



Annual Report

2019/2020



London Bridge

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Community Statistics

SHIRE OF SANDSTONE
23 HACK STREET
SANDSTONE WA 6639

EMAIL: ceo@sandstone.wa.gov.au WEBSITE: www.sandstone.wa.gov.au

TEL: (08) 9963 5802 FAX: (08) 9963 5852

Shire Statistics

Population	89 (ABS Census 2016)
Number of Electors	67
Number of Dwellings	78
Distance from Perth (km)	724
Area (sq km)	32,889
Suburbs and Localities	Sandstone
Library	Hack Street
Length of Sealed Roads (km)	11
Length of Unsealed Roads (km)	891
Rates Levied	\$944,855 (2018/19)
Total Operating Revenue	\$6,165,224 (2018/19)
Council Employees	19

Tourist Attractions

Heritage Trail including London Bridge, Brewery, Old State Battery and Contradiction Well, wildflowers, gold prospecting, natural landscapes, flora and fauna, Peter Denny Lookout, Astro Dome and Telescope

Local Industries

Tourism, pastoral stations, mining

Significant Local Events

Sandstone Art Show incorporating Wine and Cheese Night, Community Christmas Party, Australia Day, Anzac Day





Minutes - 2018-2019 ANNUAL GENERAL MEETING OF ELECTORS

The Annual General Meeting of Electors was held in the Council Chambers, Hack Street, Sandstone on Thursday 27th February 2020 commencing at 10.00am

Order of Business

1.0 Opening of the Annual Electors Meeting by the Shire President.

The Shire President opened the meeting at 10.00AM.

2.0 Attendance and apologies

Attendance

Cr Beth Walton, Shire President
Cr Carol Hodshon, Deputy Shire President
Cr Freda May
Cr Vicki McQuie
Cr Kerry Key
Cr David Lefroy
Eddie Piper Acting CEO

3.0 Confirmation of the minutes of the General Meeting of Electors held on Thursday 27th February 2020

Moved: Cr Hodshon

Seconded: Cr May

That the minutes of the meeting held on 27 February 2020 are confirmed as a true and correct record of proceedings

UNANIMOUS

4.0 Receipt of the Annual Report 2018-2019
The Annual Report was received by the Meeting

5.0 Questions from the Annual Report 2018-2019

6.0 General Business

7.0 Closure of Meeting

The Shire President thanked everyone for attending the Annual General Meeting of electors and closed the meeting at 10.45am.

President's Report

On behalf of Council I am pleased to present the 2019-2020 Annual Report



Hello all, it is with pleasure that I present my report for the year ending 30th June 2020.

This year past financial year has seen some different challenges due to Covid-19 spreading around the globe. How fortunate were we that nobody in our community contracted the virus. The Shire quickly shutting down the Caravan Park and Visitor Centre along with the State Government responding quickly, closing interstate borders and putting intrastate regional boundary restrictions in place, all helped in keeping us safe. Our Shire was fortunate to not have to put off any staff and operated pretty much as normal.

Once regional borders were opened and the Visitor Centre and Caravan Park were able to reopen with strict guidelines in place, Sandstone had many visitors from all over WA. Due to the pandemic, West Australians were not able to go interstate or overseas and chose to travel and visit all the wonderful sites and attractions that our state has to offer. The Astro Dome was popular with visitors wanting to have a stargazing experience and a big thank you to Harry for making himself available in his own time to operate the telescope.

We also had the challenge of our CEO Harry Hawkins having to take 5 months leave (September 2019-February 2020) due to some serious health issues. The shire was fortunate to have Eddie Piper as Acting CEO while Harry was recovering from his

illness. It was good to see Harry well enough to be back on deck and at work in February, and a big thank you to Eddie for his efforts during his time as Acting CEO.

With the demand in WA for builders and other tradies it has been challenging getting town projects completed due to not being able to obtain the trades people needed to finish these projects. One project that has been completed was the Bowling Green which was opened on the 3rd of August. This was followed by an afternoon of social bowls and sausage sizzle. Around 25 community members turned up to try their hand at bowling on the day and it is now a popular social event on most Saturdays.

It is great to see our community coming together and supporting local events that are held throughout the year such as Australia Day, The Wine, Cheese and Art Exhibition. Unfortunately, due to the pandemic our usual Anzac Day Service was unable to be held, as WA was in full lockdown at that time. People were encouraged to pay their respects by lighting a candle and listening to the 6am ABC service at the end of their driveway to pay tribute to those who lost their lives. There were many households in Sandstone who did this as the dawn was breaking.

Local Government elections were held on 19th October 2019 and the three retiring councillors were re-elected being, Vickie McQuie, Freda May and myself. To all my fellow councillors I sincerely thank you for your support and assistance throughout the year.

Thank you to all Shire Staff for the effort you have put in over the past financial year, and to our Ambulance and Bushfire volunteers who commit their own time to train and be available if there is a callout in the community.

I look forward to the New Financial Year as we strive to complete projects, keep maintaining our roads to a safe condition and ensuring our community is a safe, clean and pleasant place to live, and for others to visit. I think we are so lucky to live in the outback with its clean air, low noise, surrounded by the bush we love.

Beth Walton- Shire President

Acting Chief Executive Officers Report

Finance

RATES

The 2019/20 Annual Budget was adopted by Council at the Council Meeting held on the 26 July 2019 with a rate increase of 2%. This increase was necessary to meet rising costs in most areas of Council activities. Minor changes were made to fees and charges and the minimum rates charged by Council remained the same.

RESERVE FUNDS

Council continues to maintain healthy reserve accounts to help with major projects and plant and equipment purchases. As at 30 June 2020 the balance in the Reserve Accounts was \$3,941,322 comprised as listed below:

Housing Reserve	\$ 320,723
Building Reserve	\$1,345,577
Plant Reserve	\$ 171,214
Employee Entitlements Reserve	\$ 223,510
Airport Reserve	\$ 292,894
Road & Flood Damage Reserve	\$ 684,969
Information Technology Reserve	\$ 48,034
Refuse Disposal Reserve	\$ 41,305`
Community Development Projects Reserve	\$ 813,096
TOTAL	\$3,941,322

LOAN LIABILITY

As at 30 June, 2020 Council had no loan liabilities.

AUDIT

The Annual Audit was conducted during the period September 2019 and June 2021. Changes to the *Local Government (Financial Management) Regulations 1996* delayed the completion of the audit. A copy of the audit report is included within this Annual Report..

GRANT FUNDING

Council's general purpose and road grants through the WA Local Government Grants Commission are invaluable to Shire of Sandstone and smaller country local governments. This year Sandstone received a total of \$2,110,731

Total MRWA funding for this year was \$328,782 to reform, re-sheet and improve drainage on various roads. Roads to Recovery funding was \$284,975.

Covid 19

As with all local governments Covid 19 caused considerable disruption on the various services offered by the shire. The museum, caravan park, etc closed for a period. Fortunately, the Administration was manned during the period and the post office continued to operate.

Staff

This year has once again seen the Shire retain the majority of staff from 2019-2020. Administration, caravan park and visitor information staff remained stable. The comments and feedback on how lovely the town looks continue to be received and is testament to the hard work and dedication of all staff.

Road Works

Improvements and re-sheeting have been carried out on various roads these include the Sandstone–Menzies Road, Sandstone–Meekatharra Road, and a couple of minor jobs on the Yeelirriie Road and Meekatharra Road and some drainage on the Atley Station Road..

Maintenance grading with the use of both Council staff and contract was undertaken on most shire roads plus signs and delineators (guideposts) were replaced as required. Minor drainage, kerbing and footpaths works were undertaken in town.

Town Works

Works continued on the gardens in town and the street sweeper is brought out each fortnight to sweep the streets and paths. Visitors continue to leave positive comments about how lovely the town looks.

Plant Replacement



Major Plant

Council has replaced within the financial year the Prime Mover, Hi Ace Community Bus, Multi Tyred Roller and A Cat 140 Grader, two Light vehicles and the Service Truck

Minor Plant

There were no real minor plant purchases this year.

I would like to sincerely thank the outside crew for the works that they have completed this year in sometimes difficult circumstances.

EDDIE PIPER
ACTING CHIEF EXECUTIVE OFFICER

Statutory Reports

1. STRATEGIC PLAN

Council updated the following plans during 2017-2018 and they were adopted by Council in 2017-2018:

Community Strategic Plan, Work Force Plan, Corporate Business Plan, Strategic Resources Plan Incorporating Asset Management and Long-Term Financial Plans as a part of the legislative requirements for local governments to enter into an integrated planning process.

2. FREEDOM OF INFORMATION

The Shire of Sandstone has a requirement to comply with the Freedom of Information Act.

During the 2019-2020 financial year no applications were received for information under the terms of this legislation.

3. RECORD KEEPING PLAN

The State Records Act 2000 requires that the Shire of Sandstone maintains and disposes of all records in the prescribed manner. During 2019/2020 a revised Record Keeping Plan was adopted by Council and submitted to the State Records Commission for approval. The plan was subsequently approved by the State Records Office.

Council is continuing to utilise an electronic record keeping system and formally archiving old records. A new Record Keeping Plan has been prepared and approved by the State Records Office.

In accordance with State Records Commission Standard 2 – Principle 6 compliance with the Record Keeping Plan the following is reported:

Rationale:

An organisation and its employees must comply with the organisation's Record Keeping Plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The Record Keeping Plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's Record Keeping System is evaluated not less than once every 5 years

2. The organisation conducts a Record Keeping Training Program.
3. The efficiency and effectiveness of the Record Keeping Training Program is reviewed from time to time.
4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's Record Keeping Plan.

The Shire has complied with items 1 to 4.

4. PUBLIC INTEREST DISCLOSURES

The Public Interest Disclosure Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken.

Council has complied with all obligations under the Act including:

- a) appointing the Chief Executive Officer as the PID Officer for the organisation and publishing an internal procedure relating to the Shire's obligations.
- b) providing protection from detrimental action or the threat of detrimental action for any employee of the Shire who makes an appropriate disclosure of public interest information.

There were no matters raised or reported during the year under review.

5. LEGISLATIVE REVIEW

All Local Governments are required to assess which of their Local Laws might impact on competition and conduct a review of each to determine how any restrictive practices might be overcome.

The Annual Report is to include a statement of which Local Laws that have been reviewed, the conclusions of those reviews, and a forward strategy for all Local Laws.

A review of all local laws concluded in 2016/2017

6. STRUCTURAL REFORM

The Shire of Sandstone did not privatise any activities during 2019-2020.

A major review of the strategic plans was undertaken in 2019-2020.

7. DISABILITY ACCESS AND INCLUSION PLAN

The Disability Services Act 1993 was amended in December 2004, creating a requirement for public authorities to develop and implement Disability Access and Inclusion Plans (DAIPs). These plans had to be fully developed by July 2007 and replaced and built on the achievements of Disability Service Plans (DSPs).

Council adopted a revised DAIP in October 2016 covering the period 2016 – 2020.

1. Council is continually adapting our existing services to give people with disability the same opportunities as other people to access the services of, and any events organised by the Shire.
2. Council also continues with improvement to buildings and footpath infrastructure to assist both wheelchair and gopher access.

3. Wherever possible people with disability can receive information from the Shire in a format that will enable them to access the information as readily as other people are able to access it. This includes a comprehensive website and the ability to change documents to large front size.
4. The Staff are always encouraged to be aware of the needs of people with disability to ensure they receive the same level and quality of service as other people receive. We are also working with our contractors to ensure they are aware of their responsibilities.
5. People with disability have the same opportunities as other people to make complaints to the staff, this can be via written letters, email, SMS or verbally.
6. Council provides many ways for people to participate in public consultation and we are more than happy to discuss any grievances community members may have regarding the services available to the disabled.
7. People with disability have the same opportunities as other people to obtain and maintain employment with the Shire of Sandstone.

The Shire of Sandstone has adopted a revised **Disability Access and Inclusion Plan** that meets the requirements of the Disability Services Act. The Plan assists in the provision and allocation of resources to improve access and delivery of services for people with disability. Existing facilities in the Shire are reviewed and assessed continually to allow for improved access for all persons in the community.

8. EMPLOYEES REMUNERATION

Set out below, in bands of \$10,000, is the number of employees of the Shire of Sandstone entitled to an annual salary of \$100,000 or more:

Salary Range	2018	2019
\$ 140,000 – 149,999	1	1

9. There were no entries made that required recording in the complaints register under section 5.121 of the Local Government Act 1995.

Staff

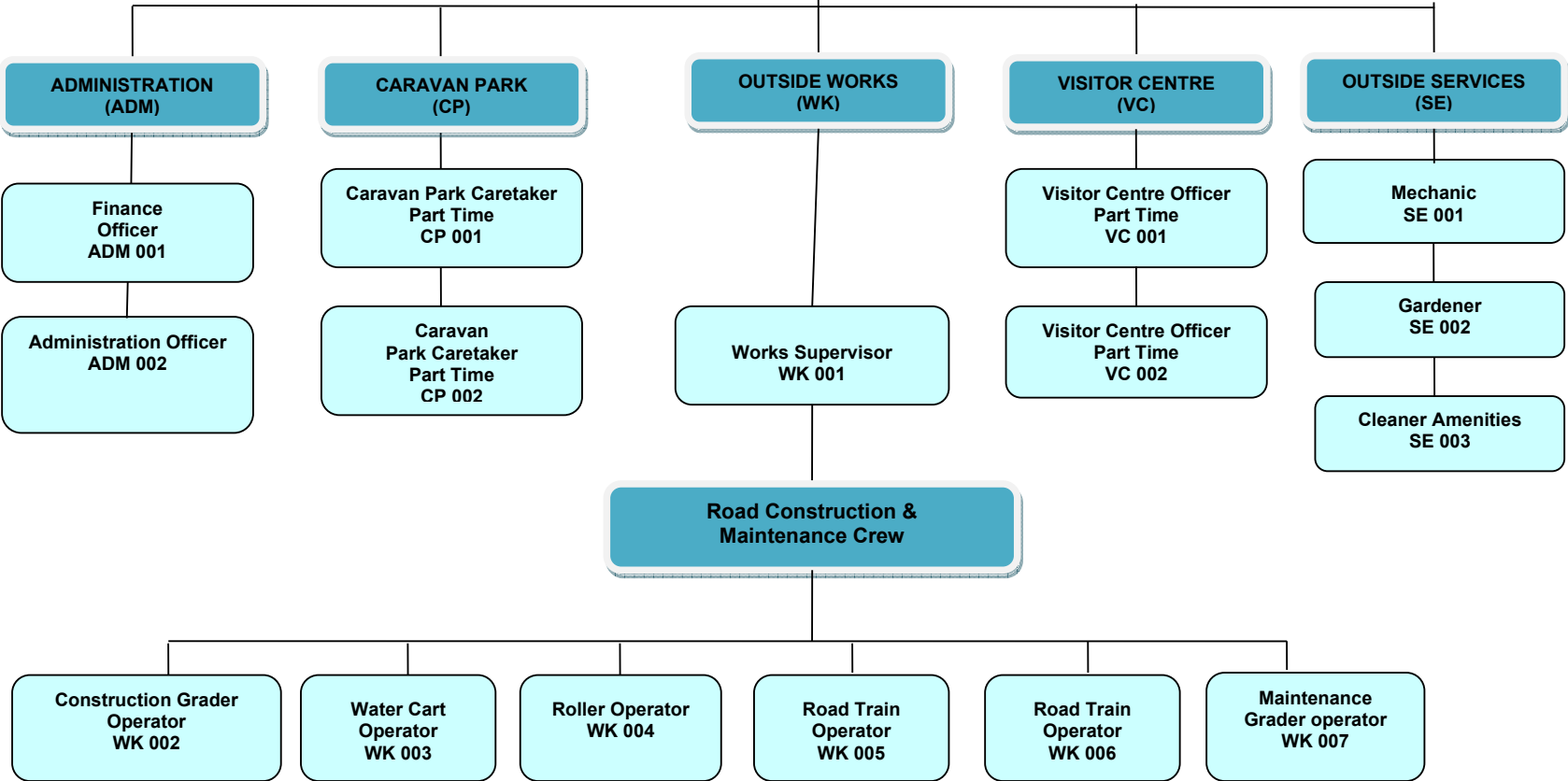
Chief Executive Officer	Harry Hawkins
Environmental Health Officer	David Hadden
Finance Officer	Rhonda Miles
Administration Officer	Margaret Duhig
Caravan Park Manager	Margaret Dixon
Caravan Park Officer	Dot Whittington
Visitor Centre/Museum Officer	Vickie Thomson
Visitor Centre/Museum Officer	Kim Moon
Works Supervisor	Norbert Marwick

Construction Grader Operator	Arthur Wainwright
Maintenance Grader Operator	Don Whittington
Plant Operator	George Christie
Plant Operator	Vacant
Plant Operator	Vic Taylor
Plant Operator	Mary Baillie
Mechanical Fitter	John McCormack
Gardener	Julian Day
Rubbish Collection/General Hand	Robert (Banjo) Patterson
Casual Allrounder	Paul Dixon
Cleaner	Vacant
General Casuals	Joanne Brown Tegan Brown



**COUNCIL
SHIRE PRESIDENT
DEPUTY SHIRE PRESIDENT
FOUR COUNCILLORS**

**CHIEF EXECUTIVE OFFICER
MAN 001**



ENVIRONMENTAL HEALTH OFFICER / BUILDING SURVEYOR'S REPORT

This annual report provides a summary of the main activities and duties carried out by the Councils Environmental Health /Building officer (EHO/BS) Mr Dave Hadden for the 2019/20 financial year.

1. Building works in the Shire of Sandstone

Two building permits have been issued by myself to date being 1 storage unit and 1 shade structure (Middle Island).

The total Value of Building works to date is \$48,725.00 when last year it was \$28,391.00.

2. Demolition licences

There were Nil (0) demolition permit issued.

3. Reporting of Building Statistics to ABS

ABS reporting is now carried out by the Western Australian Building Commission on Councils behalf. The Building Commission have created a building data portal that local governments now use to record building permit data annually.

The building permit data system is now the central record keeper for building data state wide with other government agencies accessing their data requirement directly from the new BPD system which reduces the Shires responsibility to provide this data independently.

4. Private Swimming Pool Inspections.

Local Government is required under the Building Regulations 2012 to carry out compliance inspections of swimming pool barriers within each shire every four years. Currently there are four private swimming pools that the shire is aware of that have been inspected to date. All swimming pool barriers were eventually approved as compliant. The next inspection period will be carried out in the 2021/2022 financial year.

Environmental Health

1. Food Businesses

- Food premises within the shire are being monitored in accordance with the Food Act 2002.
- All are registered under the Food Act with the Community Kitchen and Hotel making up the 5 Registered Food Premises under the Food Act.

2. Food recalls

- Food recalls are many and varied annually but rarely affect food premises in the Shire of Sandstone. If a recall notice relates to products sold locally the recall advice is forwarded to relevant premises for advice.

3. Waste management/recycling programmes

- Waste metal collection is still being collected at the landfill site.
- The tip continues to be maintained at a good level.
- The Bio-remediation Facility has been closed and the licence allowed to lapse as it has not received any recent disposals in the last couple of years while the management and administrative cost associated with compliance with the license conditions was increasing annually.
- Most small local authorities operate ponds under the 100 tonne threshold by restricting disposals at the ponds to shire or townsite only. If Council breaches the 100 tonne threshold DWER will require an environmental assessment of the facility through the license application process which will increase costs significantly.

New Public Health Act 2016

The new Public Health Act 2016 has come into force, but certain sections are yet to be activated. In the meantime we now work with the new Act and also specific sections of the old Public Health Act which is now referred to as the Heath (Miscellaneous Provisions) Act 1911 as amended.

The main sections we work with are contained within the Heath (Miscellaneous Provisions) Act 1911 such as Nuisance provisions and housing. The main issue that is being pushed at the moment is the need to develop a Public Health Plan under the new Act, which will be required to be completed when the Public Health Act 2016 is finally completed. Council has engaged Mr Llew Withers to prepare Councils Health Plan while it is expected that a meeting with Mr Withers will occur in early 2020 to explain the process and assess the health profile of the shire that Mr Withers has prepared in readiness for the health plan.

More about this will be dealt with in the future.

SHIRE OF SANDSTONE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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COMMUNITY VISION

A welcoming and friendly community recognising our rich heritage and embracing economic opportunity, whilst nurturing our natural and built environment.

Principal place of business:
Hack Street
Sandstone
WA 6639


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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the FOURTEENTH day of JULY 2021



Chief Executive Officer

Charlie Brown



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	19(a)	1,015,725	968,882	948,043
Operating grants, subsidies and contributions	2(a)	2,325,626	1,147,652	5,404,616
Fees and charges	2(a)	112,067	219,526	159,239
Interest earnings	2(a)	85,117	163,645	150,050
Other revenue	2(a)	581,712	532,944	451,319
		4,120,247	3,032,649	7,113,267
Expenses				
Employee costs		(1,243,788)	(1,312,226)	(986,616)
Materials and contracts		(1,103,749)	(1,120,326)	(3,978,022)
Utility charges		(118,780)	(138,366)	(136,418)
Depreciation on non-current assets	10(b)	(1,443,554)	(1,375,562)	(1,384,083)
Insurance expenses		(123,044)	(168,770)	(127,645)
Other expenditure	2(b)	(99,222)	(85,972)	(105,540)
		(4,132,137)	(4,201,222)	(6,718,324)
		(11,890)	(1,168,573)	394,943
Non-operating grants, subsidies and contributions	2(a)	505,308	520,333	101,531
Profit on asset disposals	10(a)	52,618	18,161	0
(Loss) on asset disposals	10(a)	(58,505)	(255,020)	(30,075)
		499,421	283,474	71,456
Net result for the period		487,531	(885,099)	466,399
Total comprehensive income for the period		487,531	(885,099)	466,399

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



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue	2(a)			
General purpose funding		3,214,427	2,162,813	3,094,994
Law, order, public safety		11,571	13,606	14,502
Housing		1,933	0	2,254
Community amenities		9,735	18,005	9,130
Recreation and culture		9,412	768	273
Transport		108,775	127,397	3,383,504
Economic services		574,473	604,013	545,649
Other property and services		189,921	106,047	62,961
		4,120,247	3,032,649	7,113,267
Expenses	2(b)			
Governance		(142,557)	(193,143)	(211,666)
General purpose funding		(123,622)	(120,441)	(104,621)
Law, order, public safety		(170,930)	(132,088)	(80,468)
Health		(27,449)	(38,830)	(33,541)
Housing		(259,025)	(221,702)	(271,770)
Community amenities		(128,719)	(178,751)	(122,148)
Recreation and culture		(444,052)	(640,017)	(481,396)
Transport		(1,701,385)	(1,669,722)	(4,219,395)
Economic services		(1,134,398)	(1,006,052)	(1,113,570)
Other property and services		0	(476)	(79,749)
		(4,132,137)	(4,201,222)	(6,718,324)
		(11,890)	(1,168,573)	394,943
Non-operating grants, subsidies and contributions	2(a)	505,308	520,333	101,531
Profit on disposal of assets	10(a)	52,618	18,161	0
(Loss) on disposal of assets	10(a)	(58,505)	(255,020)	(30,075)
		499,421	283,474	71,456
Net result for the period		487,531	(885,099)	466,399
Other comprehensive income		0	0	0
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Total comprehensive income for the period		487,531	(885,099)	466,399

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



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

	NOTE	2020	2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	4,889,922	2,699,219
Trade and other receivables	6	76,219	54,113
Other financial assets	5(a)	1,320,723	3,445,356
Inventories	7	123,884	141,875
TOTAL CURRENT ASSETS		6,410,748	6,340,563
NON-CURRENT ASSETS			
Other financial assets	5(b)	17,517	17,517
Property, plant and equipment	8	8,603,799	8,705,829
Infrastructure	9	38,820,445	38,203,388
TOTAL NON-CURRENT ASSETS		47,441,761	46,926,734
TOTAL ASSETS		53,852,509	53,267,297
CURRENT LIABILITIES			
Trade and other payables	12	154,941	120,858
Employee related provisions	14	154,202	112,888
TOTAL CURRENT LIABILITIES		309,143	233,746
NON-CURRENT LIABILITIES			
Employee related provisions	14	56,173	33,889
TOTAL NON-CURRENT LIABILITIES		56,173	33,889
TOTAL LIABILITIES		365,316	267,635
NET ASSETS		53,487,193	52,999,662
EQUITY			
Retained surplus		35,953,858	34,662,212
Reserves - cash/financial asset backed	4	3,941,322	4,745,437
Revaluation surplus	11	13,592,013	13,592,013
TOTAL EQUITY		53,487,193	52,999,662

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



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

		RESERVES CASH/FINANCIAL			
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2018		33,975,478	4,965,772	13,592,013	52,533,263
Comprehensive income					
Net result for the period		466,399	0	0	466,399
Total comprehensive income		466,399	0	0	466,399
Transfers from reserves	4	822,667	(822,667)	0	0
Transfers to reserves	4	(602,332)	602,332	0	0
Balance as at 30 June 2019		34,662,212	4,745,437	13,592,013	52,999,662
Comprehensive income					
Net result for the period		487,531	0	0	487,531
Total comprehensive income		487,531	0	0	487,531
Transfers from reserves	4	902,532	(902,532)	0	0
Transfers to reserves	4	(98,417)	98,417	0	0
Balance as at 30 June 2020		35,953,858	3,941,322	13,592,013	53,487,193

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		978,787	968,882	944,855
Operating grants, subsidies and contributions		2,321,122	1,147,652	5,658,115
Fees and charges		112,067	219,526	159,239
Interest received		85,117	163,645	150,050
Goods and services tax received		280,264	0	635,474
Other revenue		581,712	532,944	433,802
		4,359,069	3,032,649	7,981,535
Payments				
Employee costs		(1,163,321)	(1,312,226)	(974,566)
Materials and contracts		(1,248,398)	(893,126)	(4,359,827)
Utility charges		(118,780)	(138,366)	(136,418)
Insurance paid		(123,044)	(168,770)	(127,645)
Goods and services tax paid		(81,074)	0	(590,159)
Other expenditure		(99,222)	(85,972)	(105,540)
		(2,833,839)	(2,598,460)	(6,294,155)
Net cash provided by (used in) operating activities	15	1,525,230	434,189	1,687,380
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for financial assets at amortised cost		(495,966)	0	(446,307)
Payments for purchase of property, plant & equipment	8(a)	(1,182,529)	(1,069,000)	(532,412)
Payments for construction of infrastructure	9(a)	(1,225,029)	(1,316,969)	(1,640,456)
Non-operating grants, subsidies and contributions	2(a)	505,308	520,333	101,531
Proceeds from financial assets at amortised cost - term deposits		2,620,599	0	0
Proceeds from sale of property, plant & equipment	10(a)	443,090	320,000	242,475
Net cash provided by (used in) investment activities		665,473	(1,545,636)	(2,275,169)
Net increase (decrease) in cash held		2,190,703	(1,111,447)	(587,789)
Cash at beginning of year		2,699,219	6,144,575	3,287,008
Cash and cash equivalents at the end of the year	15	4,889,922	5,033,128	2,699,219

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	20 (b)	1,474,268	698,559	1,309,332
		<u>1,474,268</u>	<u>698,559</u>	<u>1,309,332</u>
Revenue from operating activities (excluding rates)				
General purpose funding		2,198,523	1,193,931	2,146,951
Law, order, public safety		11,571	13,606	14,502
Housing		1,933	0	2,254
Community amenities		9,735	18,005	9,130
Recreation and culture		9,412	768	273
Transport		161,393	145,558	3,383,504
Economic services		574,473	604,013	545,649
Other property and services		189,921	106,047	62,961
		<u>3,156,961</u>	<u>2,081,928</u>	<u>6,165,224</u>
Expenditure from operating activities				
Governance		(142,557)	(193,143)	(211,666)
General purpose funding		(123,622)	(120,441)	(104,621)
Law, order, public safety		(170,930)	(132,088)	(80,468)
Health		(27,449)	(38,830)	(33,541)
Housing		(259,025)	(221,702)	(271,770)
Community amenities		(128,719)	(178,751)	(122,148)
Recreation and culture		(444,052)	(640,017)	(481,396)
Transport		(1,759,890)	(1,924,742)	(4,249,470)
Economic services		(1,134,398)	(1,006,052)	(1,113,570)
Other property and services		0	(476)	(79,749)
		<u>(4,190,642)</u>	<u>(4,456,242)</u>	<u>(6,748,399)</u>
Non-cash amounts excluded from operating activities	20(a)	1,513,039	1,612,421	1,408,595
Amount attributable to operating activities		<u>1,953,626</u>	<u>(63,334)</u>	<u>2,134,752</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	505,308	520,333	101,531
Proceeds from disposal of assets	10(a)	443,090	320,000	242,475
Purchase of property, plant and equipment	8(a)	(1,182,529)	(1,069,000)	(532,412)
Purchase and construction of infrastructure	9(a)	(1,225,029)	(1,316,969)	(1,640,456)
Amount attributable to investing activities		<u>(1,459,160)</u>	<u>(1,545,636)</u>	<u>(1,828,862)</u>
FINANCING ACTIVITIES				
Transfers to reserves (restricted assets)	4	(98,417)	(102,912)	(602,332)
Transfers from reserves (restricted assets)	4	902,532	743,000	822,667
Amount attributable to financing activities		<u>804,115</u>	<u>640,088</u>	<u>220,335</u>
Surplus/(deficit) before imposition of general rates		<u>1,298,581</u>	<u>(968,882)</u>	<u>526,225</u>
Total amount raised from general rates	19(a)	<u>1,015,904</u>	<u>968,882</u>	<u>948,043</u>
Surplus/(deficit) after imposition of general rates	20(b)	<u>2,314,485</u>	<u>0</u>	<u>1,474,268</u>

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

SHIRE OF SANDSTONE
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FOR THE YEAR ENDED 30 JUNE 2020

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

1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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

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

The Shire has no vested land at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements.

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool Inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annual fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other Inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Property hire and entry	Use of halls and facilities	Single point in time	Payment in full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Fuel and visitor centre stock	Single point in time	Payment in full in advance	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	2,110,731	1,025,481	1,994,164
Law, order, public safety	11,319	12,935	14,036
Housing	1,933	0	2,254
Recreation and culture	9,091	0	0
Transport	108,775	109,236	3,383,504
Economic services	0	0	8,932
Other property and services	83,777	0	1,726
	2,325,626	1,147,652	5,404,616
Non-operating grants, subsidies and contributions			
Transport	505,308	520,333	101,531
	505,308	520,333	101,531
Total grants, subsidies and contributions	2,830,934	1,667,985	5,506,147
Fees and charges			
General purpose funding	2,666	2,157	2,160
Law, order, public safety	252	671	466
Community amenities	9,735	18,005	9,130
Recreation and culture	321	768	273
Economic services	97,112	192,052	146,567
Other property and services	1,981	5,873	643
	112,067	219,526	159,239

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

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

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

Fees and charges	112,067	219,526	159,239
Non-operating grants, subsidies and contributions	505,308	520,333	101,531
	617,375	739,859	260,770

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

Other revenue from contracts with customers recognised during the year	112,067	219,526	159,239
Other revenue from performance obligations satisfied during the year	505,308	520,333	101,531
	617,375	739,859	260,770

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

Trade and other receivables from contracts with customers	200	0	0
---	-----	---	---

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

Revenue from statutory requirements

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

General rates	1,015,904	968,882	948,043
Statutory permits and licences	253	617	0
	1,016,157	969,499	948,043

Other revenue

Reimbursements and recoveries
Sale of inventory
Other

	69,811	32,944	3,255
	466,792	429,900	448,064
	45,109	70,100	0
	581,712	532,944	451,319

Interest earnings

Interest on reserve funds
Rates instalment and penalty interest (refer Note 19(c))
Other interest earnings

	65,785	138,145	122,893
	10,461	18,000	19,027
	8,871	7,500	8,130
	85,117	163,645	150,050

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other services

	40,250	44,976	39,000
	0	0	5,701
	40,250	44,976	44,701

Other expenditure

Sundry expenses

	99,222	85,972	105,540
	99,222	85,972	105,540

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

3. CASH AND CASH EQUIVALENTS

NOTE	2020	2019
	\$	\$
Cash at bank and on hand	864,556	1,399,138
Term deposits	4,025,366	1,300,081
Total cash and cash equivalents	4,889,922	2,699,219

Restrictions

The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents	3,620,599	1,300,081
- Financial assets at amortised cost	320,723	3,445,356
	3,941,322	4,745,437

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

Reserves - cash/financial asset backed	4	3,941,322	4,745,437
Total restricted assets		3,941,322	4,745,437

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

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

4. RESERVES - CASH/FINANCIAL ASSET

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
(a) Employee Entitlement Reserve	\$ 217,205	\$ 6,305	\$ 0	\$ 217,204	\$ 4,670	\$ 0	\$ 221,874	\$ 214,394	\$ 2,811	\$ 0	\$ 217,205
(b) Plant Replacement Reserve	1,061,761	11,985	(902,532)	1,061,761	22,762	(743,000)	341,523	1,107,593	524,168	(570,000)	1,061,761
(c) Building Reserve	1,301,760	43,817	0	1,301,760	28,488	0	1,330,248	1,284,561	17,199	0	1,301,760
(d) Airport Reserve	289,341	3,553	0	286,224	6,151	0	292,375	280,478	8,863	0	289,341
(e) Road and Flood Damage Reserve	673,441	11,528	0	673,440	14,565	0	688,005	754,641	18,800	(100,000)	673,441
(f) Information Technology Reserve	46,679	1,355	0	46,679	1,004	0	47,683	46,075	604	0	46,679
(g) Refuse Disposal Reserve	40,140	1,165	0	40,140	863	0	41,003	39,621	519	0	40,140
(h) Housing Reserve	315,030	5,693	0	315,031	6,685	0	321,716	306,858	8,172	0	315,030
(i) Community Development Reserve	800,080	13,016	0	796,899	17,724	0	814,623	931,551	21,196	(152,667)	800,080
	4,745,437	98,417	(902,532)	4,739,138	102,912	(743,000)	4,099,050	4,965,772	602,332	(822,667)	4,745,437

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee Entitlement Reserve	ongoing	to be used to fund annual and long service leave requirements
(b) Plant Replacement Reserve	ongoing	to be used for the purchase of plant
(c) Building Reserve	ongoing	to be used for the construction and maintenance of council buildings
(d) Airport Reserve	ongoing	to be used to fund Sandstone Airport upgrades
(e) Road and Flood Damage Reserve	ongoing	to be used to fund road infrastructure and rehabilitation of borrow pits and to fund flood damage
(f) Information Technology Reserve	ongoing	to be used to maintain and replace computer systems
(g) Refuse Disposal Reserve	ongoing	to be used to fund the development of refuse disposal
(h) Housing Reserve	ongoing	to be used to fund maintenance and replacement of council employee housing requirements
(i) Community Development Reserve	ongoing	to be used for projects to benefit the community a determined from time to time

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

5. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
(a) Current assets		
Financial assets at amortised cost	1,320,723	3,445,356
	<u>1,320,723</u>	<u>3,445,356</u>
Other financial assets at amortised cost:		
Term deposits - restricted cash	320,723	3,445,356
Term deposits - unrestricted cash	1,000,000	0
	<u>1,320,723</u>	<u>3,445,356</u>
(b) Non-current assets		
Financial assets at fair value through profit and loss	17,517	17,517
	<u>17,517</u>	<u>17,517</u>
Financial assets at fair value through profit and loss:		
Units in Local Government House Trust	17,517	17,517
	<u>17,517</u>	<u>17,517</u>

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 21.

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Accrued income	

2020	2019
\$	\$
45,631	8,693
200	0
26,084	45,420
4,304	0
76,219	54,113

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 21.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

7. INVENTORIES

Current
 Fuel and materials

	2020	2019
	\$	\$
	123,884	141,875
	123,884	141,875

The following movements in inventories occurred during the year:

Carrying amount at beginning of period
 Inventories expensed during the year
 Additions to inventory
 Carrying amount at end of period

	141,875	156,377
	(160,121)	(219,593)
	142,130	205,091
	123,884	141,875

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.

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	458,300	5,972,515	6,430,815	53,501	2,759,917	9,244,233
Additions	0	0	0	6,412	526,000	532,412
(Disposals)	0	0	0	0	(272,550)	(272,550)
Depreciation (expense)	0	(292,263)	(292,263)	(11,464)	(494,539)	(798,266)
Carrying amount at 30 June 2019	458,300	5,680,252	6,138,552	48,449	2,518,828	8,705,829
Comprises:						
Gross carrying amount at 30 June 2019	458,300	6,246,890	6,705,190	597,612	3,950,536	11,253,338
Accumulated depreciation at 30 June 2019	0	(566,638)	(566,638)	(549,163)	(1,431,708)	(2,547,509)
Carrying amount at 30 June 2019	458,300	5,680,252	6,138,552	48,449	2,518,828	8,705,829
Additions	0	0	0	0	1,182,529	1,182,529
(Disposals)	0	0	0	0	(448,977)	(448,977)
Depreciation (expense)	0	(292,264)	(292,264)	(11,582)	(531,736)	(835,582)
Carrying amount at 30 June 2020	458,300	5,387,988	5,846,288	36,867	2,720,644	8,603,799
Comprises:						
Gross carrying amount at 30 June 2020	458,300	6,246,890	6,705,190	597,612	4,410,935	11,713,737
Accumulated depreciation at 30 June 2020	0	(858,902)	(858,902)	(560,745)	(1,690,291)	(3,109,938)
Carrying amount at 30 June 2020	458,300	5,387,988	5,846,288	36,867	2,720,644	8,603,799

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate
Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuer	June 2017/2018	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

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

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

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Other	Infrastructure - Parks and Ovals	Infrastructure - Footpaths	Infrastructure - Airport	Total Infrastructure
Balance at 1 July 2018	\$ 35,175,399	\$ 213,300	\$ 924,750	\$ 83,250	\$ 752,050	\$ 37,148,749
Additions	1,333,310	158,182	148,964	0	0	1,640,456
Depreciation (expense)	(421,694)	(25,246)	(104,262)	(3,770)	(30,845)	(585,817)
Carrying amount at 30 June 2019	36,087,015	346,236	969,452	79,480	721,205	38,203,388
Comprises:						
Gross carrying amount at 30 June 2019	45,208,437	371,482	1,073,714	131,807	752,050	47,537,490
Accumulated depreciation at 30 June 2019	(9,121,422)	(25,246)	(104,262)	(52,327)	(30,845)	(9,334,102)
Carrying amount at 30 June 2019	36,087,015	346,236	969,452	79,480	721,205	38,203,388
Additions	1,148,891	29,750	38,949	0	7,439	1,225,029
Depreciation (expense)	(432,414)	(31,796)	(109,147)	(3,769)	(30,846)	(607,972)
Carrying amount at 30 June 2020	36,803,492	344,190	899,254	75,711	697,798	38,820,445
Comprises:						
Gross carrying amount at 30 June 2020	60,852,505	613,887	1,112,663	149,268	759,489	63,487,812
Accumulated depreciation at 30 June 2020	(24,049,013)	(269,697)	(213,409)	(73,557)	(61,691)	(24,667,367)
Carrying amount at 30 June 2020	36,803,492	344,190	899,254	75,711	697,798	38,820,445

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

9. 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 (Gross Valuation Method)	Independent registered valuers	June 2014	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2014	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - Airport	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

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

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

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

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

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY
Land under control prior to 1 July 2019**

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

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

Land under roads prior to 1 July 2019

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

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

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

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

Land under roads from 1 July 2019

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

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

Vested improvements from 1 July 2019

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

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

10. FIXED ASSETS

(a) Disposals of Assets

	2020		2020		2020		2020		2019		2019	
	Actual Net Book Value	Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	Budget Net Book Value	Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	Actual Net Book Value	Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and equipment	448,977	443,090	52,618	(58,505)	556,859	320,000	18,161	(255,020)	272,550	242,475	0	(30,075)
	448,977	443,090	52,618	(58,505)	556,859	320,000	18,161	(255,020)	272,550	242,475	0	(30,075)

The following assets were disposed of during the year.

	2020		2020	
	Actual Net Book Value	Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Transport				
PC001B - 2012 Caterpillar 12M	181,441	154,000	0	(27,441)
PC011A - Hino 500 Series	26,235	45,454	19,219	0
PC014A - Kenworth Prime Mover	149,852	120,000	0	(29,852)
PL0014 - Toyota Hilux	8,768	14,545	5,777	0
PL007 - Toyota Hiace Bus	16,028	18,182	2,154	0
PS013A - Toyota Hilux	28,485	27,273	0	(1,212)
PS019 - Toyota Landcruiser	38,168	63,636	25,468	0
	448,977	443,090	52,618	(58,505)

SHIRE OF SANDSTONE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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10. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings	292,264	367,071	292,263
Furniture and equipment	11,582	5,731	11,464
Plant and equipment	531,736	497,615	494,539
Infrastructure - Roads	432,414	420,636	421,694
Infrastructure - Other	31,796	3,760	25,246
Infrastructure - Parks and Ovals	109,147	27,128	104,262
Infrastructure - Footpaths	3,769	22,854	3,770
Infrastructure - Airport	30,846	30,767	30,845
	1,443,554	1,375,562	1,384,083

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Footpaths - slab	40 years
Parks and ovals	5 - 40 years
Airport	75 years

Depreciation on revaluation

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

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

Amortisation

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

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

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

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

11. REVALUATION SURPLUS

	2020		2020		2020		2020		2020		2020		2020		2020		2020			
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance
Revaluation surplus - Land - freehold land	269,022	0	0	0	269,022	269,022	0	0	0	269,022	269,022	0	0	0	269,022	269,022	0	0	0	269,022
Revaluation surplus - Buildings	1,437,726	0	0	0	1,437,726	1,437,726	0	0	0	1,437,726	1,437,726	0	0	0	1,437,726	1,437,726	0	0	0	1,437,726
Revaluation surplus - Furniture and equipment	9,111	0	0	0	9,111	9,111	0	0	0	9,111	9,111	0	0	0	9,111	9,111	0	0	0	9,111
Revaluation surplus - Infrastructure - Roads	10,319,105	0	0	0	10,319,105	10,319,105	0	0	0	10,319,105	10,319,105	0	0	0	10,319,105	10,319,105	0	0	0	10,319,105
Revaluation surplus - Infrastructure - Other	207,850	0	0	0	207,850	207,850	0	0	0	207,850	207,850	0	0	0	207,850	207,850	0	0	0	207,850
Revaluation surplus - Infrastructure - Parks and Ovals	611,718	0	0	0	611,718	611,718	0	0	0	611,718	611,718	0	0	0	611,718	611,718	0	0	0	611,718
Revaluation surplus - Infrastructure - Airport	737,481	0	0	0	737,481	737,481	0	0	0	737,481	737,481	0	0	0	737,481	737,481	0	0	0	737,481
	13,592,013	0	0	0	13,592,013	13,592,013	0	0	0	13,592,013	13,592,013	0	0	0	13,592,013	13,592,013	0	0	0	13,592,013

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.

SHIRE OF SANDSTONE
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 FOR THE YEAR ENDED 30 JUNE 2020

12. TRADE AND OTHER PAYABLES

Current

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

	2020	2019
	\$	\$
Sundry creditors	93,703	48,295
Accrued salaries and wages	25,791	15,515
ATO liabilities	28,247	21,654
Bonds and deposits held	7,200	6,100
Accrued expenses	0	29,294
	154,941	120,858

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

SHIRE OF SANDSTONE
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FOR THE YEAR ENDED 30 JUNE 2020

13. INFORMATION ON BORROWINGS

	2020	2019
	\$	\$
Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	20,000	20,000
Credit card balance at balance date	593	0
Total amount of credit unused	20,593	20,000

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.

Risk

Information regarding exposure to risk can be found at Note 21.

14. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	79,464	33,424	112,888
Non-current provisions	0	33,889	33,889
	79,464	67,313	146,777
Additional provision	101,341	28,898	130,239
Amounts used	(66,641)	0	(66,641)
Balance at 30 June 2020	114,164	96,211	210,375
Comprises			
Current	114,164	40,038	154,202
Non-current	0	56,173	56,173
	114,164	96,211	210,375

	2020 \$	2019 \$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	154,202	0
More than 12 months from reporting date	22,313	146,777
Expected reimbursements from other WA local governments	33,860	0
	210,375	146,777

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	4,889,922	5,033,128	2,699,219
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	487,531	(885,099)	466,399
Non-cash flows in Net result:			
Depreciation on non-current assets	1,443,554	1,375,562	1,384,083
(Profit)/loss on sale of asset	5,887	236,859	30,075
Financial assets at fair value through profit and loss	0	0	(17,517)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(22,106)	0	289,526
(Increase)/decrease in inventories	17,991	0	14,502
Increase/(decrease) in payables	34,083	227,200	(390,111)
Increase/(decrease) in provisions	63,598	0	11,954
Non-operating grants, subsidies and contributions	(505,308)	(520,333)	(101,531)
Net cash from operating activities	1,525,230	434,189	1,687,380

SHIRE OF SANDSTONE
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16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
General purpose funding	45,633	8,693
Law, order, public safety	141,383	175,452
Health	41	0
Housing	1,513,966	1,917,165
Community amenities	65,444	857,720
Recreation and culture	3,244,097	3,322,144
Transport	38,323,168	39,275,919
Economic services	681,250	765,616
Other property and services	1,777,942	3,559,268
Unallocated	8,059,585	3,385,320
	<u>53,852,509</u>	<u>53,267,297</u>

17. CONTINGENT LIABILITIES

The Shire of Sandstone was in compliance with the contaminated Sites Act 2003 s11 listed site to be possible sources of contamination:

- Sandstone Refuse Site,

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	17,310	1,925	14,020
President's allowance	3,500	7,717	3,500
Deputy President's allowance	875	875	875
Travelling expenses	5,346	8,747	4,940
Telecommunications allowance	3,000	515	2,875
	30,031	19,779	26,210

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	313,379	222,194
Post-employment benefits	29,290	0
Other long-term benefits	11,843	5,287
Termination benefits	5,654	0
	360,166	227,481

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

18. 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.

The following transactions occurred with related parties:	2020 Actual	2019 Actual
Purchase of goods and services	\$ 5,252	\$ 12,477

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 (KMP).

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

SHIRE OF SANDSTONE
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19. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	2019/20 Actual Rateable Value	2019/20 Actual Rate Revenue	2019/20 Actual Interim Rates	2019/20 Actual Back Rates	2019/20 Actual Total Revenue	2019/20 Budget Interim Rate	2019/20 Budget Back Rate	2019/20 Budget Total Revenue	2018/19 Actual Total Revenue
Gross rental valuations										
Townsite	0.06576	214,708	14,119	250	0	14,369	0	0	14,119	14,252
Transient Workforce Accomodation	0.37195	72,020	26,788	0	0	26,788	0	0	26,788	26,263
Unimproved valuations										
Rural	0.06088	700,188	42,960	0	0	42,960	0	0	42,627	41,789
Mining	0.26891	3,194,757	892,991	23,783	2,386	919,160	0	0	878,103	855,380
Sub-Total		4,181,673	976,858	24,033	2,386	1,003,277	0	0	961,637	937,684
Minimum payment										
Gross rental valuations										
Townsite	220	19,722	6,820	0	0	6,820	0	0	6,820	5,800
Unimproved valuations										
Rural	335	7,555	1,675	0	0	1,675	0	0	2,010	1,890
Mining	335	34,008	17,455	0	0	17,455	0	0	16,415	14,490
Sub-Total		61,285	25,950	0	0	25,950	0	0	25,245	22,180
Discounts (Note 19(b))										
Total amount raised from general rate		4,242,958	1,002,808	24,033	2,386	1,029,227	0	0	986,882	959,864
Concessions (Note 19(b))						(13,323)			(18,000)	(11,821)
Totals						1,015,904			968,882	948,043
						(179)			0	(2,944)
						1,015,725			968,882	945,099

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

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

19. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$	Circumstances in which Discount is Granted
Discount on early payments	3.50%	\$	13,323	18,000	11,821	Early payment of current rates and arrears within 14 days of the date of issue of the rate notice.
Waivers or Concessions			13,323	18,000	11,821	
Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	2020 Actual \$	2020 Budget \$	2019 Actual \$	
Rates	Write off		179	0	2,944	
			179	0	2,944	
Total discounts/concessions (Note 19(a))			13,502	18,000	14,765	

19. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	9/10/2019	0.00	0.00%	11.00%
Option Two				
First instalment	9/10/2019	0.00	0.00%	11.00%
Second instalment	10/02/2020	10.00	5.50%	11.00%
Option Three				
First instalment	9/10/2019	0.00	0.00%	11.00%
Second instalment	9/12/2019	10.00	5.50%	11.00%
Third instalment	10/02/2020	10.00	5.50%	11.00%
Fourth instalment	9/04/2020	10.00	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	4,644	10,000	11,167
Interest on instalment plan	5,817	8,000	7,860
Charges on instalment plan	2,550	2,000	2,160
	13,011	20,000	21,187

21. FINANCIAL RISK MANAGEMENT

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

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

(a) Interest rate risk

Cash and cash equivalents

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 \$
2020					
Cash and cash equivalents	7.78%	4,889,922	4,025,366	811,842	52,714
Financial assets at amortised cost - term deposits	7.68%	1,320,723	1,320,723	0	0
2019					
Cash and cash equivalents	2.56%	2,699,219	1,300,081	1,394,688	4,450
Financial assets at amortised cost	2.44%	3,445,356	3,445,356	0	0

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	48,899	26,992

* Holding all other variables constant

21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	958	31,747	8,061	4,865	45,631
Loss allowance	0	0	0	0	0
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	4,598	1,278	563	2,254	8,693
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	200	0	0	0	200
Loss allowance	0	0	0	0	0
30 June 2019					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	0	0	0	0	0
Loss allowance	0	0	0	0	0

21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

The contractual undiscounted cash flows of the Shire's Payables 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
	\$	\$	\$	\$	\$
<u>2020</u>					
Payables	154,941	0	0	154,941	154,941
	<u>154,941</u>	<u>0</u>	<u>0</u>	<u>154,941</u>	<u>154,941</u>
<u>2019</u>					
Payables	12,858	0	0	12,858	120,858
	<u>12,858</u>	<u>0</u>	<u>0</u>	<u>12,858</u>	<u>120,858</u>

22. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire evaluated events from 30 June 2020 through to the date the financial statements were issued. No subsequent events were noted that required disclosure.

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

23. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

The Shire adopted *AASB 15 Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions *AASB 15*, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. The change in accounting policy had no impact on existing balances at the date of initial application (1 July 2019).

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

The Shire adopted *AASB 1058 Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions *AASB 1058*, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying *AASB 1058* recognised at 1 July 2019. The change in accounting policy had no impact on existing balances at the date of initial application (1 July 2019).

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance gave rise to a financial liability that is within the scope of *AASB 9*. On 1 July 2019 no prepaid rates existed.

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.

Application of *AASB 15* and *AASB 1058* had no impact on the financial statements in the current reporting period as compared to *AASB 118* and *AASB 1004* and related interpretations.

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

(c) *AASB 16: Leases*

The Shire adopted *AASB 16* retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of *AASB 16*, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying *AASB 16* recognised on 1 July 2019. The Shire held no leases at 1 July 2019 or 30 June 2020.

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

24. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

25. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members, council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.
HOUSING To provide and maintain elderly residents housing.	Provision and maintenance of elderly residents housing.
COMMUNITY AMENITIES To provide services required by the community	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning scheme, cemetery and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well-being of the community.	Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
TRANSPORT To provide safe, efficient transport services to the community.	Construction and maintenance of roads, street, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
ECONOMIC SERVICES To help promote the Shire and its economic well-being.	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building control.
OTHER PROPERTY AND SERVICES To monitor and control the Shire's overheads operating accounts	Private works operation, plant repair and operation costs and engineering operation costs.

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

26. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	15.94	13.15	3.35
Asset consumption ratio	0.63	0.80	0.82
Asset renewal funding ratio	0.89	1.01	1.05
Asset sustainability ratio	1.36	1.40	0.71
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	(0.01)	0.29	(0.09)
Own source revenue coverage ratio	0.32	0.19	0.16

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

* The debt service cover ratio is not applicable as there is no debt.



Our Ref: 7958

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President
Shire of Sandstone
Hack Street
SANDSTONE WA 6639

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PERTH WA 6849

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Dear President

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

We have also forwarded the reports to the Chief Executive Officer (CEO) and the Minister, as required by the Act. The CEO is required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Qualified Auditor's Report

We have qualified the auditor's report as the Shire's roads and footpaths infrastructure, reported at values of \$36,803,492 and \$75,711 respectively in Note 9 of the annual financial report, were last valued in June 2014. Because the assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, we are unable to determine whether Infrastructure of \$38,820,445 in the Statement of Financial Position represents fair value. Additionally, we are unable to determine whether there may be any consequential impact on the related balances and disclosures of Revaluation Surplus in the Statement of Financial Position and Statement of Changes in Equity and Note 11, Other Comprehensive Income in the Statement of Comprehensive Income and Note 16 Total Assets Classified by Function and Activity, or whether any adjustments to these amounts are necessary.

Management Control Issues

Issues arising from the interim audit were addressed in the management letter dated 16 October 2020.

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

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

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

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

Feel free to contact me on 6557 7620 if you would like to discuss these matters further.

Yours faithfully

A handwritten signature in black ink, appearing to read "Steven Hoar", with a horizontal line drawn underneath it.

STEVEN HOAR
ACTING SENIOR DIRECTOR
FINANCIAL AUDIT
15 July 2021

Attach



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Sandstone

Report on the Audit of the Financial Report

Qualified Opinion

I have audited the annual financial report of the Shire of Sandstone (the Shire) which comprises the Statement of Financial Position as at 30 June 2020, and 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, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer (CEO).

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the annual financial report of the Shire of Sandstone:

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

Basis for Qualified Opinion

The Shire's roads and footpaths infrastructure, reported at values of \$36,803,492 and \$75,711 respectively in Note 9 of the annual financial report, were last valued in June 2014. Because the assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, I am unable to determine whether Infrastructure of \$38,820,445 in the Statement of Financial Position represents fair value. Additionally, I am unable to determine whether there may be any consequential impact on the related balances and disclosures of Revaluation Surplus in the Statement of Financial Position and Statement of Changes in Equity and Note 11, Other Comprehensive Income in the Statement of Comprehensive Income and Note 16 Total Assets Classified by Function and Activity, or whether any adjustments to these amounts are necessary.

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

Emphasis of Matter – Basis of Accounting

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

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16

- Leases which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

Responsibilities of the CEO and Council for the Financial Report

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a) The Own Source Revenue Coverage Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the last three years. The financial ratios are reported at Note 26 of the financial report.
- (ii) The following material matters indicating 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 were identified during the course of my audit:
 - a) Changes made to the supplier and employee masterfiles were not independently reviewed and authorised. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.
 - b) Accounting journal entries were processed with no evidence of independent review and approval by a senior staff member. Accounting journals can represent significant adjustments to previously approved accounting

transactions and should therefore be independently reviewed and approved with evidence of this review being retained.

- c) We noted that the reconciliations for fixed assets were not prepared and reviewed in a timely manner for the majority of the financial year ended 30 June 2020.
 - d) We noted that a register of portable and attractive assets under the value of \$5,000 has not been maintained in order to meet the requirements under Regulation 17B of the Local Government (Financial Management) Regulations 1996. This increases the risk of theft or loss of portable and attractive assets.
- (iii) Except for the effects of the matter described in the Basis for Qualified Opinion section of my report, all required information and explanations were obtained by me.
 - (iv) Except for the effects of the matter described in the Basis for Qualified Opinion section of my report, all audit procedures were satisfactorily completed.
 - (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



SANDRA LABUSCHAGNE
ACTING AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
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