

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

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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 2021**

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

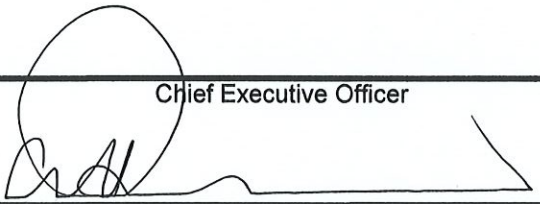
STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 31st

day of May

2022



Chief Executive Officer

Charles Brown



BUTLER SETTINERI

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	22(a)	1,101,137	1,069,247	1,015,725
Operating grants, subsidies and contributions	2(a)	3,153,163	2,525,730	2,325,626
Fees and charges	2(a)	203,045	220,229	112,067
Interest earnings	2(a)	37,425	54,096	85,117
Other revenue	2(a)	704,192	548,399	581,712
		5,198,962	4,417,701	4,120,247
Expenses				
Employee costs		(1,224,207)	(1,055,213)	(1,243,788)
Materials and contracts		(2,410,866)	(2,874,637)	(1,103,749)
Utility charges		(111,605)	(142,376)	(118,780)
Depreciation on non-current assets	10(c)	(1,459,088)	(1,451,775)	(1,443,554)
Insurance expenses		(145,817)	(169,490)	(123,044)
Other expenditure	2(b)	(105,789)	(86,306)	(99,222)
		(5,457,372)	(5,779,797)	(4,132,137)
		(258,410)	(1,362,096)	(11,890)
Non-operating grants, subsidies and contributions	2(a)	991,073	906,704	505,308
Profit on asset disposals	10(a)	117,767	67,007	52,618
(Loss) on asset disposals	10(a)	0	0	(58,505)
		1,108,840	973,711	499,421
Net result for the period		850,430	(388,385)	487,531
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		850,430	(388,385)	487,531

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

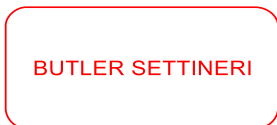


BUTLER SETTINERI

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance		1,000	0	0
General purpose funding		3,145,426	2,153,711	3,214,427
Law, order, public safety		11,068	13,626	11,571
Health		327	0	0
Housing		1,008	0	1,933
Community amenities		10,382	12,921	9,735
Recreation and culture		20,931	790	9,412
Transport		1,129,658	1,487,314	108,775
Economic services		754,725	640,216	574,473
Other property and services		124,436	109,123	189,921
		5,198,961	4,417,701	4,120,247
Expenses				
Governance		(179,410)	(206,215)	(142,557)
General purpose funding		(122,721)	(136,694)	(123,622)
Law, order, public safety		(153,911)	(148,229)	(170,930)
Health		(28,028)	(43,194)	(27,449)
Housing		(8,964)	0	(259,025)
Community amenities		(160,358)	(207,398)	(128,719)
Recreation and culture		(439,562)	(682,395)	(444,052)
Transport		(2,946,977)	(3,263,539)	(1,701,385)
Economic services		(1,311,417)	(1,092,133)	(1,134,398)
Other property and services		(106,023)	0	0
		(5,457,371)	(5,779,797)	(4,132,137)
		(258,410)	(1,362,096)	(11,890)
Non-operating grants, subsidies and contributions	2(a)	991,073	906,704	505,308
Profit on disposal of assets	10(a)	117,767	67,007	52,618
(Loss) on disposal of assets	10(a)	0	0	(58,505)
		1,108,840	973,711	499,421
Net result for the period		850,430	(388,385)	487,531
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		850,430	(388,385)	487,531

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



**SHIRE OF SANDSTONE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	6,787,664	4,889,922
Trade and other receivables	6	41,801	76,219
Other financial assets	5(a)	0	1,320,723
Inventories	7	134,964	123,884
TOTAL CURRENT ASSETS		6,964,429	6,410,748
NON-CURRENT ASSETS			
Other financial assets	5(b)	17,517	17,517
Property, plant and equipment	8	8,187,829	8,603,799
Infrastructure	9	39,718,887	38,820,445
TOTAL NON-CURRENT ASSETS		47,924,233	47,441,761
TOTAL ASSETS		54,888,662	53,852,509
CURRENT LIABILITIES			
Trade and other payables	12	278,276	154,941
Contract liabilities	13	98,614	0
Employee related provisions	15	110,775	154,202
TOTAL CURRENT LIABILITIES		487,665	309,143
NON-CURRENT LIABILITIES			
Employee related provisions	15	63,374	56,173
TOTAL NON-CURRENT LIABILITIES		63,374	56,173
TOTAL LIABILITIES		551,039	365,316
NET ASSETS		54,337,623	53,487,193
EQUITY			
Retained surplus		35,723,978	35,953,858
Reserves - cash backed	4	5,021,632	3,941,322
Revaluation surplus	11	13,592,013	13,592,013
TOTAL EQUITY		54,337,623	53,487,193

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 2021**

		RESERVES CASH/FINANCIAL		
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS
		\$	\$	\$
		\$	\$	\$
Balance as at 1 July 2019		34,662,212	4,745,437	13,592,013
Comprehensive income				
Net result for the period		487,531	0	0
Total comprehensive income		487,531	0	0
Transfers from reserves	4	902,532	(902,532)	0
Transfers to reserves	4	(98,417)	98,417	0
Balance as at 30 June 2020		35,953,858	3,941,322	13,592,013
Comprehensive income				
Net result for the period		850,430	0	0
Total comprehensive income		850,430	0	0
Transfers to reserves	4	(1,080,310)	1,080,310	0
Balance as at 30 June 2021		35,723,978	5,021,632	13,592,013

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 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,127,961	1,069,247	978,787
Operating grants, subsidies and contributions		3,248,148	2,525,730	2,321,122
Fees and charges		203,045	220,229	112,067
Interest received		37,425	54,096	85,117
Goods and services tax received		352,956	261,331	280,264
Other revenue		704,192	548,399	581,712
		<u>5,673,727</u>	<u>4,679,032</u>	<u>4,359,069</u>
Payments				
Employee costs		(1,272,727)	(1,055,213)	(1,163,321)
Materials and contracts		(2,301,181)	(2,698,982)	(1,248,398)
Utility charges		(111,605)	(142,376)	(118,780)
Insurance paid		(145,817)	(169,490)	(123,044)
Goods and services tax paid		(326,869)	(261,331)	(81,074)
Other expenditure		(105,789)	(86,306)	(99,222)
		<u>(4,263,988)</u>	<u>(4,413,698)</u>	<u>(2,833,839)</u>
Net cash provided by operating activities	16	<u>1,409,739</u>	<u>265,334</u>	<u>1,525,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for financial assets at amortised cost		0	0	(495,966)
Payments for purchase of property, plant & equipment	8(a)	(596,222)	(514,530)	(1,182,529)
Payments for construction of infrastructure	9(a)	(1,487,484)	(1,983,677)	(1,225,029)
Non-operating grants, subsidies and contributions	2(a)	991,073	906,704	505,308
Proceeds from financial assets at amortised cost	5(a)	1,320,723	0	2,620,599
Proceeds from sale of property, plant & equipment	10(a)	259,913	135,000	443,090
Net cash provided by (used in) investment activities		<u>488,003</u>	<u>(1,456,503)</u>	<u>665,473</u>
Net increase (decrease) in cash held		<u>1,897,742</u>	<u>(1,191,169)</u>	<u>2,190,703</u>
Cash at beginning of year		4,889,922	2,267,689	2,699,219
Cash and cash equivalents at the end of the year	16	<u><u>6,787,664</u></u>	<u><u>1,076,520</u></u>	<u><u>4,889,922</u></u>

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

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	2,314,485	2,443,344	1,474,268
		2,314,485	2,443,344	1,474,268
Revenue from operating activities (excluding rates)				
Governance		1,000	0	0
General purpose funding		2,044,289	1,084,464	2,198,523
Law, order, public safety		11,068	13,626	11,571
Health		327	0	0
Housing		5,843	17,007	1,933
Community amenities		10,382	12,921	9,735
Recreation and culture		20,931	790	9,412
Transport		1,242,590	1,537,314	161,393
Economic services		754,725	640,216	574,473
Other property and services		124,437	109,123	189,921
		4,215,592	3,415,461	3,156,961
Expenditure from operating activities				
Governance		(179,410)	(206,215)	(142,557)
General purpose funding		(122,721)	(136,694)	(123,622)
Law, order, public safety		(153,911)	(148,229)	(170,930)
Health		(28,028)	(43,194)	(27,449)
Housing		(8,964)	0	(259,025)
Community amenities		(160,358)	(207,398)	(128,719)
Recreation and culture		(439,562)	(682,395)	(444,052)
Transport		(2,946,977)	(3,263,539)	(1,759,890)
Economic services		(1,311,417)	(1,092,133)	(1,134,398)
Other property and services		(106,024)	0	0
		(5,457,372)	(5,779,797)	(4,190,642)
Non-cash amounts excluded from operating activities	23(a)	1,291,064	1,384,768	1,513,039
Amount attributable to operating activities		2,363,769	1,463,776	1,953,626
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	991,073	906,704	505,308
Proceeds from disposal of assets	10(a)	259,913	135,000	443,090
Purchase of property, plant and equipment	8(a)	(596,222)	(514,530)	(1,182,529)
Purchase and construction of infrastructure	9(a)	(1,487,484)	(1,983,677)	(1,225,029)
Amount attributable to investing activities		(832,720)	(1,456,503)	(1,459,160)
FINANCING ACTIVITIES				
Transfers to reserves (restricted assets)	4	(1,080,310)	(1,076,520)	(98,417)
Transfers from reserves (restricted assets)	4	0	0	902,532
Amount attributable to financing activities		(1,080,310)	(1,076,520)	804,115
Surplus/(deficit) before imposition of general rates		450,739	(1,069,247)	1,298,581
Total amount raised from general rates	22(a)	1,101,137	1,069,247	1,015,904
Surplus/(deficit) after imposition of general rates	23(b)	1,551,879	0	2,314,485

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 2021

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

1. BASIS OF PREPARATION

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

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

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

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

The impact of adoption of these standards is described at Note 26.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

- Employee expenses
- Land held for resale
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Provisions

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
Governance	1,000	0	0
General purpose funding	2,003,260	1,025,481	2,110,731
Law, order, public safety	10,738	12,935	11,319
Housing	1,008	0	1,933
Recreation and culture	0	0	9,091
Transport	1,123,410	1,487,314	108,775
Other property and services	13,747	0	83,777
	3,153,163	2,525,730	2,325,626
Non-operating grants, subsidies and contributions			
Transport	991,073	906,704	505,308
	991,073	906,704	505,308
Total grants, subsidies and contributions	4,144,236	3,432,434	2,830,934
Fees and charges			
Governance	3,219	2,162	2,666
Law, order, public safety	330	691	252
Health	327	0	0
Community amenities	10,382	12,921	9,735
Recreation and culture	20,931	790	321
Economic services	160,167	197,621	97,112
Other property and services	7,689	6,044	1,981
	203,045	220,229	112,067

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

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Contracts with customers and transfers for recognisable non-financial assets

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Fees and charges	203,045	220,229	112,067
Other revenue	595,797	541,117	511,901
Non-operating grants, subsidies and contributions	991,073	906,704	505,308
	<u>1,789,915</u>	<u>1,668,050</u>	<u>1,129,276</u>

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

Revenue from contracts with customers recognised during the year	798,842	761,346	623,968
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	991,073	906,704	505,308
	<u>1,789,915</u>	<u>1,668,050</u>	<u>1,129,276</u>

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

Trade and other receivables from contracts with customers	0	0	200
Contract liabilities from contracts with customers	(98,614)	0	0

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

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

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

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates

Other revenue

Reimbursements and recoveries

Sale of inventory

Other

Interest earnings

Interest on reserve funds

Rates instalment and penalty interest (refer Note 21(c))

Other interest earnings

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
General rates	1,101,137	1,069,247	1,015,904
	<u>1,101,137</u>	<u>1,069,247</u>	<u>1,015,904</u>
Other revenue			
Reimbursements and recoveries	108,395	7,282	69,811
Sale of inventory	584,233	541,117	466,792
Other	11,564	0	45,109
	<u>704,192</u>	<u>548,399</u>	<u>581,712</u>
Interest earnings			
Interest on reserve funds	22,921	31,496	65,785
Rates instalment and penalty interest (refer Note 21(c))	8,350	11,800	10,461
Other interest earnings	6,154	10,800	8,871
	<u>37,425</u>	<u>54,096</u>	<u>85,117</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

Audit Annual Financial Statements

Other expenditure

Sundry expenses

Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
	44,149	46,280	40,250
	44,149	46,280	40,250
	105,789	86,306	99,222
	105,789	86,306	99,222

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

2. REVENUE AND EXPENSES (Continued)

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Fees & Charges	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Fees & Charges	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
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	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	In full at time of sale	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 / Other Revenue	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 / Other Revenue	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
Grants contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output methods based on project milestones and/or completion date matched to performance obligations as input are shared
Grants, subsidies or contributions for the construction of non financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the LG	Over time	Fixed terms transfer of funds based on milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output methods based on project milestones and/or completion date matched to performance obligations as input are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitments	No obligations	Not Applicable	Not Applicable	Cash Received	On receipt of funds	Not applicable	When assets are controlled

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

3. CASH AND CASH EQUIVALENTS

NOTE	2021	2020
	\$	\$
Cash at bank and on hand	961,148	864,556
Term deposits	5,826,516	4,025,366
Total cash and cash equivalents	6,787,664	4,889,922
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	5,120,246	2,620,599
- Financial assets at amortised cost	0	1,320,723
	5,120,246	3,941,322
The restricted assets are a result of the following specific purposes to which the assets may be used:		
Reserves - cash backed	4	5,021,632
Contract liabilities from contracts with customers	13	98,614
Total restricted assets	5,120,246	3,941,322

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

Restricted asset balances are not available for general use by the Shire 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 2021

4. RESERVES - CASH BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance	2021 Budget Opening Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	223,510	1,996	0	225,506	223,510	1,788	0	225,298	217,205	6,305	0	223,510
(b) Plant Replacement Reserve	171,214	1,000,913	0	1,172,127	170,669	1,046,394	0	1,217,063	1,061,761	11,985	(902,532)	171,214
(c) Building Reserve	1,345,577	61,758	0	1,407,335	1,342,906	10,743	0	1,353,649	1,301,760	43,817	0	1,345,577
(d) Airport Reserve	292,894	2,617	0	295,511	292,894	2,343	0	295,237	289,341	3,553	0	292,894
(e) Road & Flood Damage Reserve	684,969	4,954	0	689,923	684,969	5,480	0	690,449	673,441	11,528	0	684,969
(f) Information Technology Reserve	48,034	429	0	48,463	48,034	384	0	48,418	46,679	1,355	0	48,034
(g) Refuse Disposal Reserve	41,305	369	0	41,674	41,305	330	0	41,635	40,140	1,165	0	41,305
(h) Housing Reserve	320,723	2,272	0	322,995	320,723	2,566	0	323,289	315,030	5,693	0	320,723
(i) Community Development Reserve	813,096	5,002	0	818,098	811,464	6,492	0	817,956	800,080	13,016	0	813,096
	3,941,322	1,080,310	0	5,021,632	3,936,474	1,076,520	0	5,012,994	4,745,437	98,417	(902,532)	3,941,322

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

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

Anticipated

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

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Term deposits

(b) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2021	2020
	\$	\$
	0	1,320,723
	0	1,320,723
	0	1,320,723
	0	1,320,723
	17,517	17,517
	17,517	17,517
	17,517	17,517
	17,517	17,517

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 24.

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
Accrued Income

2021	2020
\$	\$
33,668	45,631
8,133	200
0	26,084
0	4,304
41,801	76,219

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 24.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

7. INVENTORIES

Current

Fuel and materials

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year

Additions to inventory

Balance at end of year

	2021	2020
	\$	\$
	134,964	123,884
	134,964	123,884
	123,884	141,875
	(183,581)	(160,121)
	194,661	142,130
	134,964	123,884

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 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)
Balance at 30 June 2020	458,300	5,387,988	5,846,288	36,867	2,720,644	8,603,799
Comprises:						
Gross balance 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)
Balance at 30 June 2020	458,300	5,387,988	5,846,288	36,867	2,720,644	8,603,799
Additions	22,583	130,056	152,639	0	443,583	596,222
(Disposals)	(50,000)	(34,665)	(84,665)	0	(57,481)	(142,146)
Depreciation (expense)	0	(289,589)	(289,589)	(9,083)	(571,374)	(870,046)
Balance at 30 June 2021	430,883	5,193,790	5,624,673	27,784	2,535,372	8,187,829
Comprises:						
Gross balance at 30 June 2021	430,883	6,280,946	6,711,829	597,612	4,709,518	12,018,959
Accumulated depreciation at 30 June 2021	0	(1,087,156)	(1,087,156)	(569,828)	(2,174,146)	(3,831,130)
Balance at 30 June 2021	430,883	5,193,790	5,624,673	27,784	2,535,372	8,187,829

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market Approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent Registered Valuer	June 2017	Price per Hectare / Market Borrowing Rate
Buildings - specialised	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 cost and current condition, residual values and remaining useful life.

(ii) Cost

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 was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

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

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Infrastructure Parks & Gardens	Infrastructure Footpaths	Infrastructure Airport	Infrastructure Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	36,087,015	969,452	79,480	721,205	346,236	38,203,388
Additions	1,148,891	38,949	0	7,439	29,750	1,225,029
Depreciation (expense)	(432,414)	(109,147)	(3,769)	(30,846)	(31,796)	(607,972)
Balance at 30 June 2020	36,803,492	899,254	75,711	697,798	344,190	38,820,445
Comprises:						
Gross balance at 30 June 2020	46,357,328	1,112,663	131,807	759,489	401,232	48,762,519
Accumulated depreciation at 30 June 2020	(9,553,836)	(213,409)	(56,096)	(61,691)	(57,042)	(9,942,074)
Balance at 30 June 2020	36,803,492	899,254	75,711	697,798	344,190	38,820,445
Additions	1,362,002	113,977	0	0	11,505	1,487,484
Depreciation (expense)	(409,865)	(110,777)	(3,866)	(31,589)	(32,945)	(589,042)
Balance at 30 June 2021	37,755,629	902,454	71,845	666,209	322,750	39,718,887
Comprises:						
Gross balance at 30 June 2021	47,719,330	1,226,640	131,807	759,489	412,737	50,250,003
Accumulated depreciation at 30 June 2021	(9,963,701)	(324,186)	(59,962)	(93,280)	(89,987)	(10,531,116)
Balance at 30 June 2021	37,755,629	902,454	71,845	666,209	322,750	39,718,887

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

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2014	Construction costs and current conditions, residual values ad remaining useful life assessments inputs
Infrastructure Parks & Gardens	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current conditions, residual values ad 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 conditions, residual values ad 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 conditions, residual values ad 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 conditions, residual values ad remaining useful life assessments inputs

Level 3 Inputs are based on assumption with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the ptoential 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.

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 is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately

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

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

Individual assets that are land, buildings, and infrastructure 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.

Revaluation (Continued)

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

SHIRE OF SANDSTONE
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10. FIXED ASSETS (Continued)

(a) Disposals of Assets

	2021 Actual Net Book Value \$	2021 Actual Sale Proceeds \$	2021 Actual Profit \$	2021 Actual Loss \$	2021 Budget Net Book Value \$	2021 Budget Sale Proceeds \$	2021 Budget Profit \$	2021 Budget Loss \$	2020 Actual Net Book Value \$	2020 Actual Sale Proceeds \$	2020 Actual Profit \$	2020 Actual Loss \$
Land - freehold land	50,000	50,000	0	0	0	0	0	0	0	0	0	0
Buildings - specialised	34,665	39,500	4,835	0	47,993	65,000	17,007	0	0	0	0	0
Plant and equipment	57,481	170,413	112,932	0	20,000	70,000	50,000	0	448,977	443,090	52,618	(58,505)
	142,146	259,913	117,767	0	67,993	135,000	67,007	0	448,977	443,090	52,618	(58,505)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2020 Actual Loss
Plant and Equipment				
Housing				
Old Police House	34,665	39,500	4,835	0
Transport				
S741 Low Loader	29,628	59,608	29,980	0
S793 GTE Water Tanker	0	42,102	42,102	0
S774 A Trailer Side Tipper	14,110	34,964	20,854	0
S763 Roadwest Side Tipper	13,743	31,219	17,476	0
Bobcat Trailer	0	2,520	2,520	0
Other property and services				
LND996 Lot 163 Oroya Street	10,000	10,000	0	0
LND516 Lot 516 Payne Street	10,000	10,000	0	0
LND099 Lot 99 Payne Street	10,000	10,000	0	0
LND246 Lot 246 Green Street	10,000	10,000	0	0
LND247 Lot 247 Green Street	10,000	10,000	0	0
	142,146	259,913	117,767	0
	142,146	259,913	117,767	0

(b) Fully Depreciated Assets in Use

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

	2021 \$	2020 \$
Furniture and equipment	520,200	488,200
Plant and equipment	243,700	222,700
Infrastructure - roads	4,369	
	768,269	710,900

SHIRE OF SANDSTONE
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10. FIXED ASSETS (Continued)

(c) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - specialised	289,589	281,968	292,264
Furniture and equipment	9,083	10,903	11,582
Plant and equipment	571,374	603,744	531,736
Infrastructure - roads	409,865	438,392	432,414
Infrastructure Parks & Gardens	110,777	72,516	109,147
Infrastructure Footpaths	3,866	3,991	3,769
Infrastructure Airport	31,589	23,552	30,846
Infrastructure Other	32,945	16,709	31,796
	1,459,088	1,451,775	1,443,554

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	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Infrastructure other	5-40 years
Footpaths - slab	40 years
Parks and ovals	5 - 40 years
Airport	30 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease
Intangible assets - computer software licence	5 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

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.

11. REVALUATION SURPLUS

	2021 Opening Balance	2021 Closing Balance	2020 Opening Balance	2020 Closing Balance
	\$	\$	\$	\$
Land - freehold land	269,022	269,022	269,022	269,022
Buildings - specialised	1,437,726	1,437,726	1,437,726	1,437,726
Furniture and equipment	9,111	9,111	9,111	9,111
Infrastructure - roads	10,319,105	10,319,105	10,319,105	10,319,105
Infrastructure Parks & Gardens	611,718	611,718	611,718	611,718
Infrastructure Airport	737,481	737,481	737,481	737,481
Infrastructure Other	207,850	207,850	207,850	207,850
	13,592,013	13,592,013	13,592,013	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

12. TRADE AND OTHER PAYABLES

Current

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

2021	2020
\$	\$
171,409	93,703
14,861	0
25,177	25,791
16,570	28,247
6,300	7,200
43,958	0
278,276	154,941

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Prepaid rates

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

13. CONTRACT LIABILITIES

Current

Contract liabilities
Total Current
Total Contract Liabilities

2021	2020
\$	\$
98,614	0
98,614	0
98,614	0

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

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

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

Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity

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

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

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14. INFORMATION ON BORROWINGS (Continued)

	2021	2020
	\$	\$
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	0	593
Total amount of credit unused	20,000	20,593

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 24.

SHIRE OF SANDSTONE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	114,164	40,038	154,202
Non-current provisions	0	56,173	56,173
	114,164	96,211	210,375
Additional provision	101,044	35,664	136,708
Amounts used	(116,675)	(56,259)	(172,934)
Balance at 30 June 2021	98,533	75,616	174,149
Comprises			
Current	98,533	12,242	110,775
Non-current	0	63,374	63,374
	98,533	75,616	174,149

	2021	2020
	\$	\$
Less than 12 months after the reporting date	88,123	154,202
More than 12 months from reporting date	64,970	22,313
Expected reimbursements from other WA local governments	21,056	33,860
	174,149	210,375

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	6,787,664	1,076,520	4,889,922
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	850,430	(388,385)	487,531
Non-cash flows in Net result:			
Depreciation on non-current assets	1,459,088	1,451,775	1,443,554
(Profit)/loss on sale of asset	(117,767)	(67,007)	5,887
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables	34,418	0	(22,106)
(Increase)/decrease in inventories	(11,080)	0	17,991
Increase/(decrease) in trade and other payables	123,335	175,655	34,083
Increase/(decrease) in employee related provisions	(36,226)	0	63,598
Increase/(decrease) in contract liabilities	98,614	0	0
Non-operating grants, subsidies and contributions	(991,073)	(906,704)	(505,308)
Net cash from operating activities	1,409,739	265,334	1,525,230

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	0	45,633
Law, order, public safety	39,660	141,383
Health	0	41
Housing	1,500,788	1,513,966
Community amenities	17,105	65,444
Recreation and culture	1,980,054	3,244,097
Transport	38,837,771	38,323,168
Economic services	592,297	681,250
Other property and services	4,468,686	1,777,942
Unallocated	7,452,301	8,059,585
	<u>54,888,662</u>	<u>53,852,509</u>

18. CONTINGENT LIABILITIES

The Shire of Sandstone has in compliance with the Contaminated Sites Act 2003 S11 listed site to be a possible source 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 from 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.

19. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

	2021	2020
	\$	\$
	0	0
	0	0
	<u>0</u>	<u>0</u>
Payable:		
- not later than one year	0	0

There are no capital commitments that will affect the Shires operations.

20. ELECTED MEMBERS REMUNERATION

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Elected Member Walton			
President's annual allowance	3,500	3,500	3,500
Meeting attendance fees	5,080	2,100	5,030
Annual allowance for ICT expenses	500	500	500
	9,080	6,100	9,030
Elected Member Hodshon			
Deputy President's annual allowance	875	875	875
Meeting attendance fees	1,985	2,100	2,515
Annual allowance for ICT expenses	500	500	500
Travel and accommodation expenses	1,077	1,500	1,247
	4,437	4,975	5,137
Elected Member Key			
Meeting attendance fees	2,160	2,100	2,515
Annual allowance for ICT expenses	500	500	500
Travel and accommodation expenses	1,188	1,500	
	3,848	4,100	3,015
Elected Member Lefroy			
Meeting attendance fees	2,335	2,100	2,515
Annual allowance for ICT expenses	500	500	500
Travel and accommodation expenses	2,100	1,500	2,432
	4,935	4,100	5,447
Elected Member May			
Meeting attendance fees	2,570	2,100	2,455
Annual allowance for ICT expenses	500	500	500
	3,070	2,600	2,955
Elected Member McQuie			
Meeting attendance fees	2,570	2,100	2,280
Annual allowance for ICT expenses	500	500	500
Travel and accommodation expenses	2,495	1,500	1,667
	5,565	4,100	4,447
	30,935	25,975	30,031
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	3,500	3,500	3,500
Deputy President's allowance	875	875	875
Meeting attendance fees	16,700	12,600	17,310
Annual allowance for ICT expenses	3,000	3,000	3,000
Travel and accommodation expenses	6,860	6,000	5,346
	30,935	25,975	30,031

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21. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

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

	2021 Actual	2020 Actual
	\$	\$
Short-term employee benefits	208,418	313,379
Post-employment benefits	23,703	29,290
Other long-term benefits	19,183	11,843
Termination benefits	0	5,654
	251,304	360,166

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).

SHIRE OF SANDSTONE
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21. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2021 Actual	2020 Actual
Purchase of goods and services	\$ 107,371	\$ 5,252

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

SHIRE OF SANDSTONE
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22. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2020/21	2019/20
			Actual Rateable Value	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue
Differential general rate / general rate	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations												
Townsite	0.06576	31	210,548	13,846	802	219	14,867	13,846	0	0	13,846	14,369
Transient Workers Accomodation	0.37195	4	72,020	26,788	0	0	26,788	26,788	0	0	26,788	26,788
Unimproved valuations												
Rural	0.06088	19	779,984	47,478	0	0	47,478	47,480	0	0	47,480	42,960
Mining	0.26891	143	3,669,213	1,023,402	16,693	9,392	1,049,487	986,688	20,000	0	1,006,688	919,160
Sub-Total		197	4,731,765	1,111,514	17,495	9,611	1,138,620	1,074,802	20,000	0	1,094,802	1,003,277
Minimum payment	\$											
Gross rental valuations												
Townsite	220	31	19,722	6,820	0	0	6,820	6,820	0	0	6,820	6,820
Transient Workers Accomodation	220	0	0	0	0	0	0	0	0	0	0	0
Unimproved valuations												
Rural	335	6	7,933	2,010	0	0	2,010	2,010	0	0	2,010	1,675
Mining	335	55	39,700	18,425	0	0	18,425	18,425	0	0	18,425	17,455
Sub-Total		92	67,355	27,255	0	0	27,255	27,255	0	0	27,255	25,950
		289	4,799,120	1,138,769	17,495	9,611	1,165,875	1,102,057	20,000	0	1,122,057	1,029,227
Discounts/concessions (Note 22(b))							(64,738)				(52,810)	(13,323)
Total amount raised from general rate							1,101,137				1,069,247	1,015,904
Concessions (Note 20 (b))												(179)
Totals							1,101,137				1,069,247	1,015,725

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.

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22 RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$	Circumstances in which Discount is Granted
Discount on Early Payment	3.50%		64,660	52,810	13,323	Early Payment of Current Rates & Arrears within 14 Days of Issue Date
			64,660	52,810	13,323	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2021 Actual \$	2021 Budget \$	2020 Actual \$
Rates	Write Off			78	0	179
				78	0	179
Total discounts/concessions (Note 22(a))				64,738	52,810	13,502

22. 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	17/09/2020	0	0.00%	8.00%
Single full payment				
Option Two				
First instalment	17/09/2020	0.00	0.00%	8.00%
Second instalment	19/11/2020	10.00	3.00%	8.00%
Option Three				
First instalment	17/09/2020	0.00	0.00%	8.00%
Second instalment	19/11/2020	10.00	3.00%	8.00%
Third instalment	21/01/2021	10.00	3.00%	8.00%
Fourth instalment	25/03/2021	10.00	3.00%	8.00%

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Interest on unpaid rates	4,238	7,300	4,644
Interest on instalment plan	4,112	4,500	5,817
Charges on instalment plan	3,180	2,000	2,550
	11,530	13,800	13,011

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23. RATE SETTING STATEMENT INFORMATION

	2020/21 (30 June 2021 Carried Forward)	2020/21 Budget (30 June 2021 Carried Forward)	2019/20 (30 June 2020 Carried Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a) (117,767)	(67,007)	(52,618)
Less: Movement in liabilities associated with restricted cash	(57,458)	0	41,314
Movement in employee benefit provisions (non-current)	7,201	0	22,284
Add: Loss on disposal of assets	10(a) 0	0	58,505
Add: Depreciation on non-current assets	10(c) 1,459,088	1,451,775	1,443,554
Non cash amounts excluded from operating activities	1,291,064	1,384,768	1,513,039
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - cash backed	4 (5,021,632)	(5,012,994)	(3,941,322)
Add: Current liabilities not expected to be cleared at end of year	0	0	0
Add - Employee benefit provisions	96,744	112,888	154,202
Total adjustments to net current assets	(4,924,888)	(4,900,106)	(3,787,120)
Net current assets used in the Rate Setting Statement			
Total current assets	6,964,429	5,229,391	6,410,748
Less: Total current liabilities	(487,665)	(329,285)	(309,143)
Less: Total adjustments to net current assets	(4,924,888)	(4,900,106)	(3,787,120)
Net current assets used in the Rate Setting Statement	1,551,876	0	2,314,485

24. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2021					
Cash and cash equivalents	0.55%	6,787,664	5,826,516	520,136	441,012
2020					
Cash and cash equivalents	1.73%	4,889,922	4,025,366	811,842	52,714
Financial assets at amortised cost	1.73%	1,320,723	1,320,723	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.

	2021	2020
Impact of a 1% movement in interest rates on profit and loss and equity*	\$ 5,201	\$ 8,118

* Holding all other variables constant

24. FINANCIAL RISK MANAGEMENT (Continued)

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(b) Credit risk

Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2021 and 30 June 2020 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	10,070	22,942	656	0	33,668
Loss allowance	0	0	0	0	0
30 June 2020					
Rates receivable					
Expected credit loss rate	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

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	6,330	0	1,803	0	8,133
Loss allowance	0	0	0	0	0
30 June 2020					
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

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

Payables are subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 14.

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>2021</u>					
Payables	246,841	0	0	246,841	278,276
	246,841	0	0	246,841	278,276
<u>2020</u>					
Payables	126,694	0	0	126,694	154,941
	126,694	0	0	126,694	154,941

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Shire.

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the 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 1059 Service Concession Arrangements: Grantors

The Shire adopted AASB 1059 Service Concession Arrangements: Grantors on 1 July 2020, which resulted in no financial impact.

SHIRE OF SANDSTONE

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

27. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

28. 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 related 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

Rates, general purpose 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 service, 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, playground centre, senior citizens centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

HOUSING

To provide and maintain elderly residents

Provision and maintenance of elderly residential 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 stormwater 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 centres, 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, streets, 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 account.

Private works operations, plant repairs and operation costs and engineering operating costs.

29. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	5.15	15.94	13.15
Asset consumption ratio	0.77	0.63	0.80
Asset renewal funding ratio	0.89	0.89	1.01
Asset sustainability ratio	1.25	1.36	1.40
Operating surplus ratio	(0.28)	(0.01)	0.29
Own source revenue coverage ratio	(0.36)	0.32	0.02
Debt Service Cover Ratio	N/A	N/A	N/A

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