	200,818
(g) Willow Gardens General Canal Maintenance Reserve	63,163	6,246	(841)	68,568	63,633	6,246	(4,065)	65,814	58,292	6,124	(1,253)	63,163
(h) Murray Lakes General Canal Maintenance Reserve	302,774	31,396	(11,470)	322,700	302,942	31,373	(29,165)	305,150	284,049	30,718	(11,993)	302,774
(i) Entrance Channel Reserve	330,048	113,930	(341,654)	102,324	497,362	113,310	(301,917)	308,755	639,354	111,040	(420,346)	330,048
(j) Austin Lakes Phase 2 Maintenance Reserve	150,226	43,756	0	193,982	150,226	42,890	0	193,116	117,045	33,181	0	150,226
(k) Asset Enhancement Reserve	1,668,449	60,000	(904,218)	824,231	1,668,445	40,000	(1,514,184)	194,261	1,309,950	752,825	(394,326)	1,668,449
(l) Building Renewal Reserve	120,455	63,903	0	184,358	111,049	63,903	0	174,952	254,952	9,406	(143,903)	120,455
(m) Plant & Vehicle Reserve	711,494	134,375	0	845,869	612,671	134,375	0	747,046	612,671	98,823	0	711,494
(n) Road, Drainage & Pathway Reserve	235,551	53,929	(33,006)	256,474	235,551	30,240	(175,071)	90,720	305,311	30,240	(100,000)	235,551
(o) Parks & Recreation Reserve	181,408	34,644	0	216,052	181,408	34,644	0	216,052	256,292	0	(74,884)	181,408
(p) Heritage Rail Precinct Reserve	22,973	52,319	(15,458)	59,834	23,486	45,229	(7,579)	61,136	175,915	43,712	(196,654)	22,973
(q) General Developers Reserve	142,823	515,087	0	657,910	142,823	0	0	142,823	147,383	0	(4,560)	142,823
(r) Austin Lakes Asset Replacement Reserve	642,640	17,098	0	659,738	642,640	21,500	(45,440)	618,700	626,249	16,391	0	642,640
(s) Murray Leisure Centre Capital Reserve	231,631	64,583	0	296,214	231,631	64,583	0	296,214	0	231,631	0	231,631
(t) Herron Point Reserve	91,183	50,416	(22,606)	118,993	90,649	41,230	(57,463)	74,416	0	130,346	(39,163)	91,183
	10,068,148	4,953,796	(5,764,910)	9,257,034	10,122,476	4,004,348	(7,322,524)	6,804,300	8,919,587	5,994,514	(4,845,953)	10,068,148

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	Provision for employees and ex-employees leave/termination entitlements.
(b) Workers Compensation Reserve	Ongoing	To provide contingency funds for the annual workers compensation insurance premium under the performance based contributions scheme.
(c) Waste Management Reserve	Ongoing	To provide for current and future waste management services for the Shire of Murray.
(d) Peel Mosquito Management Reserve	Ongoing	To provide contingency funds for the Peel Mosquito Management Group as per the CLAG memorandum of understanding.
(e) Unspent Grants, Contributions & Loans Reserve	2019-20	For the placement of grants, contributions and loan funding that is unlikely to be expended in the current financial year.
(f) Yunderup Canal General Maintenance Reserve	Ongoing	To receive specified area rates to be used in maintaining the canal waterway and associated infrastructure.
(g) Willow Gardens General Canal Maintenance Reserve	Ongoing	To receive specified area rates to be used in maintaining the canal waterway and associated infrastructure.
(h) Murray Lakes General Canal Maintenance Reserve	Ongoing	To receive specified area rates to be used in maintaining the canal waterway and associated infrastructure.
(i) Entrance Channel Reserve	Ongoing	To receive specified area rates for the purpose of dredging the entrance channel to Yunderup Estate and Murray Waters.
(j) Austin Lakes Phase 2 Maintenance Reserve	Ongoing	To receive specified area rates for the purpose of maintaining the lake and public open space in Austin Lakes Phase 2.
(k) Asset Enhancement Reserve	Ongoing	Provision for the construction, acquisition, upgrade or maintenance of property, plant & equipment, excluding heavy plant and light vehicles.
(l) Building Renewal Reserve	Ongoing	Provision for the renewal of building assets.
(m) Plant & Vehicle Reserve	Ongoing	Provision for the replacement or purchase of heavy plant and light vehicles.
(n) Road, Drainage & Pathway Reserve	Ongoing	Provision for the construction, upgrade or renewal of infrastructure assets.
(o) Parks & Recreation Reserve	Ongoing	Provision for the construction, upgrade or renewal of infrastructure assets associated with parks, recreation, waterways and streetscapes.
(p) Heritage Rail Precinct Reserve	Ongoing	Provision for the upgrade and maintenance of the rail heritage building and surrounding precinct.
(q) General Developers Reserve	Ongoing	To receive developer's contributions to assist in the construction or upgrade of infrastructure associated with new land developments.
(r) Austin Lakes Asset Replacement Reserve	Ongoing	To receive developer's contributions to assist in the repair, maintenance and replacement of major infrastructure associated with the lake development at Austin Lakes Estate and to assist in maintaining lake water quality.
(s) Murray Leisure Centre Capital Reserve	Ongoing	Provision for the renewal of capital items at the Murray Aquatic & Leisure Centre.
(t) Herron Point Reserve	Ongoing	To receive excess revenue proceeds from the Herron Point Camping Grounds to assist in the future upgrade and development of the area.



## 5. TRADE RECEIVABLES

### Current

	2019	2018
	\$	\$
Rates receivable	1,681,767	1,335,191
Sundry receivables	879,435	616,334
GST receivable	125,322	72,077
ATO asset	2,311	0
Allowance for impairment of receivables	(4,623)	(9,318)
Accrued income	0	2,231
Accrued interest	2,931	4,503
	2,687,143	2,021,018

### Non-current

Pensioner's rates and ESL deferred	449,760	394,689
Sundry debtors	0	70,000
	449,760	464,689

## 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 27.

### 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

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

## 6. INVENTORIES

	2019	2018
	\$	\$
<b>Current</b>		
Fuel and materials	30,094	36,174
	30,094	36,174
The following movements in inventories occurred during the year:		
<b>Carrying amount at 1 July</b>	36,174	16,536
Inventories expensed during the year	(277,124)	0
Additions to inventory	271,044	19,638
<b>Carrying amount at 30 June</b>	30,094	36,174

### 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.

## 7. OTHER ASSETS AND ASSETS CLASSIFIED AS HELD FOR SALE

	2019	2018
	\$	\$
<b>Other current assets</b>		
Prepayments	110,547	99,481
	110,547	99,481

### 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.

**8. OTHER FINANCIAL ASSETS**

	2019	2018
	\$	\$
<b>(a) Current assets</b>		
Other financial assets at amortised cost	40,399	0
Other loans and receivables	0	39,571
	<b>40,399</b>	<b>39,571</b>
<b>Other financial assets at amortised cost</b>		
- Financial assets at amortised cost - self supporting loans	40,399	0
	<b>40,399</b>	<b>0</b>
<b>Financial assets previously classified as loans and receivables</b>		
- Loans receivable - clubs/institutions	0	39,571
	<b>0</b>	<b>39,571</b>
<b>(b) Non-current assets</b>		
Other financial assets at amortised cost	62,187	0
Financial assets at fair value through profit and loss	87,586	0
Other loans and receivables	0	102,586
	<b>149,773</b>	<b>102,586</b>
<b>Other financial assets at amortised cost</b>		
- Financial assets at amortised cost - self supporting loans	62,187	0
	<b>62,187</b>	<b>0</b>
<b>Financial assets at fair value through profit and loss</b>		
- <i>Unlisted equity investments</i>		
Units in Local Government House Trust	87,586	0
	<b>87,586</b>	<b>0</b>
<b>Financial assets previously classified as loans and receivables</b>		
- Loans receivable - clubs/institutions	0	102,586
	<b>0</b>	<b>102,586</b>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(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 27.

**Previous accounting policy: available for sale financial assets**

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

**Previous accounting policy: Loans and receivables**

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

Changes in fair value of Units in Local Government house recognised as non-current financial assets at fair value through profit and loss have not been recognised or considered as they are unlikely to be material and unable to be reliably determined at the time of preparation of these statements.

## 9. PROPERTY, PLANT AND EQUIPMENT

## (a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	15,464,622	7,000	15,471,622	41,131,009	41,131,009	56,602,631	326,871	5,232,826	62,162,328
Additions	13,070	0	13,070	618,460	618,460	631,530	77,331	894,947	1,603,808
(Disposals)	(549,622)	0	(549,622)	(69,726)	(69,726)	(619,348)	0	(352,687)	(972,035)
Depreciation (expense)	0	0	0	(738,427)	(738,427)	(738,427)	(53,574)	(523,348)	(1,315,349)
<b>Carrying amount at 30 June 2018</b>	14,928,070	7,000	14,935,070	40,941,316	40,941,316	55,876,386	350,628	5,251,738	61,478,752
<b>Comprises:</b>									
Gross carrying amount at 30 June 2018	14,928,070	7,000	14,935,070	41,679,088	41,679,088	56,614,158	455,629	6,123,887	63,193,674
Accumulated depreciation at 30 June 2018	0	0	0	(737,772)	(737,772)	(737,772)	(105,001)	(872,149)	(1,714,922)
<b>Carrying amount at 30 June 2018</b>	14,928,070	7,000	14,935,070	40,941,316	40,941,316	55,876,386	350,628	5,251,738	61,478,752
Additions	1,133,541	0	1,133,541	1,465,037	1,465,037	2,598,578	147,702	1,033,041	3,779,321
(Disposals)	0	0	0	(12,540)	(12,540)	(12,540)	(5,968)	(372,250)	(390,758)
Depreciation (expense)	0	0	0	(748,709)	(748,709)	(748,709)	(69,497)	(524,224)	(1,342,430)
Transfers			0		0	0	18,019	(18,019)	0
<b>Carrying amount at 30 June 2019</b>	16,061,611	7,000	16,068,611	41,645,104	41,645,104	57,713,715	440,884	5,370,286	63,524,885
<b>Comprises:</b>									
Gross carrying amount at 30 June 2019	16,061,611	7,000	16,068,611	43,130,850	43,130,850	59,199,461	610,154	6,625,510	66,435,125
Accumulated depreciation at 30 June 2019	0	0	0	(1,485,746)	(1,485,746)	(1,485,746)	(169,270)	(1,255,224)	(2,910,240)
<b>Carrying amount at 30 June 2019</b>	16,061,611	7,000	16,068,611	41,645,104	41,645,104	57,713,715	440,884	5,370,286	63,524,885

**9. PROPERTY, PLANT AND EQUIPMENT (Continued)****(b) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2/3	Market approach using recent observable market for similar properties	Independent valuers	01 June 2017	Price per hectare
Land - vested in and under the control of Council	3	The leasehold value has been calculated based on the net present value of the remaining period of the ground lease between the Shire of Murray and the Pinjarra Golf Club	Independent valuers	01 June 2017	Leasehold interest only
Buildings	2	Market approach using recent observable market for similar properties	Management valuation	01 June 2017	Price per square metre
Buildings - specialised	2/3	Market approach using recent observable market for similar properties	Independent valuers	01 June 2017	Purchase costs
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management valuation	01 June 2016	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3)
<b>Plant and equipment</b>					
Plant and equipment	2	Market approach using recent observable market data for similar items	Independent valuers	01 June 2016	Price per item
Plant and Equipment	3	Cost approach using depreciated replacement cost	Management valuation	01 June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)

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.

**10. INFRASTRUCTURE****(a) Movements in Carrying Amounts**

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Bridges	Infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	132,785,402	7,755,228	24,015,892	28,541,207	12,104,778	205,202,507
Additions	6,890,192	478,932	432,499	0	825,972	8,627,595
Revaluation increments / (decrements) transferred to revaluation surplus	0	94,928	2,746,046	(5,764,574)	2,772,828	(150,772)
Depreciation (expense)	(2,694,906)	(202,831)	(328,688)	(439,133)	(456,743)	(4,122,301)
<b>Carrying amount at 30 June 2018</b>	136,980,688	8,126,257	26,865,749	22,337,500	15,246,835	209,557,029
<b>Comprises:</b>						
Gross carrying amount at 30 June 2018	178,342,181	11,041,370	38,407,221	47,960,500	21,283,603	297,034,875
Accumulated depreciation at 30 June 2018	(41,361,493)	(2,915,113)	(11,541,472)	(25,623,000)	(6,036,768)	(87,477,846)
<b>Carrying amount at 30 June 2018</b>	136,980,688	8,126,257	26,865,749	22,337,500	15,246,835	209,557,029
Additions	3,159,748	213,107	23,803	288,042	1,639,295	5,323,995
Depreciation (expense)	(2,845,294)	(225,137)	(384,072)	(734,384)	(644,627)	(4,833,514)
<b>Carrying amount at 30 June 2019</b>	137,295,142	8,114,227	26,505,480	21,891,158	16,241,503	210,047,510
<b>Comprises:</b>						
Gross carrying amount at 30 June 2019	181,501,929	11,254,476	38,431,024	48,248,542	22,922,899	302,358,870
Accumulated depreciation at 30 June 2019	(44,206,787)	(3,140,249)	(11,925,544)	(26,357,384)	(6,681,396)	(92,311,360)
<b>Carrying amount at 30 June 2019</b>	137,295,142	8,114,227	26,505,480	21,891,158	16,241,503	210,047,510

**10. INFRASTRUCTURE (Continued)****(b) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	01 June 2017	Construction costs and current condition (Level 2) and remaining useful life assessments (Level 3)
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	01 June 2018	Construction costs and current condition (Level 2) and remaining useful life assessments (Level 3)
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management valuation	01 June 2018	Construction costs and current condition (Level 2) and remaining useful life assessments (Level 3)
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Independent Valuer	01 June 2018	Construction costs and current condition (Level 2) and remaining useful life assessments (Level 3)
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management valuation	01 June 2018	Construction costs and current condition (Level 2) and remaining useful life assessments (Level 3)

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. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

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

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

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

#### Revaluation

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

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

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under control

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

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

#### Land under roads

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

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

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

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

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



## 11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

## (a) Disposals of Assets

	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018	
	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss
Land - freehold land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	549,622	549,189	0	(433)
Buildings	12,540	0		(12,540)	0	0	0	0	69,726	63,637	0	(6,089)
Furniture and equipment	5,968	0		(5,968)			0					0
Plant and equipment	372,250	347,100	17,301	(42,451)	383,171	330,975	2,595	(54,791)	352,687	314,061	14,526	(53,152)
	390,758	347,100	17,301	(60,959)	383,171	330,975	2,595	(54,791)	972,035	926,887	14,526	(59,674)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
<b>Plant and Equipment</b>				
<b>Governance</b>				
4001MY 2013 Toyota Prado	37,450	32,045	0	(5,405)
4012MY 2013 Toyota Camry	11,602	12,505	903	0
<b>Law, order, public safety</b>				
MY8580 Emergency Trailer - BFB	1,200	0	0	(1,200)
MH 54486 Salloy Boxtop Trailer - BFB	2,775	0	0	(2,775)
6TJ971 79 Boxtop Trailer - SES	843	0	0	(843)
MY15446 Salloy Boxtop Trailer - SES	728	0	0	(728)
BJ392 1988 Flood Boat - SES	2,588	0	0	(2,588)
7QT540 1988 Boat Trailer - SES	400	0	0	(400)
<b>Health</b>				
4018MY 2013 Nissan Dualis	12,160	11,368	0	(792)
<b>Community amenities</b>				
Corio Road Tip Office (Old)	1,278	0	0	(1,278)
<b>Recreation and culture</b>				
Dwellingup Changerooms Storage Shed	3,395	0	0	(3,395)
MY8926 Flat Top Trailer	4,007	0	0	(4,007)
Dolphin Cleaner WAVE 100	3,952	0	0	(3,952)
4062MY 2015 Toro Z-Master	6,841	7,500	659	0
4064MY 2015 Toro Z-Master	6,841	7,500	659	0
<b>Transport</b>				
Agrizzi 3PL Road Broom	3,200	0	0	(3,200)
Eleven Wheel Grader Mounted Roller	1,300	0	0	(1,300)
4008MY 2015 Subaru Outback 2.5i Premium	16,979	17,273	294	0
1GQX 965 2008 Ford Ranger	7,000	4,545	0	(2,455)
4039MY Fuso Canter Crew Cab	26,220	30,909	4,689	0
4051MY 2012 Caterpillar 12M Grader	165,123	150,000	0	(15,123)
4056MY 2008 Caterpillar CS56 Roller	52,903	63,000	10,097	0
1TJQ278 John Papas 6x4 Medium Duty Trailer	763	0	0	(763)
Shire Operations Centre - Survey Shed	4,630	0	0	(4,630)
Shire Operations Centre - Chemical Shed	3,237	0	0	(3,237)
<b>Economic services</b>				
4020MY 2013 Ford Ranger Turbo Diesel	11,326	10,455	0	(871)
<b>Other property and services</b>				
Records Compactus	1,530	0	0	(1,530)
Records Compactus Units & Wire Racks	487	0	0	(487)
	390,758	347,100	17,301	(60,959)

## (b) Loss on Asset Disposals

The main reason for the increase in Loss on Asset Disposal is due to changes to the Local Government (Financial Management) Regulations, Section 17A(5) that requires from 1 July 2018 that assets with a fair value at the date of acquisition of under \$5,000 are excluded from the assets of the local government. The impact of these changes for the Shire of Murray is shown in the table below:

	2019 \$	2018 \$
Loss from Sale or Disposal	60,959	59,674
Removal of assets from the Asset Register (Fin Reg 17A(s))	36,313	-
Total Loss on Asset Disposal	24,646	59,674

## Note:

Assets under \$5,000 which because of their nature and portability, and carry a higher risk of being misused or stolen, are now recorded on a Portable and Attractive Asset Register.

## 11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings	748,709	745,782	738,427
Furniture and equipment	69,497	61,289	53,574
Plant and equipment	524,224	515,519	523,348
Infrastructure - Roads	2,845,294	2,784,242	2,694,906
Infrastructure - Footpaths	225,137	213,579	202,831
Infrastructure - Drainage	384,072	330,367	328,688
Infrastructure - Bridges	734,384	448,560	439,133
Infrastructure - Other	644,627	458,288	456,743
	6,175,944	5,557,626	5,437,650

### 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:

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.

Asset Class	Useful life
Long Life Buildings	84 to 120 years
Medium Life Buildings	56 to 80 years
Short Life Buildings	42 to 60 years
Roof	42 to 60 years
Mechanical	14 to 20 years
Fitout	17 to 25 years
Furniture and Equipment	4 to 40 years
Plant and Equipment	3 to 50 years
Sealed Roads	
Formation	not depreciated
Pavement (distributors)	42 to 60 years
Pavement (access)	64 to 80 years
Seal (Bituminous)	17 to 25 years
Seal (Asphalt)	21 to 30 years
Gravel roads	
Formation	not depreciated
Pavement	24 to 30 years
Gravel Sheet	12 years
Formed Roads (unsealed)	
Formation	not depreciated
Footpaths	
Concrete	48 to 60 years
Brick Paved	40 to 50 years
Limestone	15 to 20 years
Sealed	20 to 25 years
Gravel/Timber	15 to 25 years
Stormwater Drainage	
Pits	80 to 100 years
Pipes	50 to 100 years
Bridges	60 to 100 years
Other Infrastructure	10 to 100 years

**12. REVALUATION SURPLUS**

	2019 Opening Balance	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Revaluation Surplus - Lands and Buildings	31,940,113	31,940,113	31,940,113	0	0	0	31,940,113
Revaluation surplus - Infrastructure - Roads	83,945,170	83,945,170	83,945,170	0	0	0	83,945,170
Revaluation surplus - Infrastructure - Footpaths	5,460,194	5,460,194	5,365,266	94,928	0	94,928	5,460,194
Revaluation surplus - Infrastructure - Drainage	24,303,256	24,303,256	21,557,210	2,746,046	0	2,746,046	24,303,256
Revaluation surplus - Infrastructure - Bridges	15,238,177	15,238,177	21,002,751	0	(5,764,574)	(5,764,574)	15,238,177
Revaluation surplus - Infrastructure - Other	7,830,117	7,830,117	5,057,289	2,772,828	0	2,772,828	7,830,117
	168,717,027	168,717,027	168,867,799	5,613,802	(5,764,574)	(150,772)	168,717,027

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

**13. TRADE AND OTHER PAYABLES**

	2019	2018
	\$	\$
<b>Current</b>		
Sundry creditors	2,220,965	1,112,048
Income received in advance	431,323	2,150
Accrued salaries and wages	314,686	301,649
ATO liabilities	0	34,468
Accrued interest on long term borrowings	16,383	19,418
Accrued expenditure	106,839	203,598
	<b>3,090,196</b>	<b>1,673,331</b>

**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 that are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

Item 5.1

14. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	535,268	548,315
Non-current	2,902,342	3,115,610
	<u>3,437,610</u>	<u>3,663,925</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019					30 June 2019					30 June 2018				
				Actual Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2018	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2017	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Governance</b>																		
Administration Centre Extension Construction	161	WATC	6.94%	306,488	0	68,863	20,930	237,625	306,488		68,862	22,014	237,626	370,746	64,258	26,044	306,488	
Administration Centre Extension Construction	173	WATC	6.07%	182,438	0	57,215	10,557	125,223	182,438		57,215	11,430	125,223	236,332	53,894	14,303	182,438	
<b>Law, order, public safety</b>																		
SES Building	167a	WATC	6.03%	0	0	0	0	0	0		0	0	0	272,810	272,810	41,310	0	
SES Building	167b	WATC	6.06%	0	0	0	0	0	0		0	0	0	271,689	271,689	41,577	0	
<b>Recreation and culture</b>																		
Aquatic Centre Construction	170	WATC	5.98%	191,002	0	92,688	11,442	98,314	191,002		92,688	11,504	98,314	278,388	87,386	17,309	191,002	
Lots 85-88 George Street	174d	WATC	3.62%	64,381	0	64,381	1,837	0	64,381		64,381	2,141	0	126,492	62,111	4,526	64,381	
Lots 85-88 George Street	174e	WATC	3.04%	548,245	0	71,413	19,385	476,832	548,245		71,413	19,668	476,832	617,536	69,291	21,974	548,245	
Lot 1213 South Western Highway	175e	WATC	3.11%	817,054	0	98,328	29,556	718,726	817,054		98,329	30,082	718,725	912,394	95,340	33,366	817,054	
Murray Foreshore Upgrade	179	WATC		0	0	0	0	0	0	200,000	0	0	200,000				0	
Exchange Hotel	180	WATC	2.13%	0	322,000	0	772	322,000	0	322,000	0	0	322,000				0	
<b>Transport</b>																		
Camp Road Properties	182	WATC	3.61%	670,823	0	25,061	28,461	645,762	670,823		25,061	28,502	645,762	695,000	24,177	29,519	670,823	
Entrance Channel Dredging Works	176	WATC		0	0	0	0	0	0	550,000	0	0	550,000				0	
<b>Economic services</b>																		
Pinjarra Underground Power	178	WATC	3.28%	741,337	0	30,795	29,072	710,542	741,337		30,795	29,179	710,542	771,145	29,808	30,272	741,337	
Dwellingup Trails Centre	184	WATC		0	0	0	0	0	0	575,000	0	0	575,000				0	
				<u>3,521,768</u>	<u>322,000</u>	<u>508,744</u>	<u>152,012</u>	<u>3,335,024</u>	<u>3,521,768</u>	<u>1,647,000</u>	<u>508,744</u>	<u>154,520</u>	<u>4,660,024</u>	<u>4,552,532</u>	<u>1,030,764</u>	<u>260,200</u>	<u>3,521,768</u>	
<b>Self Supporting Loans</b>																		
<b>Recreation and culture</b>																		
Yunderup Sport & Recreation Club Inc				142,157	0	39,571	3,233	102,586	142,157	0	39,571	3,567	102,586	180,918	38,761	4,328	142,157	
				<u>142,157</u>	<u>0</u>	<u>39,571</u>	<u>3,233</u>	<u>102,586</u>	<u>142,157</u>	<u>0</u>	<u>39,571</u>	<u>3,567</u>	<u>102,586</u>	<u>180,918</u>	<u>38,761</u>	<u>4,328</u>	<u>142,157</u>	
				<u>3,663,925</u>	<u>322,000</u>	<u>548,315</u>	<u>155,245</u>	<u>3,437,610</u>	<u>3,663,925</u>	<u>1,647,000</u>	<u>548,315</u>	<u>158,087</u>	<u>4,762,610</u>	<u>4,733,450</u>	<u>1,069,525</u>	<u>264,528</u>	<u>3,663,925</u>	

Self supporting loans are financed by payments from third parties. These are shown in Note 8 as other financial assets at amortised cost.

All other loan repayments were financed by general purpose revenue.

## 14. INFORMATION ON BORROWINGS (Continued)

## (c) New Borrowings - 2018/19

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Exchange Hotel Restoration	WATC	Debenture	10	2.13%	\$ 322,000	\$ 322,000	\$ 322,000	\$ 32,200	\$ 37,215	\$ 0
					\$ 322,000	\$ 322,000	\$ 322,000	\$ 32,200	\$ 37,215	\$ 0

## (d) Undrawn Borrowing Facilities

	2019	2018
<b>Credit Standby Arrangements</b>	\$	\$
Credit card limit	100,000	100,000
Credit card balance at balance date	(17,780)	(18,905)
<b>Total amount of credit unused</b>	82,220	81,095
<b>Loan facilities</b>		
Loan facilities - current	535,268	548,315
Loan facilities - non-current	2,902,342	3,115,610
<b>Total facilities in use at balance date</b>	3,437,610	3,663,925

## 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 may be 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 27.

**15. EMPLOYEE RELATED PROVISIONS****Employee Related Provisions**

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2018</b>			
Current provisions	827,303	1,349,576	2,176,879
Non-current provisions	0	248,307	248,307
	<b>827,303</b>	<b>1,597,883</b>	<b>2,425,186</b>
Additional provision	748,466	261,628	1,010,094
Amounts used	(603,212)	(262,503)	(865,715)
<b>Balance at 30 June 2019</b>	<b>972,557</b>	<b>1,597,008</b>	<b>2,569,565</b>
<b>Comprises</b>			
Current	972,557	1,393,669	2,366,226
Non-current	0	203,339	203,339
	<b>972,557</b>	<b>1,597,008</b>	<b>2,569,565</b>
	<b>2019</b>	<b>2018</b>	
	\$	\$	
<b>Amounts are expected to be settled on the following basis:</b>			
Less than 12 months after the reporting date	914,359	865,715	
More than 12 months from reporting date	1,537,747	1,446,184	
Expected reimbursements from other WA local governments	117,459	113,287	
	<b>2,569,565</b>	<b>2,425,186</b>	

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

**SIGNIFICANT ACCOUNTING POLICIES****Employee benefits****Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

**16. NOTES TO THE STATEMENT OF CASH FLOWS****Reconciliation of Cash**

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	16,291,661	8,479,603	15,897,355
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	2,300,188	(471,380)	7,197,454
Non-cash flows in Net result:			
Depreciation	6,175,944	5,557,626	5,437,650
(Profit)/loss on sale of asset	43,658	52,196	45,148
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(651,196)	(244,172)	(57,620)
(Increase)/decrease in other assets	(11,066)	0	0
(Increase)/decrease in inventories	6,080	0	(19,638)
Increase/(decrease) in payables	1,416,865	(21,775)	(1,303,190)
Increase/(decrease) in provisions	144,379	0	176,232
Grants contributions for the development of assets	(3,778,712)	(4,570,640)	(8,743,571)
Net cash from operating activities	5,646,140	301,855	2,732,465



**17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	2019	2018
	\$	\$
Governance	4,233,983	4,486,316
General purpose funding	1,812,294	1,483,563
Law, order, public safety	4,915,263	5,048,719
Health	52,444	79,856
Education and welfare	199,193	270,904
Housing	1,207,097	1,295,434
Community amenities	32,183,959	32,594,721
Recreation and culture	43,224,846	43,032,614
Transport	183,014,169	183,615,977
Economic services	11,087,946	9,115,693
Other property and services	5,161,914	2,686,435
Unallocated	6,238,664	5,986,423
	<b>293,331,772</b>	<b>289,696,655</b>

## 18. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Shire has listed sites to be possible sources of contamination. Details of those sites are:

- Shire of Murray Operations Centre, Baker Street, Pinjarra
- Shire of Murray Waste Transfer Station, 834 Corio Road, Ravenswood
- Lot 501 Moores Road, Pinjarra (Old Tip Site)

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

## 19. CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$
<b>(a) Capital Expenditure Commitments</b>		
Contracted for:		
- Purchase of Reserves - 44437, 35786 & 50044	0	38,863
- Corporate Business System	289,870	0
- InfoCouncil Agenda & Minutes Software	39,765	0
- Dwellingup National Trails Centre Building Upgrade	1,834,740	0
- Murray River Foreshore Upgrade	28,350	0
	2,192,725	38,863
Payable:		
- not later than one year	2,192,725	38,863

### (b) Operating Lease Commitments

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

	2019	2018
	\$	\$
Payable:		
- not later than one year	223,056	256,824
- later than one year but not later than five years	207,935	361,879
- later than five years	64,658	0
	495,649	618,703

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

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

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

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

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

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

**20. RELATED PARTY TRANSACTIONS****Elected Members Remuneration**

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	136,352	141,597	141,597
President's allowance	35,525	35,525	35,525
Deputy President's allowance	8,881	8,881	8,881
Travelling expenses	400	450	450
Telecommunication allowance	30,334	31,500	31,500
	<u>211,492</u>	<u>217,953</u>	<u>217,953</u>

**Key Management Personnel (KMP) Compensation Disclosure**

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	787,015	792,914
Post-employment benefits	79,168	77,858
Other long-term benefits	17,698	17,584
	<u>883,881</u>	<u>888,356</u>

**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.

**20. RELATED PARTY TRANSACTIONS (Continued)****Transactions with related parties**

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

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

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Sale of goods and services	5,362	122
Short term employee benefits - other related parties	226,658	208,680
<b>Amounts payable to related parties:</b>		
Trade and other payables	1,750	0

**Related Parties****The Shire's main related parties are as follows:***i. Key management personnel*

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

*ii. Other Related Parties*

The associate persons of KMP were employed by the Shire under normal employment terms and conditions.

## 21. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2018/19 financial year.

## 22. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertaking during the 2018/19 financial year.

## 23. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2019	2018
139	138

## 24. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing
	Balance <sup>(1)</sup>			Balance <sup>(1)</sup>			Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>							
DLG Scholarships	15,229	0	(15,229)	0	0	0	0
<b>Law, order, public safety</b>							
DFES - BFB Operating 11/12	16,272	0	0	16,272	0	(16,272)	0
DFES - BFB Operating 17/18	52,598	0	(52,598)	0	0	0	0
DFES - BFB Operating 18/19	0	64,482	0	64,482	0	(64,482)	0
DFES - BFB Operating 19/20	0	0	0	0	58,779	0	58,779
DFES - SES Operating 17/18	9,477	0	(9,476)	1	0	(1)	0
DFES - SES Operating 18/19	0	9,646	0	9,646	0	(9,646)	0
DFES - SES Operating 19/20	0	0	0	0	10,559	0	10,559
LEMA Review	6,412	0	(3,689)	2,723	0	(60)	2,663
Community Evacuation Field Exercise	5,042	0	0	5,042	0	0	5,042
DFES - Bushfire Risk Management	0	0	0	0	172,931	0	172,931
<b>Education and welfare</b>							
PCDG - Youth Activities	1,500	0	0	1,500	0	(1,500)	0
Youth Officer	6,881	0	0	6,881	0	(6,881)	0
Healthways - Early Years Activities	75	0	0	75	0	(75)	0
Youth Activities	8,064	0	(8,064)	0	0	0	0
ATSI Mental Health	18,750	0	(10,050)	8,700	14,074	(8,700)	14,074
ATSI Amazing Race	0	5,283	0	5,283	0	(5,283)	0
<b>Community amenities</b>							
PHCC - Sustainable Agriculture Tool	5,606	0	0	5,606	0	0	5,606
Lakes Road Industrial	5,036	0	0	5,036	0	(5,036)	0
DEC - Zero Waste Management Plan	5,000	0	0	5,000	0	(5,000)	0
WALGA - SWBP Ecological Assessment	4,609	0	(4,609)	0	0	0	0
DPLH - Murray Delta Monitoring Project	0	5,620	0	5,620	0	(3,745)	1,875
Greening Australia - George Brook Reserve	0	10,000	0	10,000	0	(10,000)	0
Community Infrastructure Plan	3,388	0	0	3,388	0	0	3,388
PHCC - Pinjarra Wetlands	2,925	0	0	2,925	0	0	2,925
Stormwater Outlet Banksia Terrace	1,627	0	0	1,627	0	(1,627)	0
PTA - Bus Shelter	379	0	0	379	0	(379)	0
PDC - Pinjarra Revitalisation Plan	40,000	0	(40,000)	0	0	0	0

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

Grant/Contribution	Opening	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing
	Balance <sup>(1)</sup>			Balance <sup>(1)</sup>			Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>Recreation and culture</b>							
Alcoa - 2017 Christmas Festival	2,000	0	(2,000)	0	0	0	0
Keysbrook Leucozene - North Dandalup Hall	10,000	10,000	0	20,000	0	(20,000)	0
Resource Capital Funds - North Dandalup Hall	9,976	0	0	9,976	0	(9,976)	0
Education Dept - Libratry Project	20,000	0	0	20,000	0	(20,000)	0
LotteryWest - Coolup Tennis Courts	2,937	0	0	2,937	0	(2,937)	0
Childrens Book Council	2,000	0	(2,000)	0	0	0	0
DSR - Kidsport	265	0	(235)	30	0	(30)	0
DSR - Club Development Workshops	1,223	0	0	1,223	0	0	1,223
City of Mandurah - Ravenswood Regional Sporting Precient	30,000	0	(23,320)	6,680	0	(1,190)	5,490
PDC - Ravenswood Regional Sporting Precinct	30,000	0	(23,320)	6,680	0	(1,190)	5,490
DSR - Ravenswood Regional Sporting Precinct	30,000	0	(23,320)	6,680	0	(1,190)	5,490
PDC - Murray River Foreshore & Amphitheatre	100,000	275,000		375,000	0	0	375,000
PDC - Riverland Ramble	50,000	0	(50,000)	0	0	0	0
DLG - MREC Strategic Plan	0	5,000	0	5,000	0	(5,000)	0
DLG - Pinjarra Placemaking	0	6,610	0	6,610	0	(6,118)	492
Alcoa - Dwellingup Community Grants	0	31,850	0	31,850	0	(27,052)	4,798
STEM Project	0	0	0	0	10,000	0	10,000
<b>Transport</b>							
Grants Commission - Paterson Road Bridgeworks	0	70,000	0	70,000	0	(70,000)	0
Recreational Boating Facility - South Yunderup Sullage	6,583	0	0	6,583	0	(6,583)	0
DDWEH - George St Permeable Paving	2,500	0	0	2,500	0	(2,500)	0
R2R - Roads to Recovery	0	652,319	0	652,319	0	(618,991)	33,328
Grants Commission - Wilgie Creek Bridge	194,000	0	0	194,000	0	(194,000)	0



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

Grant/Contribution	Opening	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing
	Balance <sup>(1)</sup>			Balance <sup>(1)</sup>			Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>Economic services</b>							
Economic Development Marketing Strategies	20,008	0	0	20,008	0	0	20,008
PRLF Regional Trails Coordinator	35,000	0	0	35,000	0	(35,000)	0
PDC - Regional Trails Strategy	0	24,750	0	24,750	5,000	(24,750)	5,000
LotteryWest - Coopers Mill Interpretative	1,115	0	0	1,115	0	(1,115)	0
PDC - Dwellingup National Trails - Skate Park	150,000	0	0	150,000	0	(150,000)	0
PDC - Dwellingup National Trails - Pump Park	50,000	0	0	50,000	0	(50,000)	0
PDC - Dwellingup National Trails - Feature Survey	14,820	0	0	14,820	0	0	14,820
PDC - Dwellingup National Trails - Masterplan	25,000	0	0	25,000	25,000	0	50,000
PDC - Transform Peel	0	100,000	0	100,000	40,000	(12,277)	127,723
PDC - CY O'Connor Research Facility	88,500	0	(33,768)	54,732	0	0	54,732
Peel Innovation Ecosystem Bootcamp	0	0	0	0	6,750	0	6,750
Southern Dirt Peel Growers Hub	0	0	0	0	20,000	0	20,000
Murrayfield Airport Business Case	0	0	0	0	25,000	0	25,000
DWER - Managed Aquifer Recharge Scheme	191,248	0	(157,070)	34,178	0	(34,178)	0
<b>Total</b>	<b>1,276,045</b>	<b>1,270,560</b>	<b>(458,748)</b>	<b>2,087,857</b>	<b>388,093</b>	<b>(1,432,764)</b>	<b>1,043,186</b>

**Notes:**

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

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

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

## 25. RATING INFORMATION

## (a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>												
GRV General	0.094849	6,083	98,394,044	9,332,577	45,502	6,594	9,384,673	9,332,577	68,427	4,840	9,405,844	10,263,966
GRV Commercial	0.075879	147	17,444,794	1,323,693	5,937	0	1,329,630	1,323,694	9,874	692	1,334,260	0
<b>Unimproved valuations</b>												
UV General	0.006450	817	570,399,000	3,679,074	102,861	5,321	3,787,256	3,679,074	19,748	1,383	3,700,205	3,510,630
<b>Sub-Total</b>		7,047	686,237,838	14,335,344	154,300	11,915	14,501,559	14,335,345	98,049	6,915	14,440,309	13,774,596
<b>Minimum payment</b>												
<b>Gross rental valuations</b>												
GRV General	1,121	1,766	14,763,234	1,979,686	0	0	1,979,686	1,979,686	0	0	1,979,686	2,241,960
GRV Commercial	1,121	24	279,487	26,904	0	0	26,904	26,904	0	0	26,904	0
GRV General Lesser Minimum	821	185	334,165	151,885	0	0	151,885	151,885	0	0	151,885	147,815
<b>Unimproved valuations</b>												
UV General	1,121	130	13,455,088	145,730	0	0	145,730	145,730	0	0	145,730	138,474
<b>Sub-Total</b>		2,105	28,831,974	2,304,205	0	0	2,304,205	2,304,205	0	0	2,304,205	2,528,249
		9,152	715,069,812	16,639,549	154,300	11,915	16,805,764	16,639,550	98,049	6,915	16,744,514	16,302,845
Discounts/concessions (refer Note 25(c))							(145,941)				(145,941)	(143,621)
Ex-gratia rates							4,626				4,650	4,626
Rates paid in advance							(411,524)				0	71,918
<b>Total amount raised from general rate</b>							16,252,925				16,603,223	16,235,768
Specified Area Rate (refer Note 25(b))							188,803				187,314	174,683
<b>Totals</b>							16,441,728				16,790,537	16,410,451

## SIGNIFICANT ACCOUNTING POLICIES

## Rates

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

25. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2018/19 Rateable Value	2018/19 Rate Revenue	2018/19	2018/19	2018/19	2018/19 Budget Rate Revenue	2018/19 Budget Back Rate Revenue	2018/19 Budget Interim Rate Revenue	2018/19 Total Budget Revenue	2017/18 Total Actual Revenue
					Interim Rate Revenue	Back Rate Revenue	Total Specified Area Rate Revenue					
Yunderup Canal Entrance Dredging	GRV	0.006999	8,094,689	56,655	310	0	56,965	56,655	0	0	56,655	55,520
Yunderup Canal Maintenance	GRV	0.006523	7,688,225	50,150	289	0	50,439	50,150	0	0	50,150	49,141
Murray Lakes Canal Maintenance	GRV	0.006523	4,809,664	31,373	23	0	31,396	31,373	0	0	31,373	30,718
Willow Gardens Canal Maintenance	GRV	0.006523	957,569	6,246	0	0	6,246	6,246	0	0	6,246	6,123
Austin Lakes Phase 2 Maintenance	GRV	0.007394	5,800,615	42,890	867	0	43,757	42,890	0	0	42,890	33,181
				187,314	1,489	0	188,803	187,314	0	0	187,314	174,683

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2018/19	2018/19	2018/19	2018/19 Budget Rate Applied to Costs	2018/19 Budget Rate Set Aside to Reserve	2018/19 Budget Reserve Applied to Costs
			Actual Rate Applied to Costs	Actual Rate Set Aside to Reserve	Actual Reserve Applied to Costs			
Yunderup Canal Entrance Dredging	For the purpose of dredging the entrance channel to Yunderup Stage 1 Estate, The Moorings and Sapphire Waters		0	56,965	341,654	0	56,655	301,917
Yunderup Canal Maintenance	For the purpose of maintaining the canal waterway and associated infrastructure		0	50,439	7,202	0	50,150	34,846
Murray Lakes Canal Maintenance	For the purpose of maintaining the canal waterway and associated infrastructure		0	31,396	11,470	0	31,373	29,165
Willow Gardens Canal Maintenance	For the purpose of maintaining the canal waterway and associated infrastructure		0	6,246	841	0	6,246	4,065
Austin Lakes Phase 2 Maintenance	For the purpose of maintaining the lake and public open space in Austin Lakes Estate Phase 2		0	43,757	0	0	42,890	0
			0	188,803	361,167	0	187,314	369,993

## 25. RATING INFORMATION (Continued)

## (c) Discounts, Incentives, Concessions, &amp; Write-offs

## Waivers or Concessions

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

	Type	Discount	Discount	2019 Actual	2019 Budget	2018 Actual
		%	\$	\$	\$	\$
Primary Producer	Concession	18.86%	0	136,598	136,598	134,326
Primary Producer	Concession	9.43%	0.00	8,149	8,149	8,101
Riverglades Complex	Concession	0.00%	6	1,194	1,194	1,194
				145,941	145,941	143,621

## Write-offs

Rate or Fee and  
Charge to which  
write-off is Granted

	Type	Discount	Discount	Actual	Budget	Actual
		%	\$	\$	\$	\$
General Rates	Write off	0.00%	0	19,297	1,000	5,533
				19,297	1,000	5,533

Rate or Fee and  
Charge to which  
the Waiver or  
Concession is GrantedCircumstances in which  
the Waiver or Concession is  
Granted and to whom it was  
availableObjects and reasons of the  
Waiver or Concession

Primary Producer	Bona-fide primary producers residing within the Shire as per policy F7	In recognition of the critical economic importance of the agricultural industry Council has adopted policy F7 to assist bona-fide primary producers
Primary Producer	Bona-fide primary producers residing within neighbouring Shires as per policy F7	
Riverglades Complex	Applied to strata-titled lots within the Riverglades Complex	Concession applied in recognition of property owners required to pay the mandated fee under the Caravan Parks & Camping Grounds Regulations

**25. RATING INFORMATION (Continued)****(d) Interest Charges & Instalments**

<b>Instalment Options</b>	<b>Date Due</b>	<b>Instalment Plan Admin Charge</b>	<b>Instalment Plan Interest Rate</b>	<b>Unpaid Rates Interest Rate</b>
		<b>\$</b>	<b>%</b>	<b>%</b>
<b>Option One</b>				
Single Full Payment	21 Sep 2018	0.00	0.00%	11.00%
<b>Option Two</b>				
First Instalment	21 Sep 2018	0.00	0.00%	11.00%
Second Instalment	23 Nov 2018	10.00	5.50%	11.00%
Third Instalment	25 Jan 2019	10.00	5.50%	11.00%
Fourth Instalment	29 Mar 2019	10.00	5.50%	11.00%
<b>Option Three</b>				
Rate Smoothing	As scheduled	25.00	0.00%	11.00%

	<b>2019 Actual</b>	<b>2019 Budget</b>	<b>2018 Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest on unpaid rates	205,036	167,778	184,267
Interest on instalment plan	85,915	86,500	86,396
Charges on instalment plans	82,705	82,672	83,957
	<b>373,656</b>	<b>336,950</b>	<b>354,620</b>

## 26. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget	2018/19
	2018/19 (30 June 2019 Carried Forward)	(30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
Note	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	11(a) (17,301)	(2,595)	(14,526)
Less: Movement in liabilities associated with restricted cash	0	(117,892)	0
Movement in pensioner deferred rates (non-current)	(55,071)	0	(79,997)
Movement in sundry debtors (non-current)	70,000	0	7,000
Movement in employee benefit provisions (non-current)	(44,968)	0	10,808
Add: Loss on disposal of assets	11(a) 60,959	54,791	59,674
Add: Depreciation on assets	11(b) 6,175,944	5,557,626	5,437,650
<b>Non cash amounts excluded from operating activities</b>	6,189,563	5,491,930	5,420,609
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
<b>Adjustments to net current assets</b>			
Less: Reserves - restricted cash	3 (9,257,034)	(6,804,300)	(10,068,148)
Less: - Financial assets at amortised cost - self supporting loans	8(a) (40,399)	(40,399)	(39,571)
Add: Current portion of long term borrowings	14(a) 535,268	665,943	548,315
Add: Component of leave liability held in Reserve	597,002	479,110	597,002
<b>Total adjustments to net current assets</b>	(8,165,163)	(5,699,646)	(8,962,402)
<b>Net current assets used in the Rate Setting Statement</b>			
Total current assets	19,159,844	10,843,110	18,093,599
Less: Total current liabilities	(5,991,690)	(5,113,663)	(4,398,525)
Less: Total adjustments to net current assets	(8,165,163)	(5,699,646)	(8,962,402)
<b>Net current assets used in the Rate Setting Statement</b>	5,002,991	29,801	4,732,672

## 27. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk.

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	0.84%	16,291,661	2,018,051	14,267,870	5,740
<b>2018</b>					
Cash and cash equivalents	1.75%	15,897,355	9,525,756	6,365,999	5,600

#### Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	181,156	179,338

\* 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 14(b).

## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 12 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

Upon adoption of AASB9, there has been no material change in the calculation of the loss allowances at 1 July 2018 and therefore no retrospective adjustments have been applied.

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	0.36%	0.75%	2.29%	3.35%	
Gross carrying amount	783,175	32,081	4,927	43,893	864,076
Loss allowance	2,800	241	113	1,469	4,623



## 27. 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 14(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
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	2,217,713	0	0	2,217,713	3,090,196
Borrowings	615,853	1,566,496	1,566,568	3,748,917	3,437,610
	2,833,566	1,566,496	1,566,568	5,966,630	6,527,806
<b>2018</b>					
Payables	1,673,331	0	0	1,673,331	1,673,331
Borrowings	681,917	1,868,027	1,880,891	4,430,834	3,663,925
	2,355,248	1,868,027	1,880,891	6,104,165	5,337,256

**28. TRUST FUNDS**

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

	1 July 2018	Amounts Received	Amounts Paid	Amounts Transferred	30 June 2019
	\$	\$	\$	\$	\$
Interest	2,382	30,263	(32,645)	0	0
Unclaimed Monies	31,068	372	(916)	0	30,524
Development Bonds	1,886,712	194,442	(1,010,028)	(1,071,126)	0
Building License Bonds	34,000	0	(20,000)	0	14,000
Facility hire Bonds	6,660	250	(220)	(6,690)	0
Key Bonds	3,261	302	(79)	(3,484)	0
Extractive Industry Bonds	1,500	32	0	(1,532)	0
Property Bonds	55,094	44,475	(88,492)	(11,077)	0
CTF Levy	11,290	77,483	(70,429)	(18,344)	0
Building Services Levy	8,596	88,597	(79,907)	(17,286)	0
Dept Environment & Conservation	1,562	7,986	(9,548)	0	0
Other Miscellaneous Trust Items	3,181	67	(3,248)	0	0
Public Donations	1,090	21,333	(22,423)	0	0
	2,046,396	465,602	(1,337,935)	(1,129,539)	44,524

## 29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

### AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption were calculated however considered not material and therefore no adjustment has been recognised directly in accumulated surplus/(deficit).

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

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

## 29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

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

### (b) Impairment

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

Upon adoption of AASB 9, there has been no material change in the calculation of the loss allowance as at 1 July 2018.

**30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS**

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

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

**(a) Revenue from Contracts with Customers**

The Shire will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	AASB 118 carrying amount		AASB 15 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
<b>Contract liabilities - current</b>			
Unspent grants, contributions and reimbursements	(1,043,186)	1,043,186	0
<b>Contract liabilities non-current</b>			
Adjustment to retained surplus from adoption of AASB 15	30(d)	(1,043,186)	

**(b) Leases**

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

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is 2.50%.

	Note	2019
		\$
Operating lease commitments disclosed as at 30 June 2019		495,649
Lease liability recognised as at 1 July 2019		
Discounted using the Shire's incremental borrowing rate of 2.50%	30(d)	<u>154,575</u>
Short term leases recognised on a straight-line basis as an expense		53,641
Low-value leases recognised on a straight-line basis as an expense		<u>348,807</u>
		402,448

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019.

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

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

**30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS  
(Continued)****(c) Income For Not-For-Profit Entities**

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

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

**(d) Impact of changes to Retained Surplus**

The impact on the Shire of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			106,260,340
Adjustment to retained surplus from adoption of AASB 15	30(a)	(1,043,186)	
Adjustment to retained surplus from adoption of AASB 16	30(b)	154,575	
Retained surplus - 01 July 2019			<u>105,371,729</u>

**31. 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.

**31. OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)****Valuation techniques**

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

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

**i) Impairment of assets**

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

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

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

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



## 32. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p><b>GOVERNANCE</b></p> <p>To provide a decision making process for the efficient allocation of available resources.</p>	<p>Includes the activities of elected members of council and the administrative support available to the Council for the provision of governance of the Shire. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.</p>
<p><b>GENERAL PURPOSE FUNDING</b></p> <p>To collect revenue to allow for the provision of services.</p>	<p>Rates revenue, late payment penalties, general purpose grants, untied road grants and interest received on investments.</p>
<p><b>LAW, ORDER, PUBLIC SAFETY</b></p> <p>To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Supervision and enforcement of various local laws relating to fire prevention, animal control, graffiti and litter control, off-road vehicles and other aspects of public safety, including emergency services.</p>
<p><b>HEALTH</b></p> <p>To provide an operational framework for environmental and community health.</p>	<p>Provision of health services, including inspection of food outlets, pest control, noise control and other preventative services.</p>
<p><b>EDUCATION AND WELFARE</b></p> <p>To provide services to disadvantaged persons, the elderly, children and youth.</p>	<p>Provision of pre-school and senior citizen facilities and welfare and youth programs.</p>
<p><b>HOUSING</b></p> <p>To maintain Shire owned residential properties.</p>	<p>Housing owned by the Shire that cannot be allocated to other programs.</p>
<p><b>COMMUNITY AMENITIES</b></p> <p>To provide services required by the community.</p>	<p>Provision of rubbish collection services, operation of waste transfer stations, protection of the environment, administration of town planning schemes, provision and maintenance of public conveniences and bus shelters and operation of the Pinjarra cemetery.</p>
<p><b>RECREATION AND CULTURE</b></p> <p>To establish and manage infrastructure and resources which will help the social wellbeing of the community.</p>	<p>Provision of facilities and support of organisations and the community with leisure, heritage and cultural activities. This support includes halls, sporting grounds, the Murray Aquatic &amp; Leisure Centre, parks and gardens, art and community festivals and the Murray Public Library.</p>
<p><b>TRANSPORT</b></p> <p>To provide safe, effective and efficient transport infrastructure to the community.</p>	<p>Construction and maintenance of roads, bridges, pathways, the works operations centre, canals and waterways, parking facilities and plant purchases.</p>
<p><b>ECONOMIC SERVICES</b></p> <p>To help promote the Shire and its economic wellbeing.</p>	<p>Activities associated with building services, economic development, tourism and area promotion, public utilities and the operation of the Dwellingup History and Visitor Information Centre.</p>
<p><b>OTHER PROPERTY AND SERVICES</b></p> <p>To monitor and control the Shire's overhead operating accounts.</p>	<p>Private works, administration and public works overheads and plant operations.</p>

**33. FINANCIAL RATIOS**

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.84	2.11	1.62
Asset consumption ratio	0.73	0.78	0.77
Asset renewal funding ratio	0.67	0.82	0.82
Asset sustainability ratio	0.72	0.75	1.12
Debt service cover ratio	6.90	3.12	7.25
Operating surplus ratio	(0.06)	(0.07)	0.00
Own source revenue coverage ratio	0.81	0.82	0.83

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

## INDEPENDENT AUDITOR'S REPORT

To the Electors of the Shire of Murray

### Report on the Audit of the Financial Report

#### **Opinion**

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

In our opinion the annual financial report of the Shire of Murray:

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

#### **Basis for Opinion**

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

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

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

In preparing the financial report, the CEO is responsible for assessing the Shire of Murray'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 of Murray.

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

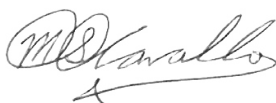
In accordance with the *Local Government (Audit) Regulations 1996* we report that:

- (i) In our opinion, the following matter indicates an adverse trend in the financial position or the financial management practices of the Shire of Murray:
  - a. Operating Surplus Ratio has progressively declined over the past 3 years and for 2018-19 is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of 0 (2019: (0.06), 2018: (0.07), 2017:0)
- (ii) There were no instances of non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit.

- (iii) All required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

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

This auditor's report relates to the annual financial report of Shire of Murray for the year ended 30 June 2019 included on the Shire of Murray's website. Shire of Murray's management is responsible for the integrity of the Shire of Murray website. This audit does not provide assurance on the integrity of the Shire of Murray'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.

**AMD Chartered Accountants**

**MARIA CAVALLO**  
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this 4<sup>th</sup> day of November 2019



4 November 2019

**Cr D Bolt**  
**Shire President**  
**Shire of Murray**  
**PO Box 21**  
**PINJARRA WA 6208**

Dear David

**SHIRE OF MURRAY**  
**30 JUNE 2019 MANAGEMENT REPORT**

Following completion of our 30 June 2019 audit, we provide our Management Report and audit recommendations.

**1.0 Our Audit Approach**

The Australian Auditing Standards are the professional Standards applicable to all audit engagements. Accordingly, our audit was conducted in accordance with Australian Auditing Standards, with testing designed solely to enable the expression of an opinion on the financial report of the Shire of Murray. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then using our professional judgement, applying audit procedures to mitigate that risk.

To assist Council in understanding our role as external auditor, we have previously detailed our audit responsibilities and scope of work to be performed to meet those responsibilities in our audit engagement letter.

Australian Auditing Standards require us to document and evaluate Shire of Murray's system of internal control to establish the level of reliance on the internal control system in determining the nature, timing and extent of other auditing procedures necessary to enable us to complete our audit. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities and should not, therefore, be taken to assume that no other weaknesses exist. Accordingly the comments within this letter refer only to those matters that have come to our attention during the course of our normal audit work and may not identify all possible improvements that an internal controls review may detect.

Our audit approach is based on a risk analysis methodology which relies upon our understanding of Shire of Murray's operations, strategies and risks. We performed a review of applicable accounting systems and tested those during our audit. The level of testing performed by us is determined by the degree of reliance we place on the internal control systems in place which has a resulting impact on the amount of substantive testing required during our audit procedures. The level of testing performed is also aligned with what is required to form an overall opinion on the financial statements which may not coincide with what the Shire of Murray perceives should be tested.

Our audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and judgements, as well as evaluating the overall presentation of the financial report. There were no areas of disagreement either in the accounting estimates or judgements or in the presentation and disclosures made in the financial report.

### **2.0 Assessment of Fraud and Error**

The primary responsibility for the prevention and detection of fraud is that of Council and management. As a result, it is important that management with the oversight of Council place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and resulting consequences.

In accordance with Australian Auditing Standards we are required to obtain reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error. While our procedures are designed to identify material weaknesses and misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We have confirmed that nothing has come to management's attention that may constitute an incident of fraud. In addition our audit procedures did not identify any instances of suspected or actual fraud. We take this opportunity to remind you that our audit is not designed to detect fraud and therefore our audit procedures are not designed for that purpose.

### **3.0 Significant Difficulties Encountered during the Audit**

During the course of our audit, there were no areas where we experienced significant difficulties.

### **4.0 Audit Adjustments and Unadjusted Audit Differences**

During the course of our audit, we identified no misstatements or unidentified differences.

### **5.0 Accounting Policies**

We confirm to you that we are not aware of any changes to the accounting policies of the Shire of Murray since 30 June 2018 in respect of the preparation of the 30 June 2019 financial report other than those changes required under Australian Accounting Standards and the Local Government Act and Regulations which are adequately disclosed.

### **6.0 Commitments and Contingencies**

On completion of our audit and subsequent discussions with management, we did not identify any additional commitments or contingencies that required disclosure within the financial report of the Shire of Murray, apart from those already disclosed.

### **7.0 Subsequent Events**

We did not identify any additional subsequent events up until the date of this report that required disclosure within the financial report of the Shire of Murray, apart from those already disclosed.

### **8.0 Financial Performance Ratios**

Note 33 to Council's financial report includes 7 financial ratios required to be reported by the Local Government (Financial Management) Regulation 1996.

For the year ended 30 June 2019, Council has either met or exceeded the standard set by the Department of Local Government, Sport and Cultural Industries for 5 out of the 7 ratios.

The Operating Surplus ratio did not meet the guidelines, reported at (0.06) as at 30 June 2019 (2018: (0.07) and 2017: 0). This ratio has progressively declined over the past three years and for 2018-19 is below the Department of Local Government, Sport and Cultural Industries standard of 0.

The Asset Sustainability ratio did not meet the guidelines, reported at 0.72 as at 30 June 2019 (2018: 0.75 and 2017: 1.12). This ratio has progressively declined over the past three years and for 2018-19 is below the Department of Local Government, Sport and Cultural Industries standard of 0.9.

We recommend Council continue to consider the impact on ratios and long term sustainability when making decisions regarding asset renewal, additional borrowings and setting rates for future years.

#### **9.0 Local Government Act Compliance Measures**

In conjunction with our review of the financial statements, we also perform a review of the Shire of Murray's compliance with the Local Government Act.

Our review of compliance with the Local Government Act and Financial Management Regulations did not indicate any issues of non-compliance which required reporting.

#### **10.0 Audit Findings**

In accordance with the terms of our engagement letter, we have a responsibility to provide an opinion in respect to the Shire of Murray's annual financial report as to whether it is free from material misstatement. Our audit report for 30 June 2019 is unqualified with our opinion stating the financial report presents fairly the financial position of the Shire of Murray, as at and for the year ending 30 June 2019.

In addition to the recommendations contained within Appendix 1, we draw attention to the Financial Management Systems Review engagements undertaken by AMD during the year ended 30 June 2019. The recommendations raised on completion of these reviews were contained in the accompanying reports which were issued in May 2019.

As a result of our audit procedures we are pleased to report Shire of Murray's internal processes, procedures and financial reporting framework are adequately designed and have been maintained to high standards throughout the audit period.

Year-end financial records and supporting reconciliations provided to us were correctly supporting all year end balances. We would like to thank the finance and administration team for their efforts throughout the audit process.

We are pleased to report that there are minimal audit recommendations for the year ended 30 June 2019.

Our management report is on an exception basis, and therefore we have not commented on the various internal controls in place within your accounting systems.



**11.0 Other Matters**

We would like to take this opportunity to thank Tracie, Nicole, Amanda and the finance team for the assistance provided to us during our audit.

Should you have any questions concerning the above or would like to discuss any other aspect of our audit, please do not hesitate to contact me.

Yours sincerely

**AMD Chartered Accountants**

A handwritten signature in black ink, appearing to read 'M Cavallo', with a horizontal line underneath.

**MARIA CAVALLO CA**  
**Director**

cc            Dean Unsworth  
                 Chief Executive Officer

**APPENDIX 1****Audit Recommendations for the year ended 30 June 2019**

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**GUIDANCE TO FINDINGS RATING / IMPLICATION**

*Findings identified during the final audit have been weighted in accordance with the following scale:*

*Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.*

*Moderate: Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.*

*Minor: Those findings that are not of primary concern however still warrant action being taken.*

**AUDIT FINDINGS****1. EXCESSIVE LEAVE BALANCES*****Finding Rating: Moderate***

As at 30 June 2019, we identified employees who had an annual leave balance in excess of six weeks leave due, with instances of employees also having a current long service leave balance due.

**Implication**

The cost to Shire is greater if leave presently due is not paid out on a regular basis due to:

- The cumulative effect of salary increase over a period of time;
- Recreational leave enhances employees performance; and
- It is a fundamental principle of good internal control that all employees take regular leave.

**Recommendation**

We recommend employees take regular leave through ongoing management of leave scheduling and leave liabilities.

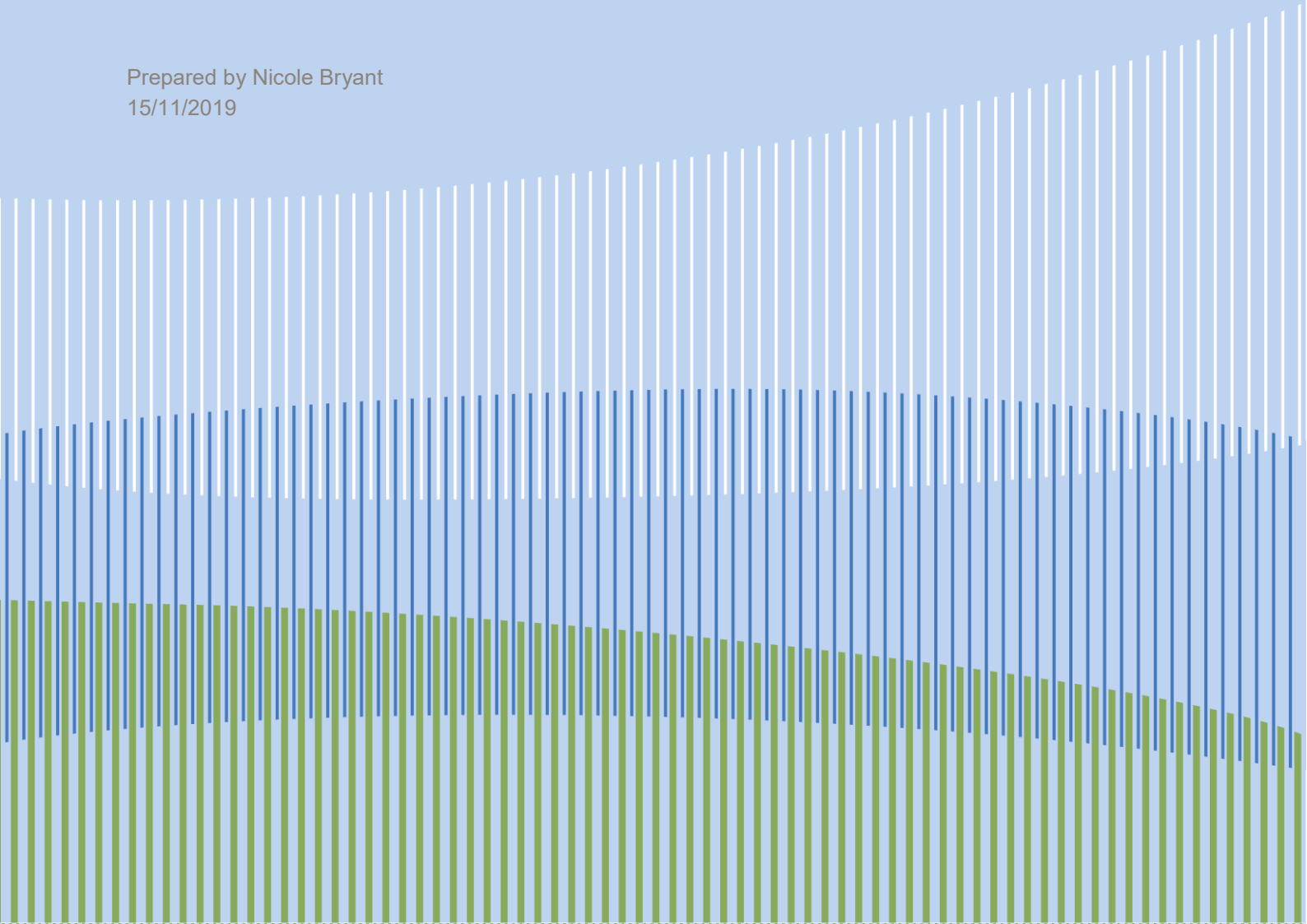
**Management Comment**

Management recognises the importance of closely managing employee leave and has been actively working to reduce the Shire's leave liability over the last five years. 2018/19 has been an unusual one for the Shire with the implementation of the new corporate software impacting employees' workloads across the entire organisation, resulting in a higher level of time in lieu and annual leave accrued than normal. This accrual has been further exacerbated by the amount of long service leave that fell due and was taken during the year, further limiting the employees' opportunity to take annual leave. Long service leave accruals actually decreased over the year, with over 6,500 hours of long service leave being paid.

# 2018-19 Annual Financial Statement

## Significant Adverse Trends

Prepared by Nicole Bryant  
15/11/2019



# Operating Surplus Ratio

## In Brief

As part of the Statutory Audit process of the Annual Financial Statements, the requirement of section 7.12A to produce a report addressing the issues raised by the auditor were introduced by amendment in 2017. Due to this change the Audit Committee is required to consider the significant adverse trend in the ratio identified in the 2018/19 Audit report issued by AMD Chartered Accountants for the 2018/19 Annual Financial Statement.

## Background

Under the Local Government Act 1995 the Shire of Murray is required to prepare an audited Annual Financial Report each financial year.

The Council's current auditor is AMD Chartered Accountants, who have a contract for audit services with the Council until 2019. AMD are experienced local government auditors and an accredited agent of the Office of Auditor General. AMD's 30 June 2019 audit report of the Shire of Murray is attached at appendix 1 of this document.

A key audit requirement of both the contract with AMD and new audit standards under the Office of Auditor General (OAG) is the responsibility for the auditor to identify any financial trends which it considers adverse and of concern. For the 30 June 2019 year, AMD has identified that the Shire of Murray meets five of the seven minimum standards for financial ratios (as set by the Department), with the following financial measure of sustainability being cause for concern;

- Operating Surplus

Under section 7.12A of the act it states

- (4) A local government must -
  - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of these matters; and
  - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

## Report Detail

A key indicator of a local government's financial performance is measured by the 'Operating Surplus Ratio'. If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having

regard to asset management and the community's service level needs, then it is considered financially sustainable.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result. The ratio is calculated using the following equation:

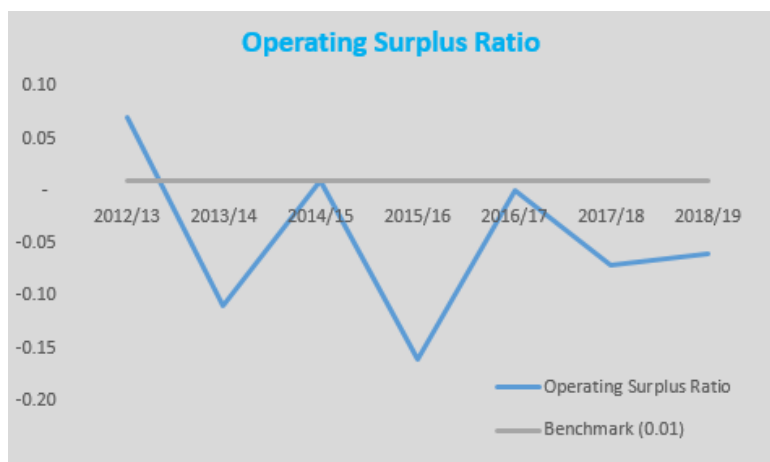
$$\text{Operating Surplus Ratio} = \frac{\text{Operating Revenue} - \text{Operating Expenses}}{\text{Own Source Operating Revenue}}$$

The Departments minimum benchmarks are as follows:

- Not Meeting Standards <0.00 Minimum 0.00
- Standard 0.01 to 0.15
- Advanced > 0.15

The ratios should be read for what they are, a very simplistic measure. The operating surplus ratio excludes Financial Assistance Grants (FAG's). It has long been argued that FAG's are an integral component of revenue for local government and business models are predicted on receiving these funds. Removing this key source of operational revenue from the ratio calculation has a negative impact on the ratio and skews the result.

It is typical of a local government similar to Murray, to have an operating surplus ratio that does not meet the minimum requirements. This result reflects a reliance on sources of funding other than rates as mentioned above, to be sustainable. As seen in the graph below the operating surplus ratio has traditionally had a negative result:



A number of additional major items also directly influence the results of the Operating Surplus Ratio:

- The level of rating increase.
- The payment of grants, particularly large operating grants.
- The funding of operating projects from reserve funds. All operating expenditure must be included in the ratio calculations, however the income from reserve must be excluded, resulting in an apparent lower ability to fund operating expenditure.

In order to improve the Operating Surplus Ratio, the Council has limited options available to it. The measure could be improved by increasing rates substantially, however this must be balanced with the community's capacity to pay, particularly considering the current economic circumstances. The measure could also be improved by Council reviewing its major operating costs centres, including employment costs and contractors and materials however this will certainly adversely impact on the level of service which Council is able to deliver to the community.

It is recommended that a detailed analysis of available options to improve the operating surplus ratio be undertaken as part of its long-term planning review during 2019/20. In addition to the above recommendations for the Council to consider, the following suggestions are provided and may warrant further discussion.

- The current assessment by the DLGC is a one size fits all approach. It is recommended that the Department consider reviewing what it considers an acceptable result in terms of the ratios from regional and remote councils. This could be determined by the band level of a local government as it is unreasonable to expect councils with vastly different resource levels to return similar ratio results. Consideration should also be given to individual council circumstances such as the limited amount of rateable land, population and growth rates and rateable property values as examples.
- The issue of adverse ratios is a council wide issue and was discussed at the Local Government Financial Professional's workshop held on the 23rd August 2019 at the City of Kwinana.

At this meeting the Department representative acknowledged the issue required reviewing and have commenced the consultation process with the West Australian Local Government Association (WALGA) and the Local Government Professionals Australia WA. The outcome of these consultations are still pending.

The requirement to produce this report addressing the issues raised by the auditor would appear to have taken the majority of the sector by surprise, with 110 of 137 local governments failing to meet the required standard for the 2017/18 financial year. The requirement to report remedial action as an outcome of an identified adverse trend is likely, at least in the short term, to be an annual process for the Shire of Murray.

The Management team will continue to monitor the ratio results and identify factors within its control that can be addressed with a view to improving the ratio outcome.

# Item 5.1

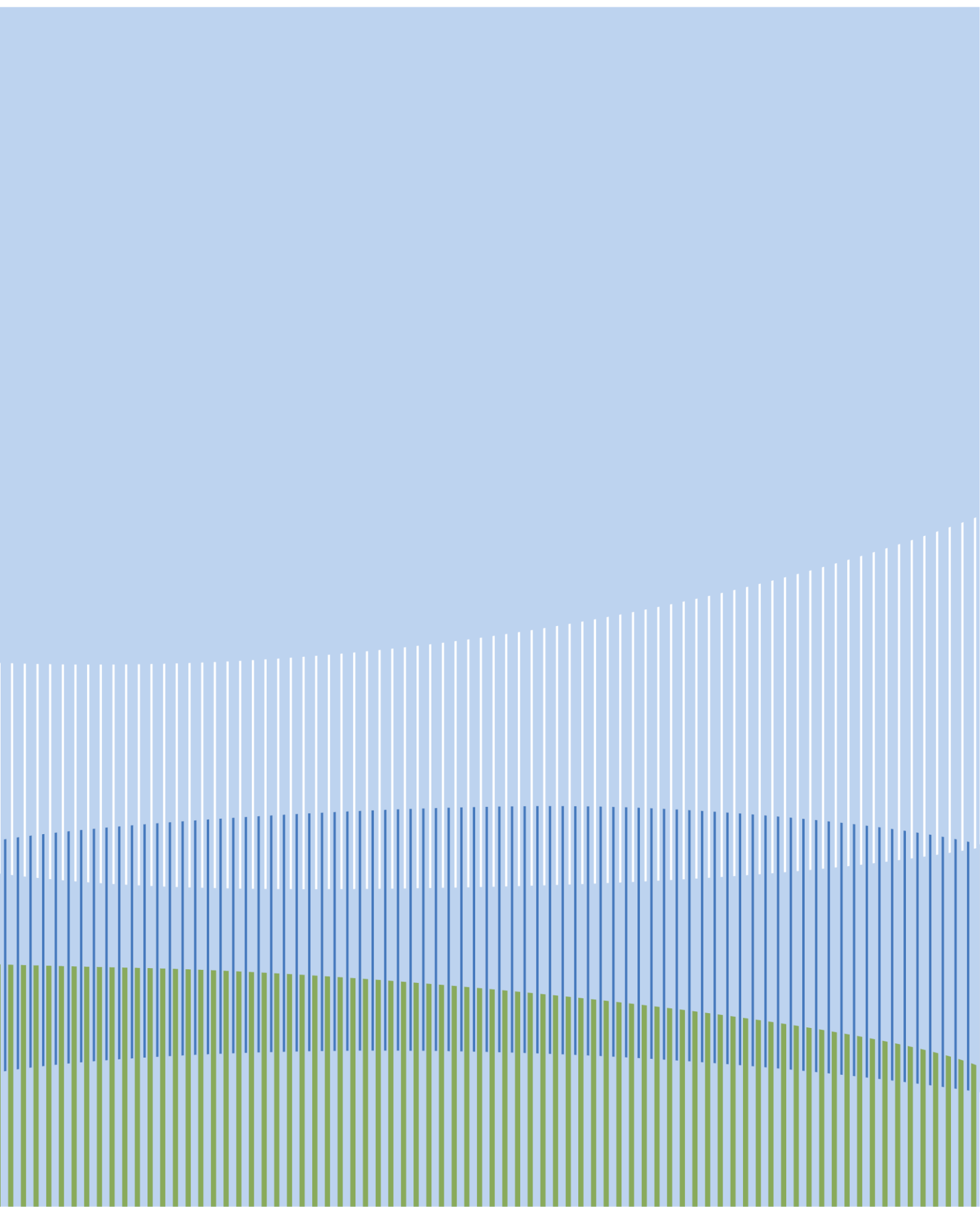
## Audit Committee 14 November 2019

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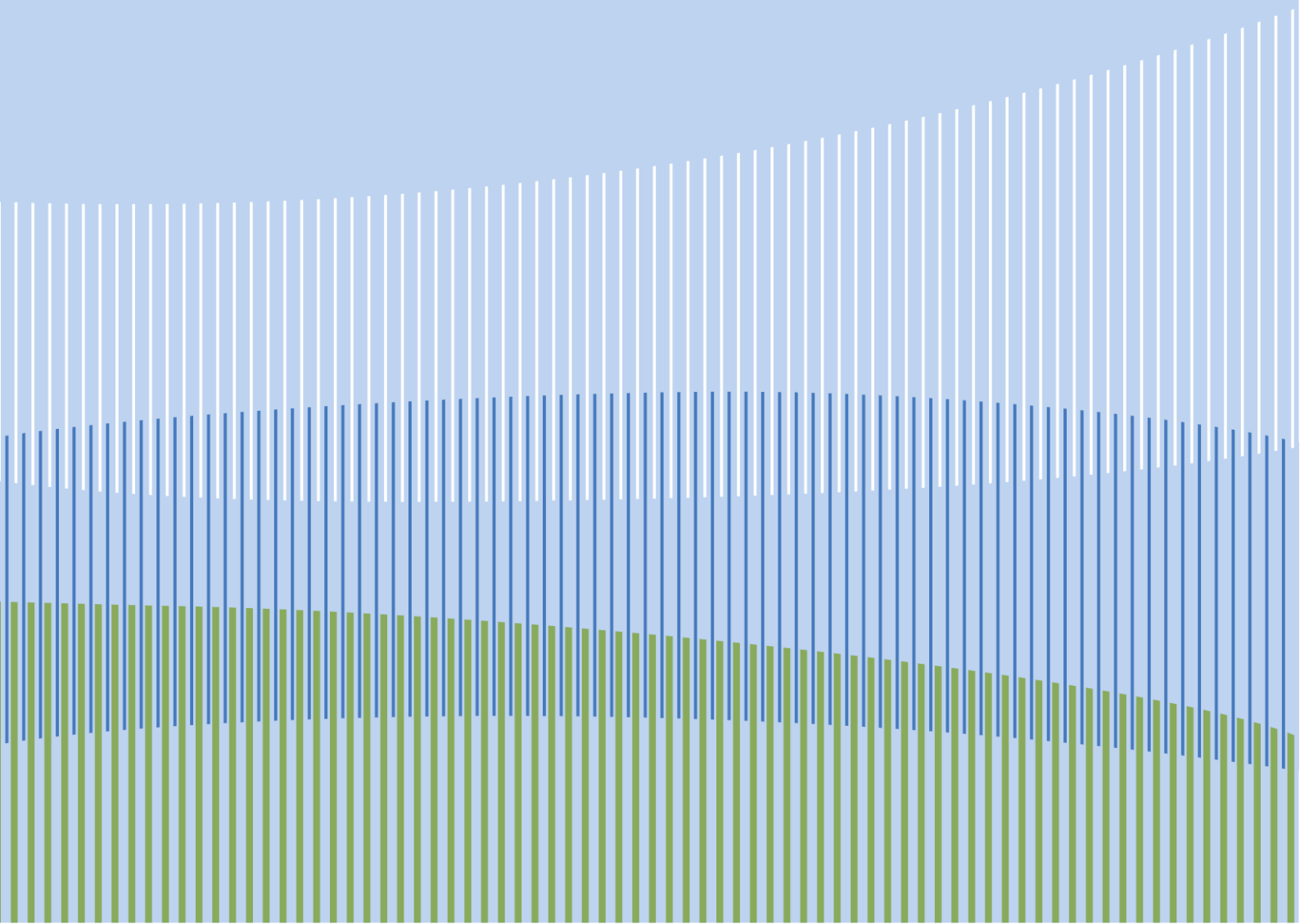
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## Appendix 3



# Audit Regulations Compliance Report

A review of systems and procedures in relation to risk management, internal control and legislative compliance





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## 1. Overview and Objectives

In accordance with the requirements outlined within Regulations 16 and 17 of the Local Government (Audit) Regulations 1996, a review of the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance has been undertaken. This report summarises the findings and observations of the review.

## 2. Scope

The following systems and procedures of Council were the subject of this review:

- 2019-2023 Corporate Business Plan
- Risk Management Policy
- Risk Management Strategy and Guide
- Operational Risk Management
- Strategic Risk Management
- Corporate Risk Register
- Crisis Management and Business Continuity Documentation
- IT Disaster Recovery Plan
- Records Management Disaster Recovery Plan
- Corporate Risk Team
- Risk Management Training and Education processes
- Risk Management Culture
- Management of Fraud and Misconduct
- External Audit Services
- Compliance Audit Return

## 3. Review

### 3.1 Corporate Business Plan

The 2019-2023 Corporate Business Plan outlines the Shire's commitment to identifying, measuring and managing risks in order to capitalise on opportunities and achieve objectives. The Plan also provides an overview of the risk management framework, describing its alignment to ISO 31000:2018.

The Corporate Business Plan is reported on to Executive and Council every quarter to monitor the progress of projects and actions, and to ensure that project and action owners are accountable.

## 3.2 Risk Management Policies and Documentation

### 3.2.1 Risk Management Policy

Council adopted a Risk Management Policy in 2009 which states the objectives for, and commitment to, risk management. The policy is designed to provide a foundation for risk management, and make a statement on the Shire's objectives, approach and commitment to effective risk management across all its operations in line with ISO 31000:2018. The Policy is reviewed annually.

### 3.2.2 Risk Management Strategy

Council adopted the Shire of Murray's initial Risk Management Strategy in 2011. The Strategy sets the risk management direction for all projects, strategic and operational areas within the Council and seeks to align effective risk management practices across the organisation within a common framework. The Strategy highlights that potential risks which could be faced by the Shire of Murray can be categorised and assessed as either financial, reputational, environmental, health, operational or project risks.

The Risk Management Strategy is reviewed every three years, with the most recent review being completed in September 2019. The Priorities and Integration Strategy within the document also demonstrates the integration of risk management into the organisations daily processes, and outlines the risk management focus areas for the next few years. The Priorities and Integration Strategy is reviewed by the Corporate Risk Team on an ongoing basis.

### 3.2.3 Risk Management Guide

The Risk Management Strategy supported by a Risk Management Guide, which is given to staff at their Risk Management Induction. The Guide provides a summary of the information contained within the Risk Management Policy and Risk Management Strategy. The review of the Risk Management Guide is in line with that of the Risk Management Strategy.

## 3.3 Operational Risk Management

The organisation, assisted by Local Government Insurance Services, undertook an operational risk management project in 2013. This involved workshops with each department to:

- List key activities delivered by the operational area
- Identify risks specific to operational service areas
- Consider critical success factors associated with the key activities and identifying the risks
- Identify existing controls currently in place to manage the risks and how those controls rate as a whole using the Shire of Murray risk tables
- Rate the risk in terms of consequence and likelihood and determining the level of risk using the Shire of Murray Risk Tables
- Identify the risk treatment options

The project provided key data for the development of the Corporate Risk Register and has provided a comprehensive database for the review and control of risks.

### 3.4 Corporate Risk Register

The Shire has developed a Corporate Risk Register which captures risks that may prevent the achievement of the Shire's key strategic objectives or that affect major systems and projects. The register includes financial and non-financial systems, and helps ensure compliance with key legislation, details key current controls and identifies new controls to reduce risks. The register is an important element of risk management that assists the Shire in capturing and recording risks that threaten the major systems and the delivery of major projects.

The Corporate Risk Register was previously imbedded in the organisations business planning software (Camms), however, as this software has now been replaced, risks are currently captured in an Excel database. A new method of recording, monitoring and reporting on risks therefore needs to be implemented to ensure risks are updated on a regular basis, and that new and emerging risks are captured. This will also ensure that risks can continue to be reported to the Corporate Risk Team.

On occasion, business units have also developed their own risk register as part of the annual business planning process. These risk registers identify, assess and describe control actions for risks that may impinge on the key objectives of the business unit. To further imbed this, it would be worth investigating how the risk assessment process can be formally integrated into the organisations business planning, so that identified risks can be linked to the organisations overall corporate risk register.

While the corporate risk register identifies risks and their key controls, no formal process has been implemented to ensure that identified controls are indeed in place, and are effectively managing the risk. It is therefore suggested that a controls assurance process be implemented.

### 3.5 Crisis Management and Business Continuity

#### 3.5.1 Crisis Management and Business Continuity Plan

The Shire's Crisis Management and Business Continuity Plan, which is reviewed every two years, was developed and tested in conjunction with Local Government Insurance Services during 2012 and 2013. The objective of the Plan is to ensure that the Shire can prepare for and continue to operate after an incident or crisis. This Plan is a significant component of the Shire's overall management of risk and increases the Shire's recovery capabilities, ensuring decisions are made quickly to minimise financial, environmental and reputational impacts.

The Crisis Management and Business Continuity Plan has been successfully utilised during events such as the 2016 Waroona fires and the suspected cyber breach in 2017. Both of these events resulted in disruptions to business as usual, however, successful management of the events through utilising processes outlined in the Plan, resulted in minimal complaints or down time. Testing of the Plan every two years has ensured that the organisation remains prepared for future potential events.

The Crisis Management and Business Continuity Plan is supported by the Emergency Response Plan and Evacuation Procedure, Information Systems Disaster Recovery Plan, Records Disaster Recovery Plan and local emergency management arrangements.

The Crisis Management and Business continuity Plan is currently undergoing a review, which is due to be completed by December 2019. The reviewed Plan will then be validated through a Business Continuity Exercise, before being formally endorsed by the Corporate Risk Team.

### 3.5.2 Information Systems Disaster Recovery Plan

The Information Systems Disaster Recovery Plan is also reviewed and tested every two years.

In July 2017, a simulated recovery of a Shire of Murray server was undertaken, where the replica server was accessed on the Shire of Waroona's network. This is due to formalised disaster recovery arrangement allowing the Shire of Murray's critical servers to be sent to the Shire of Waroona every 24 hours as a back-up. Testing of the Shire's telephony contingency arrangements was also undertaken at this time, with identified improvements from the tests being incorporated in an action plan for implementation.

The next Information Systems Disaster Recovery Exercise is to take place by the end of 2019.

### 3.5.3 Records Disaster Recovery Plan

The Records Disaster Recovery Plan is in place to ensure the efficient resumption of the Shire's Record Keeping System and retrieval of records following a disaster. The Plan is reviewed every 5 years, with the last review being completed in July 2018.

The Records Disaster Recovery Plan is reviewed by the State Records Office to ensure compliance with the State Records Act 2000.

## 3.6 Corporate Risk Team

In 2019, the Shire's Risk Management Committee underwent a name change in an aim to revitalise risk management and improve risk outcomes. The rebranded Corporate Risk Team meets on a quarterly basis to discuss major risk issues that may arise within the Shire, and to advocate for best practice risk management principles.

The Terms of Reference and membership of the Team are regularly reviewed and updated. Current membership includes:

- Director Corporate Services
- Coordinator Integrated Planning
- Manager Finance
- Manager Information Systems
- Manager Environmental Health; and
- Rotational attendance between Director Planning and Sustainability, Director Infrastructure Services and Director Place and Community Development

The Corporate Risk Team also reviews reports identifying high and extreme risks, as well as risks with inadequate controls. In addition to this, the Team also helps to ensure that risk owners are updating risks in accordance with the timeframe set by the Risk Management Strategy.

### 3.7 Risk Management Training and Education

To educate employees on the Shire's risk management practices, all new employees undergo a Risk Management Induction. The aim of the Risk Management inductions are to understand how Council is exposed to corporate risks, provide an overview of responsibility in relation to the organisations risk, and to provide staff with the tools to identify and report risks.

Condensed versions of the Risk Management inductions are also extended to work experience personnel and volunteers. In addition to this, Elected Members will also be provided with risk management training, which is scheduled for October 2019.

To ensure that all staff remain aware of the Shire's risk management practices, it may be beneficial to implement refresher training for those staff who have gone a number of years since first being inducted.

### 3.8 Risk Management Culture

The Shire of Murray is committed to a culture of risk management, where risk is considered at three levels; strategic, operational and project. Operational level risks are documented in the corporate risk register and are reviewed on a regular, defined basis, according to risk severity. Project level risks are handled by staff when considering new projects, and where relevant, are documented within project plans and supporting documentation.

Strategic level risks consider the long term strategic objectives of the Shire. As part of the corporate business planning process, a strategic risk assessment is undertaken. This process requires consideration of the threat and opportunity factors that may impact the Shire of Murray in areas that include financial, political, economic, social, technological, environmental and legal.

The development of the Shire's risk management culture is continual, with the Risk Management Strategy indicating a desire to create greater emphasis on opportunities, not just risks.

### 3.9 Management of Potential Fraud and Misconduct

There are a number of policies applicable to employees and Elected Members to ensure transparency and accountability for all Shire of Murray activities. These include the Code of Conduct, Purchasing Policy and Delegations Register.

All Employees and Elected Members are required to adhere to the Code of Conduct, which provides a clear framework for behaviour that must be observed in the wide range of interactions and scenarios experienced in the conduct of the Shire of Murray activities. Misconduct will result in disciplinary action.

As per the Delegations Register, officers have different approval limits subject to the position they hold, meaning that purchase orders and invoices can only be authorised by officers within their approved limits.

The Purchasing Policy aims to ensure consistency and robust control over Shire procurement activities. This Policy includes the requirements for quotations to be received for certain procurement thresholds.

In order to identify potential gaps and to ensure that strategies are implemented to adequately prevent fraud, it would be beneficial for the Shire to develop a Fraud Prevention Strategy in accordance with the guidelines provided by the Office of the Auditor General.

### **3.10 External Audits**

#### **3.10.1 Financial Audits and Reviews**

As required by section 7.2 of the Local Government Act 1995, the Shire appointed AMD Accountants for a three year period to complete the Interim and Final Financial Audits. The audits aim to establish and review whether appropriate practices are occurring, and whether the financial statements are accurate through the substantiation of appropriate records and controls. The Shire has consistently demonstrated a high level of compliance in these audits.

The Shire's financial management systems were also reviewed in May 2019, as per Regulation 5(2)(C) of the Local Government (Financial Management) Regulations 1996. This was also conducted by AMD Accountants, who reviewed the Shire's financial processes, systems and procedures. The review provided several areas where the Shire of Murray has the opportunity to improve its financial management systems and / or procedures. The next financial management systems review is due in 2022.

#### **3.10.2 Occupational Safety and Health Systems Audit**

The Shire of Murray's Occupational Safety and Health Management Systems are regularly audited by Local Government Insurance Services.

The success of the program, of which risk management is an integral part of, was recognised in the audit that was undertaken in August 2018, where the Shire received a score of 86%. This result was an improvement on the previous audit scores of 2008 and 2012, where the Shire achieved 69% and 81% respectively, and resulted in the Shire being awarded a WorkSafe Plan Gold Certificate of Achievement and a LGIS Silver Diligence in Safety Award. This made the Shire of Murray one of the first regional Local Governments to achieve such substantial results

The next Occupational Safety and Health Systems Audit will likely take place in 2021.

#### **3.10.3 Compliance Audit Return**

The Shire continues to complete the annual Compliance Audit Return and submit it to the Department of Local Government, Sport and Cultural Industries by the required deadline. The Return focuses on key areas of legislation and the Shire has consistently demonstrated a high level of compliance.

## 4.0 Summary

The Shire of Murray has well rounded risk management systems and processes which include a comprehensive risk framework, processes and systems. Risk management implications are considered within business planning processes, standard operating activities and for new projects. Controlled reporting and monitoring of risks takes place through the Corporate Risk Team and follow on reporting to the Executive Leadership Group.

The major risk of Business Continuity Planning has been adequately mitigated through the development of documented and tested plans and procedures. Importantly, the risk management culture is continuing to becoming increasingly embedded within the organisation through staff inductions and business planning activities.

Although there is not a dedicated internal audit function within the Shire of Murray, each business unit takes proactive steps to ensure that risks are mitigated, and that compliance and continual improvement is achieved.

As noted in this report and the Priorities and Integration section of the Risk Management Strategy, some of the recommended priorities for the organisation for the next couple of years include:

- Implementing a new corporate risk register for the recording, monitoring and reporting of risks.
- Investigating how the risk assessment process can be formally integrated into the organisations business planning, so that identified risks can be linked to the corporate risk register.
- Implementing a formalised process for risk control assurance.
- Implementing risk management refresher training for existing staff.
- Considering how the organisation can emphasise the management of opportunities, not just risks; and
- Developing a Fraud Prevention Strategy.