

**SHIRE OF IRWIN**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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**SHIRE OF IRWIN  
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 Irwin 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 Irwin 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        24        day of        MARCH        2022

  
\_\_\_\_\_  
Chief Executive Officer  
  
\_\_\_\_\_  
Shane Ivers

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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Rates	26(a)	5,384,429	5,394,500	5,360,772
Operating grants, subsidies and contributions	2(a)	847,884	491,725	819,180
Fees and charges	2(a)	1,990,825	1,391,062	1,541,105
Interest earnings	2(a)	57,598	49,000	87,173
Other revenue	2(a)	235,319	273,517	300,054
		8,516,055	7,599,804	8,108,284
<b>Expenses</b>				
Employee costs		(2,956,052)	(2,403,645)	(2,718,377)
Materials and contracts		(3,183,806)	(2,541,343)	(3,251,820)
Utility charges		(516,330)	(346,700)	(483,180)
Depreciation on non-current assets	11(b)	(4,485,327)	(4,358,601)	(4,407,387)
Interest expenses	2(b)	(222,308)	(222,963)	(196,332)
Insurance expenses		(191,782)	(188,849)	(189,264)
Other expenditure		(211,475)	(1,037,288)	(339,931)
		(11,767,080)	(11,099,389)	(11,586,291)
		(3,251,025)	(3,499,585)	(3,478,007)
Non-operating grants, subsidies and contributions	2(a)	2,959,085	3,628,255	2,027,594
Profit on asset disposals	11(a)	12,524	1,176	25,349
(Loss) on asset disposals	11(a)	(189,002)	(10,796)	(478,686)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	865
		2,782,607	3,618,635	1,575,122
<b>Net result for the year</b>		<b>(468,418)</b>	<b>119,050</b>	<b>(1,902,885)</b>
<b>Total other comprehensive income for the year</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the year</b>		<b>(468,418)</b>	<b>119,050</b>	<b>(1,902,885)</b>

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



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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Governance	2(a)	0	0	273
General purpose funding		6,016,929	5,711,141	6,030,284
Law, order, public safety		169,500	172,994	190,657
Health		91,744	60,700	59,698
Education and welfare		5,131	8,550	6,102
Housing		380,237	353,000	280,477
Community amenities		1,110,874	853,855	870,996
Recreation and culture		282,877	153,817	198,049
Transport		87,947	84,590	133,317
Economic services		259,643	131,657	221,923
Other property and services		111,172	69,500	116,508
		<b>8,516,054</b>	<b>7,599,804</b>	<b>8,108,284</b>
<b>Expenses</b>				
Governance	2(b)	(544,800)	(558,300)	(567,650)
General purpose funding		(621,664)	(1,460,715)	(644,910)
Law, order, public safety		(510,173)	(471,125)	(507,114)
Health		(450,723)	(306,761)	(565,054)
Education and welfare		(67,832)	(62,370)	(66,523)
Housing		(641,419)	(582,786)	(557,213)
Community amenities		(1,434,950)	(1,199,904)	(1,345,648)
Recreation and culture		(2,598,753)	(2,383,520)	(2,557,318)
Transport		(3,779,686)	(3,419,223)	(4,044,418)
Economic services		(433,670)	(383,644)	(469,681)
Other property and services		(461,102)	(48,078)	(64,430)
		<b>(11,544,772)</b>	<b>(10,876,426)</b>	<b>(11,389,959)</b>
<b>Finance Costs</b>				
Health	2(b)	(40,072)	(32,786)	(6,435)
Housing		(2,994)	(7,385)	0
Recreation and culture		(158,630)	(160,739)	(165,666)
Transport		(20,189)	(21,631)	(23,637)
Other property and services		(422)	(422)	(594)
		<b>(222,307)</b>	<b>(222,963)</b>	<b>(196,332)</b>
		<b>(3,251,025)</b>	<b>(3,499,585)</b>	<b>(3,478,007)</b>
Non-operating grants, subsidies and contributions	2(a)	2,959,085	3,628,255	2,027,594
Profit on disposal of assets	11(a)	12,524	1,176	25,349
(Loss) on disposal of assets	11(a)	(189,002)	(10,796)	(478,686)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	865
		<b>2,782,607</b>	<b>3,618,635</b>	<b>1,575,122</b>
<b>Net result for the year</b>		<b>(468,418)</b>	<b>119,050</b>	<b>(1,902,885)</b>
<b>Total other comprehensive income for the year</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the year</b>		<b>(468,418)</b>	<b>119,050</b>	<b>(1,902,885)</b>

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





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

	NOTE	2021 \$	2020 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	5,014,331	3,505,502
Trade and other receivables	6	682,145	555,596
Other financial assets	5(a)	41,513	8,097
Inventories	7	28,018	18,521
Other assets	8	303,091	15,302
<b>TOTAL CURRENT ASSETS</b>		<b>6,069,098</b>	<b>4,103,018</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	57,588	69,322
Other financial assets	5(b)	379,454	65,957
Property, plant and equipment	9	42,622,593	44,304,551
Infrastructure	10	53,096,281	52,876,708
Right-of-use assets	12(a)	86,484	90,455
<b>TOTAL NON-CURRENT ASSETS</b>		<b>96,242,400</b>	<b>97,406,993</b>
<b>TOTAL ASSETS</b>		<b>102,311,498</b>	<b>101,510,011</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,609,703	1,141,360
Other liabilities	15	1,356,233	1,277,058
Lease liabilities	16(a)	20,474	19,930
Borrowings	17(a)	427,905	341,683
Employee related provisions	18	415,874	416,446
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,830,189</b>	<b>3,196,477</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	16(a)	17,489	37,963
Borrowings	17(a)	4,732,208	4,105,104
Employee related provisions	18	107,091	77,528
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,856,788</b>	<b>4,220,595</b>
<b>TOTAL LIABILITIES</b>		<b>8,686,977</b>	<b>7,417,072</b>
<b>NET ASSETS</b>		<b>93,624,521</b>	<b>94,092,939</b>
<b>EQUITY</b>			
Retained surplus		41,482,269	42,138,469
Reserves - cash backed	4	1,480,545	1,292,763
Revaluation surplus	13	50,661,707	50,661,707
<b>TOTAL EQUITY</b>		<b>93,624,521</b>	<b>94,092,939</b>

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

**SHIRE OF IRWIN**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2019</b>		<b>44,857,653</b>	<b>1,310,453</b>	<b>54,341,707</b>	<b>100,509,813</b>
Change in accounting policy		(833,989)	0	(3,680,000)	<b>(4,513,989)</b>
<b>Restated balance at the beginning of the financial year</b>		<b>44,023,664</b>	<b>1,310,453</b>	<b>50,661,707</b>	<b>95,995,824</b>
Comprehensive income					
Net result for the year		(1,902,885)	0	0	(1,902,885)
Total comprehensive income		(1,902,885)	0	0	(1,902,885)
Transfers from reserves	4	75,000	(75,000)	0	0
Transfers to reserves	4	(57,310)	57,310	0	0
<b>Balance as at 30 June 2020</b>		<b>42,138,469</b>	<b>1,292,763</b>	<b>50,661,707</b>	<b>94,092,939</b>
<b>Restated balance at 1 July 2020</b>		<b>42,138,469</b>	<b>1,292,763</b>	<b>50,661,707</b>	<b>94,092,939</b>
Comprehensive income					
Net result for the year		(468,418)	0	0	(468,418)
Total comprehensive income		(468,418)	0	0	(468,418)
Transfers from reserves	4	228,135	(228,135)	0	0
Transfers to reserves	4	(415,917)	415,917	0	0
<b>Balance as at 30 June 2021</b>		<b>41,482,269</b>	<b>1,480,545</b>	<b>50,661,707</b>	<b>93,624,521</b>

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



**SHIRE OF IRWIN**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		5,413,148	5,519,500	5,241,586
Operating grants, subsidies and contributions		827,282	491,930	1,334,558
Fees and charges		1,990,825	1,391,062	1,541,105
Interest received		57,598	49,000	87,168
Goods and services tax received		(613,474)	554,655	554,655
Other revenue		235,318	273,517	300,054
		7,910,697	8,279,664	9,059,126
<b>Payments</b>				
Employee costs		(2,925,813)	(2,403,645)	(2,615,943)
Materials and contracts		(3,016,660)	(2,334,293)	(3,795,365)
Utility charges		(516,330)	(346,700)	(483,180)
Interest expenses		(219,644)	(222,963)	(196,332)
Insurance paid		(191,782)	(188,849)	(189,264)
Goods and services tax paid		487,577	(554,655)	(418,094)
Other expenditure		(211,475)	(1,037,288)	(339,931)
		(6,594,127)	(7,088,393)	(8,038,109)
<b>Net cash provided by operating activities</b>	19	1,316,570	1,191,271	1,021,017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for financial assets at amortised cost - self supporting loans		(355,010)	(395,010)	0
Payments for purchase of property, plant & equipment	9(a)	(703,634)	(2,421,427)	(3,372,137)
Payments for construction of infrastructure	10(a)	(2,946,776)	(2,286,127)	(1,248,004)
Non-operating grants, subsidies and contributions		3,041,225	2,473,610	2,027,594
Proceeds from financial assets at amortised cost - self supporting loans		8,098	25,942	7,894
Proceeds from sale of property, plant & equipment	11(a)	454,961	40,000	89,897
<b>Net cash provided by (used in) investment activities</b>		(501,136)	(2,563,012)	(2,494,756)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(341,684)	(391,149)	(271,888)
Payments for principal portion of lease liabilities	16(b)	(19,931)	(19,929)	(19,399)
Proceeds from new borrowings	17(b)	1,055,010	1,095,010	1,450,000
<b>Net cash provided by financing activities</b>		693,395	683,932	1,158,713
<b>Net increase (decrease) in cash held</b>		1,508,829	(687,809)	(315,026)
Cash at beginning of year		3,505,502	3,505,502	3,820,528
<b>Cash and cash equivalents at the end of the year</b>	19	5,014,331	2,817,693	3,505,502

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



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

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - deficit	27 (b)	(272,395)	(168,015)	(890,837)
		(272,395)	(168,015)	(890,837)
<b>Revenue from operating activities (excluding rates)</b>				
Governance		0	0	273
General purpose funding		635,576	319,441	673,179
Law, order, public safety		169,500	172,994	190,657
Health		91,744	60,700	59,698
Education and welfare		5,131	8,550	6,102
Housing		380,237	353,000	280,477
Community amenities		1,110,874	853,855	870,996
Recreation and culture		282,877	153,817	207,867
Transport		100,471	85,766	148,848
Economic services		259,643	131,657	221,923
Other property and services		111,173	69,500	116,508
		3,147,226	2,209,280	2,776,528
<b>Expenditure from operating activities</b>				
Governance		(544,800)	(558,300)	(567,650)
General purpose funding		(621,664)	(1,460,715)	(644,910)
Law, order, public safety		(510,173)	(471,125)	(507,114)
Health		(490,795)	(339,547)	(571,489)
Education and welfare		(67,832)	(62,370)	(66,523)
Housing		(830,379)	(590,171)	(557,213)
Community amenities		(1,434,950)	(1,199,904)	(1,345,648)
Recreation and culture		(2,757,383)	(2,555,055)	(3,201,446)
Transport		(3,802,911)	(3,440,854)	(4,068,279)
Economic services		(433,670)	(383,644)	(469,681)
Other property and services		(461,524)	(48,500)	(65,024)
		(11,956,081)	(11,110,185)	(12,064,977)
Non-cash amounts excluded from operating activities	27(a)	4,703,664	4,369,555	4,862,337
<b>Amount attributable to operating activities</b>		(4,377,586)	(4,699,365)	(5,316,949)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	2,959,085	3,628,255	2,027,594
Proceeds from disposal of assets	11(a)	454,962	40,000	89,897
Proceeds from financial assets at amortised cost - self supporting loans		8,097	25,942	7,894
Payments for financial assets at amortised cost - self supporting loans		(355,010)	(395,010)	0
Purchase of property, plant and equipment	9(a)	(703,635)	(2,421,427)	(3,372,137)
Purchase and construction of infrastructure	10(a)	(2,946,776)	(2,286,127)	(1,248,004)
<b>Amount attributable to investing activities</b>		(583,277)	(1,408,367)	(2,494,756)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(341,684)	(391,149)	(271,888)
Proceeds from borrowings	17(c)	1,055,010	1,095,010	1,450,000
Payments for principal portion of lease liabilities	16(b)	(19,931)	(19,929)	(19,399)
Transfer from restricted cash - other		0	0	1,004,937
Transfers to reserves (restricted assets)	4	(415,917)	(14,000)	(57,310)
Transfers from reserves (restricted assets)	4	228,135	20,000	75,000
<b>Amount attributable to financing activities</b>		505,613	689,932	2,181,340
<b>Deficit before imposition of general rates</b>		(4,455,250)	(5,417,800)	(5,630,365)
<b>Total amount raised from general rates</b>	26(a)	5,381,353	5,391,700	5,357,970
<b>Surplus/(deficit) after imposition of general rates</b>	27(b)	<b>926,103</b>	<b>(26,100)</b>	<b>(272,395)</b>

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

**SHIRE OF IRWIN**  
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**FOR THE YEAR ENDED 30 JUNE 2021**

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1. BASIS OF PREPARATION

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

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

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General rates	Overtime	Payment dates adopted by council each year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice issued
Grant contracts with customers	Community events, minor facilities, planning evaluation and services	Overtime	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Overtime	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions with no contractual commitments	General appropriations and contributions with no reciprocal commitment	No obligation	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming. Compliance safety check	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 the timing of the associated rights	Mno refunds	On payment of the licence, registration or approval
Fees and charges - waste management collections	Kerbside collection service	Overtime	Payment on an annual basis in advance	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice issued
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Full payment in advance	None	Adopted by council annually	When taxable event occurs	Not applicable	Output method based on provision of service or completion of works
Other revenue - reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

**SHIRE OF IRWIN**  
**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:

**Operating grants, subsidies and contributions**

General purpose funding  
 Law, order, public safety  
 Education and welfare  
 Housing  
 Community amenities  
 Recreation and culture  
 Transport  
 Other property and services

**Non-operating grants, subsidies and contributions**

Housing  
 Recreation and culture  
 Transport

**Total grants, subsidies and contributions**

**Fees and charges**

General purpose funding  
 Law, order, public safety  
 Health  
 Education and welfare  
 Housing  
 Community amenities  
 Recreation and culture  
 Transport  
 Economic services  
 Other property and services

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
General purpose funding	546,559	259,141	560,539
Law, order, public safety	150,857	147,994	160,784
Education and welfare	0	2,000	0
Housing	19,278	0	0
Community amenities	18,600	0	0
Recreation and culture	0	0	16,374
Transport	82,590	82,590	81,483
Other property and services	30,000	0	0
	847,884	491,725	819,180
Non-operating grants, subsidies and contributions			
Housing	499,587	1,559,327	1,652,276
Recreation and culture	250,000	250,000	0
Transport	2,209,498	1,818,928	375,318
	2,959,085	3,628,255	2,027,594
Total grants, subsidies and contributions	3,806,969	4,119,980	2,846,774
Fees and charges			
General purpose funding	24,294	8,500	16,460
Law, order, public safety	12,406	16,000	17,517
Health	6,110	5,700	5,808
Education and welfare	45	3,050	2,909
Housing	360,960	275,000	279,087
Community amenities	1,092,274	853,855	870,996
Recreation and culture	273,988	134,050	169,871
Transport	4,741	2,000	3,089
Economic services	210,919	86,407	174,083
Other property and services	5,088	6,500	1,285
	1,990,825	1,391,062	1,541,105

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 Shire of Irwin.

**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.



## 2. REVENUE AND EXPENSES (Continued)

### (a) Revenue (Continued)

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

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

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions	62,864	0	119,104
Fees and charges	1,987,905	1,385,062	1,501,170
Other revenue	53,538	53,917	106,052
Non-operating grants, subsidies and contributions	2,959,085	3,628,255	2,027,594
	5,063,392	5,067,234	3,753,920

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 included as a contract liability at the start of the period	85,372	0	82,843
Revenue from contracts with customers recognised during the year	2,018,935	1,438,979	1,726,326
Revenue from transfers intended for acquiring or constructing recognisable non financial assets held as a liability at the start of the period	1,191,686	0	768,163
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	1,767,399	3,628,255	1,176,588
	5,063,392	5,067,234	3,753,920

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	119,365
Contract liabilities from contracts with customers	(82,407)	0	(85,372)
Financial assets held from transfers for recognisable financial assets	1,273,826	0	1,191,686
Grant liabilities from transfers for recognisable non financial assets	(1,273,826)	0	(1,191,686)

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 IRWIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
General rates	5,381,353	5,391,700	5,357,970
Statutory permits and licences	0	0	33,820
Fines	2,920	6,000	6,115
	5,384,273	5,397,700	5,397,905

**Significant revenue**

General Purpose Funding	296,597	259,141	301,396
Housing	499,587	1,559,327	1,652,276
Transport	447,345	1,000,000	0
	1,243,529	2,818,468	1,953,672

The significant revenue in 2021 relates to the early payment of Financial Assistance Grants received in June 2021 comprising general purpose funding of \$104,307 and Road Funding of \$192,290. Capital grant funding of \$499,587 for the SIHI Aged Accommodation units, funded by DPIRD. Moreton Terrace upgrade funding from Department of Infrastructure, Transport, Regional Development and Communications for \$1,000,000.

The significant revenue in 2020 relates to the early payment of Financial Assistance Grants received on 27th May 2020 comprising general purpose funding of \$108,793 and Road Funding of \$192,605. Capital grant funding from Department of Primary Industries & Regional Development (DPIRD) for the Funding of the SIHI aged persons units.

**Other revenue**

Reimbursements and recoveries	181,781	219,600	194,002
Other	235,319	273,517	106,052
	417,100	493,117	300,054

**Interest earnings**

Interest on reserve funds	5,916	14,000	13,377
Rates instalment and penalty interest (refer Note 26(b))	49,901	20,000	59,885
Other interest earnings	1,781	15,000	13,911
	57,598	49,000	87,173

**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.

**2. REVENUE AND EXPENSES (Continued)**

**(b) Expenses**

**Auditors remuneration**

Annual Financial report	51,000	69,000	50,000
Other services	2,400	0	1,500
	53,400	69,000	51,500

**Interest expenses (finance costs)**

Borrowings	220,991	221,646	194,480
Lease liabilities	1,317	1,317	1,852
	222,308	222,963	196,332

Sundry expenses	211,475	1,037,288	339,931
	211,475	1,037,288	339,931

**SHIRE OF IRWIN**  
**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	5,014,331	3,505,502
<b>Total cash and cash equivalents</b>	<b>5,014,331</b>	<b>3,505,502</b>
<b>Restrictions</b>		
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	4,110,244	3,131,383
	<b>4,110,244</b>	<b>3,131,383</b>

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

Reserves - cash backed	4	1,480,545	1,292,763
Contract liabilities from contracts with customers	15	82,407	85,372
Grants for transfers for recognisable non financial assets	15	1,273,826	1,191,686
Bonds and deposits held		210,591	198,687
Village units surplus		362,875	362,875
Unspent loans	17(d)	700,000	0
<b>Total restricted assets</b>		<b>4,110,244</b>	<b>3,131,383</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

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

**4. RESERVES - CASH BACKED**

	2021			2021			2021			2021			2020			2020		
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Transfer to	Transfer (from)	Actual	Actual	Actual	Actual	Actual	Actual
	Opening Balance	Transfer to	Transfer (from)	Closing Balance			Opening Balance	Transfer to	Transfer (from)	Closing Balance			Opening Balance	Transfer to	Transfer (from)	Closing Balance		
	\$	\$	\$	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	123,184	564	0	123,748			123,184	1,334	0	124,518			121,943	1,241	0	123,184		
(b) Port Denison Foreshore Development Reserve	239,960	1,098	0	241,058			239,960	2,598	0	242,558			268,298	46,662	(75,000)	239,960		
(c) Recreation Centre Equipment Reserve	52,183	239	0	52,422			52,183	565	0	52,748			51,657	526	0	52,183		
(d) Sanitation Reserve	21,161	97	(20,000)	1,258			21,161	229	(20,000)	1,390			20,947	214	0	21,161		
(e) Coastal Management Reserve	138,669	635	(108,135)	31,169			138,669	1,502	0	140,171			137,272	1,397	0	138,669		
(f) Asset Management Reserve	584,401	412,674	0	997,075			584,401	6,329	0	590,730			578,481	5,920	0	584,401		
(g) Plant Replacement Reserve	108,736	498	(100,000)	9,234			108,736	1,178	0	109,914			107,641	1,095	0	108,736		
(h) Tourism and Area Promotion Reserve	24,469	112	0	24,581			24,469	265	0	24,734			24,214	255	0	24,469		
	1,292,763	415,917	(228,135)	1,480,545			1,292,763	14,000	(20,000)	1,286,763			1,310,453	57,310	(75,000)	1,292,763		

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	- To fund leave requirements.
(b) Port Denison Foreshore Development Reserve	Ongoing	- To be used to fund the development works of the foreshore in Port Denison.
(c) Recreation Centre Equipment Reserve	Ongoing	- To be used to fund future equipment replacement.
(d) Sanitation Reserve	Ongoing	- To be used to develop facilities at the transfer station and future relocation.
(e) Coastal Management Reserve	Ongoing	- To be used to fund planning, research and project works in the management of coastline and adjacent areas within the Shire of Irwin.
(f) Asset Management Reserve	Ongoing	- To be used for the construction, major maintenance and retire debt associated with Council owned assets.
(g) Plant Replacement Reserve	Ongoing	- To be used for the purchase of plant and equipment as per plant replacement program.
(h) Tourism and Area Promotion Reserve	Ongoing	- To be used to fund future requirements of tourism promotions.

## 5. OTHER FINANCIAL ASSETS

### (a) Current assets

Financial assets at amortised cost

#### Other financial assets at amortised cost

Self supporting loans

### (b) Non-current assets

Financial assets at amortised cost

Financial assets at fair values through profit and loss

#### Financial assets at amortised cost

Self supporting loans

#### Financial assets at fair values through profit and loss

Units in Local Government House Trust

	2021	2020
	\$	\$
Financial assets at amortised cost	41,513	8,097
	41,513	8,097
Other financial assets at amortised cost		
Self supporting loans	41,513	8,097
	41,513	8,097
Financial assets at amortised cost	326,038	12,541
Financial assets at fair values through profit and loss	53,416	53,416
	379,454	65,957
Financial assets at fair values through profit and loss		
Units in Local Government House Trust	53,416	12,541
	326,038	12,541
	53,416	53,416
	53,416	53,416

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 17(b) as self supporting loans.

## SIGNIFICANT ACCOUNTING POLICIES

### Other financial assets at amortised cost

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

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

### Financial assets at fair value through profit and loss

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

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

### Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 28.

## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable  
Trade and other receivables  
GST receivable

### Non-current

Pensioner's rates and ESL deferred

2021	2020
\$	\$
376,015	393,000
137,002	119,365
169,128	43,231
682,145	555,596
57,588	69,322
57,588	69,322

### 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 28.

### 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
	\$	\$
	28,018	18,521
	28,018	18,521
	18,521	20,118
	(25,815)	(1,597)
	35,312	0
	28,018	18,521

## 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. OTHER ASSETS

Other assets - current

Accrued income

2021	2020
\$	\$
303,091	15,302
303,091	15,302

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

Non-current assets held for sale (Continued)

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 30(h).



## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Balances

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

	Land \$	Buildings - non- specialised \$	Buildings - specialised \$	Total land and buildings owned \$	Land and buildings - work in progress	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Total property, plant and equipment \$
<b>Balance at 1 July 2019</b>	5,021,300	3,549,330	31,586,541	40,157,171	0	40,157,171	309,150	2,731,664	43,197,985
Additions	400,000	5,394	2,570,210	2,975,604	0	2,975,604	113,024	283,509	3,372,137
(Disposals)	0	0	(478,462)	(478,462)	0	(478,462)	0	(64,772)	(543,234)
Depreciation (expense)		(229,986)	(925,362)	(1,155,348)		(1,155,348)	(67,846)	(499,143)	(1,722,337)
<b>Balance at 30 June 2020</b>	5,421,300	3,324,738	32,752,927	41,498,965	0	41,498,965	354,328	2,451,258	44,304,551
<b>Comprises:</b>									
Gross balance amount at 30 June 2020	5,421,300	3,982,081	35,502,446	44,905,827	0	44,905,827	691,026	3,664,914	49,261,767
Accumulated depreciation at 30 June 2020	0	(657,343)	(2,749,519)	(3,406,862)	0	(3,406,862)	(336,698)	(1,213,656)	(4,957,216)
<b>Balance at 30 June 2020</b>	5,421,300	3,324,738	32,752,927	41,498,965	0	41,498,965	354,328	2,451,258	44,304,551
Additions	0	0	59,640	59,640	566,812	626,452	46,107	31,075	703,634
(Disposals)	(160,000)	(435,966)	0	(595,966)	0	(595,966)	0	(35,472)	(631,438)
Depreciation (expense)	0	(223,641)	(991,498)	(1,215,139)	0	(1,215,139)	(66,336)	(472,679)	(1,754,154)
<b>Balance at 30 June 2021</b>	5,261,300	2,665,131	31,821,069	39,747,500	566,812	40,314,312	334,099	1,974,182	42,622,593
<b>Comprises:</b>									
Gross balance amount at 30 June 2021	5,261,300	3,515,179	35,562,086	44,338,565	566,812	44,905,377	737,133	3,631,921	49,274,431
Accumulated depreciation at 30 June 2021	0	(850,048)	(3,741,017)	(4,591,065)	0	(4,591,065)	(403,034)	(1,657,739)	(6,651,838)
<b>Balance at 30 June 2021</b>	5,261,300	2,665,131	31,821,069	39,747,500	566,812	40,314,312	334,099	1,974,182	42,622,593

## 9. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings						
Land		2	Market approach using recent observable market data for similar items	Independent Valuation	June 2017	Price per square metre
Buildings - non-specialised		2	Improvements to land valued using cost approach using depreciated replacement costs	Independent Valuation	June 2017	Improvements to buildings using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - specialised		3	Market approach using recent observable market data for similar properties	Independent Valuation	June 2017	Price per square metre
(ii) Cost						
Furniture and equipment		3	Cost approach using depreciated replacement cost ( Net revaluation method)	Management Valuation	June 2016	Purchase costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.
Plant and equipment		3	Cost approach using depreciated replacement cost ( Net revaluation method)	Independent Valuation	June 2016	Price per item

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 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.

## 10. INFRASTRUCTURE

### (a) Movements in Balances

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

	Infrastructure - roads	Infrastructure - roads - work in progress	Other infrastructure	Other infrastructure - work in progress	Total Infrastructure
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	50,199,008	0	4,110,892	0	54,309,900
Additions	907,598	0	340,406	0	1,248,004
Depreciation (expense)	(2,470,923)	0	(210,273)	0	(2,681,196)
<b>Balance at 30 June 2020</b>	48,635,683	0	4,241,025	0	52,876,708
<b>Comprises:</b>					
Gross balance at 30 June 2020	67,609,401	0	4,646,003	0	72,255,404
Accumulated depreciation at 30 June 2020	(18,973,718)	0	(404,978)	0	(19,378,696)
<b>Balance at 30 June 2020</b>	48,635,683	0	4,241,025	0	52,876,708
Additions	642,934	1,530,500	708,561	64,781	2,946,776
Depreciation (expense)	(2,501,744)	0	(225,459)	0	(2,727,203)
<b>Balance at 30 June 2021</b>	46,776,873	1,530,500	4,724,127	64,781	53,096,281
<b>Comprises:</b>					
Gross balance at 30 June 2021	68,252,334	1,530,500	5,354,564	64,781	75,202,179
Accumulated depreciation at 30 June 2021	(21,475,461)	0	(630,437)	0	(22,105,898)
<b>Balance at 30 June 2021</b>	46,776,873	1,530,500	4,724,127	64,781	53,096,281

**SHIRE OF IRWIN**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**10. INFRASTRUCTURE (Continued)**

**(b) Carrying Value Measurements**

<b>(i) Fair Value</b>	<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
	<b>Infrastructure - roads</b>	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Management Valuation	June 2017	Construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) inputs.
	<b>Other infrastructure</b>	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent valuation	June 2018	Construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3 ) 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.

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

The fair value of land, buildings 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.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY  
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.

Land under roads

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 Australian Accounting Standard AASB 1051 Land Under Roads 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

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.

Refer to Note 12 that details the significant accounting policies applying to leases (including right-of-use assets).

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

**11. FIXED ASSETS**

**(a) Disposals of Assets**

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	160,000	160,000	0	0	0	0	0	0	0	0	0	0
Buildings - non-specialised	435,966	250,000	0	(185,966)	0	0	0	0	0	0	0	0
Buildings - specialised	0	0	0	0	0	0	0	0	478,462	0	0	(478,462)
Plant and equipment	35,474	44,961	12,524	(3,036)	49,620	40,000	1,176	(10,796)	64,772	89,897	25,349	(224)
	631,440	454,961	12,524	(189,002)	49,620	40,000	1,176	(10,796)	543,234	89,897	25,349	(478,686)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
<b>Plant and Equipment</b>				
<b>Transport</b>				
Skid Steere Loader 226D	34,774	31,737	0	(3,036)
10 cubic metre Tipping Body	700	13,224	12,524	0
<b>Other property and services</b>				
Land - 4 Kennedy Heights	160,000	160,000	0	0
Duplex 4A Kennedy Heights	215,310	125,000	0	(90,310)
Duplex 4B Kennedy Heights	220,656	125,000	0	(95,656)
	631,440	454,961	12,524	(189,002)
	631,440	454,961	12,524	(189,002)

## 11. FIXED ASSETS

### (b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	223,641	229,860	229,986
Buildings - specialised	991,498	923,716	925,362
Furniture and equipment	66,336	62,448	67,846
Plant and equipment	472,679	475,082	499,143
Infrastructure - roads	2,501,744	2,466,910	2,470,923
Other infrastructure	225,459	196,744	210,273
Right-of-use assets - buildings	3,970	3,841	3,854
	4,485,327	4,358,601	4,407,387

### Revision of useful lives of plant and equipment

There were no changes or revision of estimated useful lives of any of the assets undertaken in 2020-21

## 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
Land	Not depreciated
Buildings - non-specialised	20 - 50 years
Buildings - specialised	15 - 50 years
Furniture and equipment	3 - 10 years
Plant and equipment	2 - 25 years
Infrastructure - Roads	12 - 50 years
Infrastructure - Other	10 - 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:

- 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
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

## 12. LEASES

### (a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Right-of-use assets - buildings	Right-of-use assets Total
	\$	
Balance at 1 July 2019	94,309	94,309
Depreciation (expense)	(3,854)	(3,854)
Balance at 30 June 2020	90,455	90,455
Depreciation (expense)	(3,971)	(3,971)
Balance at 30 June 2021	86,484	86,484
	2021 Actual	2020 Actual
	\$	\$
Interest expense on lease liabilities	1,317	1,852
Total amount recognised in the statement of comprehensive income	1,317	1,852
Total cash outflow from leases	(21,247)	(21,251)

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

Interest expense on lease liabilities

Total amount recognised in the statement of comprehensive income

Total cash outflow from leases

The Shire has 1 lease relating to solar panels on buildings. The term of the lease is 5 years ending in April 2023. The Shire has not revalued the right of use assets relating to the solar panels on the buildings as the difference between the fair value and carrying amount is immaterial.

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

#### Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that 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). The exception is vested improvements on concessionary land leases such as roads, building or other infrastructure which are reported at fair value.

Refer to Note 11 for details on the significant accounting policies applying to vested improvements.

#### Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.



### 13. REVALUATION SURPLUS

Revaluation surplus - Furniture and equipment  
Revaluation surplus - Plant and equipment  
Revaluation surplus - Land and buildings  
Revaluation surplus - Infrastructure - roads  
Revaluation surplus - Other infrastructure

	2021 Opening Balance	2021 Closing Balance	2020 Opening Balance	2020 Closing Balance
	\$	\$	\$	\$
	380,764	380,764	380,764	380,764
	699,454	699,454	699,454	699,454
	22,212,342	22,212,342	22,212,342	22,212,342
	25,917,653	25,917,653	25,917,653	25,917,653
	1,451,494	1,451,494	1,451,494	1,451,494
	50,661,707	50,661,707	50,661,707	50,661,707

14. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages
ATO liabilities
Bonds and deposits held
Accrued Expenditure
Accrued Interest
Developer Contributions

2021	2020
\$	\$
1,139,630	690,688
56,892	44,770
40,828	39,581
210,591	198,687
0	8,536
21,254	18,590
140,508	140,508
1,609,703	1,141,360

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.

15. OTHER LIABILITIES

Current

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

2021	2020
\$	\$
82,407	85,372
1,273,826	1,191,686
1,356,233	1,277,058

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.

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

**16. LEASE LIABILITIES**

**(a) Lease Liabilities**

	2021	2020
	\$	\$
Current	20,474	19,930
Non-current	17,489	37,963
	<u>37,963</u>	<u>57,893</u>

**(b) Movements in Carrying Amounts**

Purpose	Lease Number	Lease Institution	Lease Interest Rate	Lease Term	30 June 2021			30 June 2021			30 June 2021			30 June 2020		
					Actual Lease Principal 1 July 2020	Actual Lease Principal 30 June 2021	Actual Repayments	Budget Lease Principal 1 July 2020	Budget Lease Principal 30 June 2021	Budget Repayments	Actual Lease Principal 1 July 2019	Actual Lease Principal 30 June 2020	Actual Repayments	Actual Lease Principal 30 June 2020	Actual Lease Interest Repayments	Actual
<b>Recreation and culture</b>																
Solar Panels	1	Macquire	2.70%	5	39,333	(13,541)	25,792	39,336	(13,540)	25,796	52,513	39,333	(13,180)	39,333	(1,258)	
<b>Other property and services</b>																
Solar Panels	1	Macquire	2.70%	5	18,560	(6,389)	12,171	18,561	(6,389)	12,172	24,779	18,560	(6,219)	18,560	(594)	
					<u>57,893</u>	<u>(19,930)</u>	<u>37,963</u>	<u>57,897</u>	<u>(19,929)</u>	<u>37,968</u>	<u>77,292</u>	<u>57,893</u>	<u>(19,399)</u>	<u>57,893</u>	<u>(1,852)</u>	

# SHIRE OF IRWIN

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

### FOR THE YEAR ENDED 30 JUNE 2021

#### 17. INFORMATION ON BORROWINGS

##### (a) Borrowings

	2021	2020
	\$	\$
Current	427,905	341,683
Non-current	4,732,208	4,105,104
	5,160,113	4,446,787

##### (b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2021				30 June 2021				30 June 2021				30 June 2021				30 June 2020				30 June 2020			
				Actual Principal 1 July 2020	Actual New Loans	Actual repayments	Actual Interest	Budget Principal 1 July 2020	Budget New Loans	Budget repayments	Budget Interest	Budget Principal 1 July 2020	Budget New Loans	Budget repayments	Budget Interest	Actual Principal 1 July 2019	Actual New Loans	Actual repayments	Actual Interest	Actual Principal outstanding 30 June 2020	Actual Principal outstanding 30 June 2020	Actual Interest repayments 30 June 2020	Actual Interest repayments 30 June 2020	Actual Principal outstanding 30 June 2020	Actual Principal outstanding 30 June 2020	Actual Interest repayments 30 June 2020	Actual Interest repayments 30 June 2020
<b>Health</b>																											
Medical Centre	99	WATC	2.11%	1,450,000	0	(58,961)	(40,072)	1,450,000	0	(58,961)	(32,786)	1,391,039	0	(58,961)	(32,786)	0	1,450,000	0	(6,435)	1,450,000	0	(6,435)	0	1,450,000	0	(6,435)	0
<b>Housing</b>																											
SHI Aged Housing	100	WATC	2.03%	0	700,000	0	(2,994)	0	700,000	(31,621)	(7,385)	668,379	0	(31,621)	(7,385)	0	0	0	0	0	0	0	0	0	0	0	0
<b>Recreation and culture</b>																											
Recreation Centre	93	WATC	6.80%	2,105,156	0	(109,992)	(153,471)	2,105,156	0	(109,992)	(152,737)	1,985,164	0	(109,992)	(152,737)	2,207,988	0	(102,832)	(159,995)	2,105,156	0	(159,995)	(3,390)	2,105,156	0	(159,995)	0
Tennis Courts Resurfacing	96	WATC	2.37%	79,897	0	(39,478)	(2,119)	79,896	0	(39,478)	(2,311)	40,418	0	(39,478)	(2,311)	118,455	0	(38,558)	(3,390)	79,897	0	(3,390)	(3,390)	79,897	0	(3,390)	0
<b>Transport</b>																											
Plant	98	WATC	2.07%	791,096	0	(125,155)	(20,189)	791,096	0	(125,155)	(21,631)	665,941	0	(125,155)	(21,631)	913,700	0	(122,604)	(23,637)	791,096	0	(23,637)	(193,457)	791,096	0	(23,637)	0
				4,426,149	700,000	(333,586)	(218,845)	4,426,148	700,000	(365,207)	(216,850)	4,760,941	0	(365,207)	(216,850)	3,240,143	1,450,000	(263,994)	(193,457)	4,426,149	1,450,000	(263,994)	(193,457)	4,426,149	1,450,000	(263,994)	0
<b>Self Supporting Loans</b>																											
<b>Recreation and culture</b>																											
Golf Club SSL	97	WATC	2.57%	20,638	0	(8,098)	(523)	20,639	0	(8,098)	(629)	12,546	0	(8,098)	(629)	28,532	0	(7,894)	(1,023)	20,638	0	(1,023)	0	20,638	0	(1,023)	0
Golf Club SSL	101	WATC	2.11%	0	0	0	0	0	40,000	(1,807)	(422)	38,193	0	(1,807)	(422)	0	0	0	0	0	0	0	0	0	0	0	0
Bowling Club SSL	102	WATC	1.47%	0	355,010	0	(1,623)	0	355,010	(16,037)	(3,745)	338,973	0	(16,037)	(3,745)	0	0	0	0	0	0	0	0	0	0	0	0
				20,638	355,010	(8,098)	(2,146)	20,639	355,010	(25,942)	(4,798)	389,712	0	(25,942)	(4,798)	28,532	0	(7,894)	(1,023)	20,638	0	(1,023)	0	20,638	0	(1,023)	0
				4,446,787	1,055,010	(341,694)	(220,991)	4,446,787	1,055,010	(391,149)	(221,646)	5,150,653	0	(391,149)	(221,646)	3,268,675	1,450,000	(271,888)	(194,480)	4,446,787	1,450,000	(271,888)	(194,480)	4,446,787	1,450,000	(271,888)	0

\* WA Treasury Corporation

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

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

**17. INFORMATION ON BORROWINGS (Continued)**

**(c) New Borrowings - 2020/21**

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2021 Actual	2021 Budget	2021 Actual	2021 Budget		
SIHI Aged Housing	WATC*	Debenture	15	2.03%	700,000	700,000	0	(700,000)	115,673	700,000
Golf Club SSL	WATC*	Debenture	0	0.00%	0	40,000	0	0	0	0
Bowling Club SSL	WATC*	Debenture	10	1.47%	355,010	355,010	(355,010)	(355,010)	28,043	0
* WVA Treasury Corporation					1,055,010	1,095,010	(355,010)	(1,055,010)	143,716	700,000

**(d) Unspent Borrowings**

Particulars	Date Borrowed	Unspent Balance 1 July 2020	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2021
SIHI Aged Housing	15/04/2021	0	700,000	0	700,000
* WVA Treasury Corporation		0	700,000	0	700,000

**(e) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

	2021	2020
	\$	\$
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	15,000	20,000
Credit card balance at balance date	(4,855)	(1,164)
<b>Total amount of credit unused</b>	<b>10,145</b>	<b>18,836</b>

**Loan facilities**

Loan facilities - current	427,905	341,683
Loan facilities - non-current	4,732,208	4,105,104
Lease liabilities - current	20,474	19,930
Lease liabilities - non-current	17,489	37,963
<b>Total facilities in use at balance date</b>	<b>5,198,076</b>	<b>4,504,680</b>

**Unused loan facilities at balance date**

	0	0
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**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

Information regarding exposure to risk can be found at Note 28.

## 18. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

#### Opening balance at 1 July 2020

Current provisions

Non-current provisions

Additional provision

Provisions consumed

#### Balance at 30 June 2021

#### Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	211,873	204,573	416,446
Non-current provisions	0	77,528	77,528
	211,873	282,101	493,974
Additional provision	260,743	33,682	294,425
Provisions consumed	(261,223)	(4,211)	(265,434)
Balance at 30 June 2021	211,393	311,572	522,965
Comprises			
Current	211,393	204,481	415,874
Non-current	0	107,091	107,091
	211,393	311,572	522,965

#### Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Expected reimbursements from other WA local governments

	2021	2020
	\$	\$
Less than 12 months after the reporting date	415,874	416,446
More than 12 months from reporting date	72,046	16,157
Expected reimbursements from other WA local governments	35,045	61,371
	522,965	493,974

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.

## 19. 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	5,014,331	2,817,693	3,505,502
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(468,418)	119,050	(1,902,885)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	0	0	(865)
Depreciation on non-current assets	4,485,327	4,358,601	4,407,387
(Profit)/loss on sale of asset	176,478	9,620	453,337
Movement in fixed assets expensed to operating	0	0	119
Rounding adjustment	0	0	(5)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(114,815)	125,205	106,701
(Increase)/decrease in other assets	(287,789)	0	(14,167)
(Increase)/decrease in inventories	(9,497)	2,050	1,597
Increase/(decrease) in payables	468,343	205,000	(506,804)
Increase/(decrease) in employee provisions	28,991	0	78,144
Increase/(decrease) in other liabilities	79,175	(1,154,645)	426,052
Non-operating grants, subsidies and contributions	(3,041,225)	(2,473,610)	(2,027,594)
Net cash from operating activities	1,316,570	1,191,271	1,021,017



## 20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	4,996	7,263
General purpose funding	1,220,045	695,933
Law, order, public safety	510,725	576,491
Health	1,297,567	1,326,040
Education and welfare	597,594	642,071
Housing	10,860,504	10,940,978
Community amenities	578,160	686,766
Recreation and culture	23,655,049	24,186,436
Transport	51,282,232	51,153,876
Economic services	1,533,439	1,594,364
Other property and services	8,553,795	8,688,152
Unallocated	2,217,392	1,011,641
	102,311,498	101,510,011

## 21. CONTINGENT ASSETS AND LIABILITIES

The Shire is not aware of any reportable contingent assets or liabilities as at the reporting date.

## 22. CAPITAL COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects	2,802,134	383,599
- plant & equipment purchases	138,291	0
	<u>2,940,425</u>	<u>383,599</u>

Payable:

- not later than one year	2,940,425	383,599
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**23. ELECTED MEMBERS REMUNERATION**

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Cr Michael Smith</b>			
President's annual allowance	10,000	10,000	10,000
Meeting attendance fees	10,000	10,000	10,000
Annual allowance for ICT expenses	90	375	0
Travel and accommodation expenses	0	125	0
	20,090	20,500	20,000
<b>Cr Barry Wyse</b>			
Deputy President's annual allowance	2,500	2,500	2,500
Meeting attendance fees	7,612	7,616	7,612
Annual allowance for ICT expenses	90	375	0
Travel and accommodation expenses	0	125	0
	10,202	10,616	10,112
<b>Cr Grant Eva</b>			
Meeting attendance fees	7,612	7,614	7,612
Annual allowance for ICT expenses	90	375	0
Travel and accommodation expenses	0	125	0
	7,702	8,114	7,612
<b>Cr Andrew Gillam</b>			
Meeting attendance fees	7,612	7,614	7,612
Annual allowance for ICT expenses	90	375	0
Travel and accommodation expenses	0	125	0
	7,702	8,114	7,612
<b>Cr Mark Leonard</b>			
Meeting attendance fees	7,612	7,614	7,612
Annual allowance for ICT expenses	90	375	0
Travel and accommodation expenses	0	125	0
	7,702	8,114	7,612
<b>Cr Hayley Palmer</b>			
Meeting attendance fees	7,612	7,614	7,612
Annual allowance for ICT expenses	89	375	0
Travel and accommodation expenses	0	125	0
	7,701	8,114	7,612
<b>Cr Isabelle Scott</b>			
Meeting attendance fees	7,612	7,614	7,612
Annual allowance for ICT expenses	89	375	0
Travel and accommodation expenses	0	125	0
	7,701	8,114	7,612
<b>Cr Ian West</b>			
Meeting attendance fees	7,612	7,614	7,612
Annual allowance for ICT expenses	89	375	0
Travel and accommodation expenses	0	125	0
	7,701	8,114	7,612
	76,501	79,800	75,784
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	10,000	10,000	10,000
Deputy President's allowance	2,500	2,500	2,500
Meeting attendance fees	63,284	63,300	63,284
Annual allowance for ICT expenses	717	3,000	0
Travel and accommodation expenses	0	1,000	0
	76,501	79,800	75,784

## 24. 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	630,996	452,874
Post-employment benefits	94,419	50,794
Other long-term benefits	36,821	11,458
	<u>762,236</u>	<u>515,126</u>

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

### 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
	\$	\$
Sale of goods and services	1,160	540
Purchase of goods and services	99,327	43,593
<b>Amounts payable to related parties:</b>		
Trade and other payables	14,985	6,012

### 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 Shire, directly or indirectly, including any elected member, are considered key management personnel.

#### *ii. Other Related Parties*

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

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

#### *iii. Entities subject to significant influence by the Shire*

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

## 25. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

### (a) Share of joint operations

In 1996/97 Council, in conjunction with Homeswest, constructed 10 Aged Persons Units in the Port Denison town site. The terms of the joint venture agreement provided for Council to contribute \$103,330 which equated to an equity contribution of 19.18%. The fair value of the asset as at the 30 June 2021 has been applied below with accumulated depreciation as at 30 June 2021.

	2021	2020
	\$	\$
Buildings - specialised	975,656	5,630,648
Less - accumulated depreciation	(139,049)	(475,007)
Total assets	836,607	5,155,641
<b>Total comprehensive income for the year</b>	63,609	0

### SIGNIFICANT ACCOUNTING POLICIES

#### Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

#### Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

## SHIRE OF IRWIN

## 26. RATING INFORMATION

(a) Rates

[illegible]

## 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 IRWIN**  
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**26. RATING INFORMATION (Continued)**

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 \$	
General - Hall Hire	Waiver	0.00%	Various	318	0	0	
Doctor's surgery	Waiver	0.00%	0.00	0	0	5,814	
				318	0	5,814	
Total discounts/concessions (Note 26(a))				318	0	5,814	
Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession				
General - Hall Hire	Provision of courts and kitchen for fundraising activities		This support is necessary for the overall benefit of the local community.				
Doctor's surgery	Council resolution 24/5/2016 Minute no. 140516		This support is necessary for the overall benefit of the community to assist and support the doctors in town.				



## 26. RATING INFORMATION (Continued)

### (b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	15/09/2020	0.00	0.00%	8.00%
<b>Option Two</b>				
First instalment	15/09/2020	0.00	5.50%	8.00%
Second instalment	16/11/2020	5.00	5.50%	8.00%
<b>Option Three</b>				
First instalment	15/09/2020	0.00	5.50%	8.00%
Second instalment	16/11/2020	5.00	5.50%	8.00%
Third instalment	18/01/2021	5.00	5.50%	8.00%
Fourth instalment	18/03/2021	5.00	5.50%	8.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	39,142	15,000	47,947
Interest on instalment plan	10,759	5,000	11,938
Charges on instalment plan	6,015	3,000	6,690
	55,916	23,000	66,575

## 27. RATE SETTING STATEMENT INFORMATION

		2020/21 Budget (30 June 2021 Carried Forward)	2019/20 (30 June 2020 Carried Forward)
Note		\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	11(a)	(12,524)	(25,349)
Less: Fair value adjustments to financial assets at fair value through profit and loss		0	(865)
Movement in pensioner deferred rates (non-current)		11,734	(9,045)
Movement in employee benefit provisions (non-current)		29,563	10,163
Movement in leave reserve		562	1,241
Movement in fixed assets expensed to operating		0	119
Add: Loss on disposal of assets	11(a)	189,002	478,686
Add: Depreciation on non-current assets	11(b)	4,485,327	4,407,387
<b>Non cash amounts excluded from operating activities</b>		<b>4,703,664</b>	<b>4,862,337</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
<b>Adjustments to net current assets</b>			
Less: Reserves - cash backed	4	(1,480,545)	(1,292,763)
Less: Restricted cash - other		(362,875)	(362,875)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(41,513)	(8,095)
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	17(a)	427,905	341,683
- Current portion of lease liabilities		20,474	19,930
- Employee benefit provisions		123,748	123,184
<b>Total adjustments to net current assets</b>		<b>(1,312,806)</b>	<b>(1,178,936)</b>
<b>Net current assets used in the Rate Setting Statement</b>			
Total current assets		6,069,098	4,103,018
Less: Total current liabilities		(3,830,189)	(3,196,477)
Less: Total adjustments to net current assets		(1,312,806)	(1,178,936)
<b>Net current assets used in the Rate Setting Statement</b>		<b>926,103</b>	<b>(272,395)</b>

## 28. FINANCIAL RISK MANAGEMENT

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

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

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

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as Policy C15 Management of Investments.

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>2021</b>					
Cash and cash equivalents	0.10%	5,014,331	0	5,014,331	0
<b>2020</b>					
Cash and cash equivalents	0.25%	3,505,502	0	3,505,502	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*	50,143	35,055

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17(b).

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and Other Receivables

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

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. 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 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
<b>30 June 2021</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	3,709	157,404	109,433	174,429	444,975
Loss allowance	0	0	0	0	0
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	7,202	228,230	102,009	124,881	462,322
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
<b>30 June 2021</b>					
Trade and other receivables					
Expected credit loss	0.01%	0.00%	1.07%	0.84%	
Gross carrying amount	84,689	17,145	2,217	33,285	137,336
Loss allowance	8	0	24	281	313
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.01%	0.00%	0.82%	1.03%	
Gross carrying amount	84,367	3,833	0	31,499	119,699
Loss allowance	8	0	0	326	334

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 17(e).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2021</b>					
Payables	1,609,703	0	0	1,609,703	1,609,703
Borrowings	623,166	2,298,092	3,633,657	6,554,915	5,160,113
Contract liabilities	1,333,371	0	0	1,333,371	0
Lease liabilities	21,247	17,706	0	38,953	37,963
	<u>3,587,487</u>	<u>2,315,798</u>	<u>3,633,657</u>	<u>9,536,942</u>	<u>6,807,779</u>
<b>2020</b>					
Payables	1,141,360	0	0	1,141,360	1,141,360
Borrowings	530,483	2,457,845	2,899,464	5,887,792	4,446,787
Contract liabilities	1,277,058	0	0	1,277,058	1,277,058
Lease liabilities	21,247	38,953	0	60,200	57,893
	<u>2,970,148</u>	<u>2,496,798</u>	<u>2,899,464</u>	<u>8,366,410</u>	<u>6,923,098</u>

## **29. 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.

## **30. AASB 1059 SERVICE CONCESSION ARRANGEMENTS**

Service concessions assets are those assets where a third-party operator constructs assets for the Shire, upgrades existing assets of the Shire or uses existing assets of the Shire to operate and maintain the assets to provide a public service, for a specified period of time. Where, in these circumstances, the third-party operator provides a public service on behalf of the Shire and is deemed to manage at least some of the services under its own discretion, the assets are classified as service concession assets.

The Shire does not have any service concession arrangements in place for the 2020/21 financial year.

# SHIRE OF IRWIN

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

### 30. 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 regulatory 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 IRWIN  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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31. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide a decision making process for the	Includes the activities of members of council and the administrative support available to the
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow for the provision of	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer and	Supervision and enforcement of various local laws relating to fire prevention, animal control and
<b>HEALTH</b> To provide an operational framework for	Inspection of food outlets and their control, provision of meat inspection services, noise control
<b>EDUCATION AND WELFARE</b> To provide services to the elderly, children and	Maintenance of playgroup centre and senior citizen centre. Provision of youth services.
<b>HOUSING</b> To provide and maintain elderly residents	Provision and maintenance of elderly residents housing.
<b>COMMUNITY AMENITIES</b> To provide services required by the community.	Rubbish collection services, operation of rubbish transfer site, litter control, protection of the
<b>RECREATION AND CULTURE</b> To establish and effectively manage	Maintenance of public halls, heritage buildings, civic centres, beaches, recreation centres and
<b>TRANSPORT</b> To provide safe, effective and efficient transport	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities
<b>ECONOMIC SERVICES</b> To help promote the Shire and its economic	Tourism and area promotion. Provision of rural services including weed control, vermin control
<b>OTHER PROPERTY AND SERVICES</b> To monitor and control Shire's overheads	Private works operation, plant repair and operation costs and engineering operation costs.



## 32. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.36	0.61	0.77
Asset consumption ratio	0.77	0.80	0.69
Asset renewal funding ratio	1.31	1.41	1.34
Asset sustainability ratio	0.71	0.26	0.40
Debt service cover ratio	2.28	1.38	2.31
Operating surplus ratio	(0.45)	(0.55)	(0.53)
Own source revenue coverage ratio	0.64	0.60	0.59

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



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2021 Shire of Irwin

To the Councillors of the Shire of Irwin

## Report on the audit of the annual financial report

### Opinion

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

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

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

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

### Basis for opinion

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

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

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

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

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

## **Auditor's responsibility for the audit of the financial report**

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

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

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

## **Report on other legal and regulatory requirements**

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

- (i) In my opinion, the following material matters indicate a significant adverse trend in the financial position of the Shire:
  - a) The Operating Surplus Ratio as reported in Note 32 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' (DLGSCI's) standard of 0.01 for the last three financial years; and
  - b) The Asset Sustainability Ratio as reported in Note 32 of the annual financial report is below the DLGSCI's standard of 0.90 for the last three financial years.
- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

## **Other information**

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

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

## **Matters relating to the electronic publication of the audited financial report**

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

Efthalia Samaras  
Senior Director Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
28 March 2022

## SHIRE OF IRWIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Findings identified in the current year</b>			
1. Revenue recognition – grants and contributions received	✓		
2. IT security plan and disaster recovery plan		✓	
3. Use of purchase orders		✓	
<b>Matters outstanding from prior year audits</b>			
4. Fixed asset reconciliations		✓	
5. Review of asset residual values and useful lives		✓	

## KEY TO RATINGS

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

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

## SHIRE OF IRWIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

## Findings identified in the current year

## 1. Revenue recognition – grants and subsidies received

**Finding**

From our interim review of grants and contributions revenue transactions we noted that the Shire has not performed an assessment of the revenue recognition criteria in accordance with the requirements of *AASB 15 Revenue from contracts with customers* and *AASB 1058 Income of Not-for-Profit Entities* for new grants and contributions received during the period.

We also noted journal adjustments of contract liabilities have been performed, although workings to support these adjustments were not readily available during our interim audit.

**Rating: Significant****Implication:**

A lack of a formal process to assess the revenue recognition criteria for new grant funding received in the year results in an increased risk of material misstatement of revenue in the Shire's financial statements.

**Recommendation**

Manage should implement a formal process for assessing the revenue recognition criteria for new grant funding received in accordance with the AASB 15 and 1058 requirements. This process should also include determining when performance obligations have been met in accordance with the specific grant guidelines to ensure revenue is recognised as milestones have been achieved.

**Management Comment**

*The Shire has commenced implementing a formal process for assessing revenue recognition criteria for new grant funding received in accordance with AASB requirements which involves checking calculations and authorisation of the calculations independently.*

**Responsible Person:** Danika Chandler, A/Manager Corporate & Community

**Completion Date:** 31 December 2021

**SHIRE OF IRWIN**

**PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**2. IT security plan and disaster recovery plan**

**Finding**

During the interim audit we noted that the Shire has not performed a review of the IT Security Plan and Disaster Recovery Plan since 2015.

**Rating: Moderate**

**Implication:**

Without reviewing the IT Security Plan and Disaster Recovery Plan and ensuring that it is relevant and responsive to current risks and business operations, there is an increased risk that key business functions will not be able to effectively function if a major incident occurs.

**Recommendation**

Management should review the IT Security Plan and Disaster Recovery Plan on a regular basis to ensure that it appropriately reflects current business risks and processes, and also incorporates consideration of new and emerging risks in the sector.

**Management Comment**

*The Shire will progress the IT Security Plan and Disaster Recovery Plan this financial year.*

**Responsible Person:**

Danika Chandler, A/Manager Corporate & Community

**Completion Date:**

30 June 2022

## SHIRE OF IRWIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**3. Use of purchase orders****Finding**

The Shire's procurement policy states that purchase orders should be generated and signed by authorised persons for all goods and services ordered for the Shire at the time that the order is placed.

From our interim audit testing of 28 purchase transactions, we identified 4 payment transactions that did not have a purchase order raised and authorised prior to incurring the expense.

**Rating: Moderate****Implication:**

If purchases are made without an approved purchase order, this is an increased risk of error for genuine purchases occurring, and an increased risk of inappropriate purchases occurring. In addition, authorising purchases without a purchase order is in breach of the Shire of Irwin's procurement policy.

Purchase orders are an important control in the procurement process by facilitating cost control and providing an important layer of segregation of duties between ordering and receiving functions. Non-purchase order-based transactions may carry additional risks when there is no evidence that the ordering of goods or services was approved prior to being incurred.

**Recommendation**

Management should ensure that purchase orders are raised and approved for all relevant transactions in accordance with the Shire's procurement policy.

**Management Comment**

*The payments referred to in this finding relate to a waste management contract. Historically, purchase orders have not been raised against this contract. Purchase orders will now be raised against this contract, effective immediately.*

**Responsible Person:** Peter Traylen, A/Manager Infrastructure & Development  
**Completion Date:** 31 August 2021



**SHIRE OF IRWIN****PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****Matters outstanding from prior year audits****4. Fixed Asset Reconciliations****Finding 2020**

Fixed asset reconciliations have not been prepared during the July 2019 to January 2020 period. From February 2020, reconciliations have been prepared on a monthly basis however there was no evidence that these were being independently reviewed.

**Finding 2021**

This finding has not been resolved, we noted that fixed asset reconciliations have been prepared on a monthly basis although there was no evidence that the reconciliations were being independently reviewed.

**Rating: Moderate (2020: Moderate)****Implication**

Infrequent reconciliation or insufficient independent review of reconciliations of fixed assets increases the risk of errors or omissions occurring undetected. In turn, this could lead to misstatements in financial reporting.

**Recommendation**

Fixed asset reconciliations should be consistently prepared on a monthly basis and should be independently reviewed.

**Management Comment 2020**

*Fixed assets are reconciled on a monthly basis and all additions/disposals and adjustments brought to account in the month they are completed. Depreciation is checked and run monthly to ensure all records are up to date and balanced.*

*The monthly asset reconciliation is an integral part of our monthly financial reporting template which has been in use since February 2020. Each month any discrepancies will be shown in the report and will need to be actioned to complete the monthly financial statements.*

*The Supervisor Finance is responsible for asset reconciliation and will train other staff to perform the asset transactions. This will allow the Supervisor Finance to do the monthly review.*

**Responsible Person:**

Jenny Goodbourn

**Completion Date:**

Monthly Reconciliation – from 31/01/2020

Independent Checking – TBA subject to resources

**Management Comment 2021**

*Due to staff changeover, the process indicated in the 2020 Management Comment was never implemented. Assets are now reconciled by the Manager Finance as part of the monthly balancing process and are reviewed and authorised by the A/Manager Corporate & Community.*

**Responsible Person:**

Danika Chandler, A/Manager Corporate &amp; Community

**Completion Date:**

31 July 2021

**SHIRE OF IRWIN****PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****5. Review of Asset Residual Values and Useful Lives****Finding 2020**

We noted the Shire has not documented an assessment of its property, plant and equipment and infrastructure asset useful lives and residual values for the current reporting period.

**Finding 2021**

This finding has not been resolved, we noted the assessment has not been performed at the time of our interim audit. We have been advised that this will be performed as part of the preparation of the annual financial statements this year.

**Rating: Moderate (2020: Moderate)****Implication**

As a requirement of *AASB 116 Property, plant and equipment*, this assessment is intended to review the current condition of Shire assets, the remaining useful lives of existing assets and any residual values assigned to the Shire's assets.

Failure to perform this assessment may result in potential impairment factors occurring undetected or existing useful lives and residual values do not reflect current market conditions or replacement cost for the Shire's assets. This could lead to accounting misstatements in the financial statements.

**Recommendation**

The Shire should perform an assessment of its property, plant and equipment and infrastructure assets including assessing the current condition of the Shire's assets, the asset useful lives and depreciation rates, and any residual values applied to relevant assets in preparation for the financial report.

Where changes to asset useful lives and residual values are required, the Shire should assess the implications and adjust the asset and depreciation account balances accordingly.

**Management Comment 2020**

*The Shire will ensure it conducts an annual review of its assets from now on.*

**Responsible Person:** Chief Executive Officer

**Completion Date:** 30 June 2021

**Management Comment 2021**

*The Shire recruited for the position responsible for meeting this requirement but was unable to compete in the current economic climate to find a suitable candidate. The Shire will continue to try and recruit for this position. However, in the meantime, the Shire has prioritised resources internally to meet this requirement.*

**Responsible Person:** Shane Ivers, CEO

**Completion Date:** 30 June 2022 for internal processes, completion date for recruitment is unknown.

## SHIRE OF IRWIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Matters identified during the current year			
1. Bank signatories		✓	
2. Supplier masterfile audit trail report		✓	
3. Review of developer contributions		✓	
4. Long outstanding trade and rates debtors		✓	

## KEY TO RATINGS

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

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

**SHIRE OF IRWIN**

**PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

**1. Bank signatories**

**Finding**

From a review of current bank signatories, we noted that the Shire president was initially set up as a temporary backup signatory, this has not been subsequently updated or removed.

**Rating: Moderate**

**Implication**

In the absence of timely review of bank signatories, there is an increased risk of payments being authorised that are not in accordance with the Shire's current policies and procedures.

**Recommendation**

Management should review the list of bank signatories and remove any signatories that are no longer required.

**Management Comment**

*The list of bank signatories was reviewed in January 2022 and the Shire President was removed as a bank signatory.*

*Management Policy MP27 – Internal Audits has been developed in DRAFT format to ensure periodical review of bank signatories. Policy to be implemented by June 2022.*

*A procedure for 'Review of Bank Signatories' is included in the DRAFT 'PRO – Finance - Receipting, Banking and Procedure Manual'.*

**Responsible Person:** A/Manager Corporate and Community

**Completion Date:** 30 June 2022

**SHIRE OF IRWIN**

**PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

**2. Supplier masterfile audit trail report**

**Finding**

From our review of the supplier Masterfile, we noted that the Shire currently does not have a formal process to periodically review the supplier Masterfile audit trail report which is run on an ad-hoc basis.

**Rating: Moderate**

**Implication:**

In the absence of reviewing the audit trail report there is an increased risk that unauthorised changes to the supplier Masterfile may go undetected, potentially resulting in unauthorised payments or payments to incorrect supplier accounts.

**Recommendation**

Management should establish a process to review the supplier Masterfile audit trail report on a periodic basis to ensure all changes made to the supplier Masterfile have been appropriately reviewed by authorised personnel.

**Management Comment**

*Management Policy MP27 – Internal Audits has been developed in DRAFT format to ensure periodical review of the supplier Masterfile by management. Policy to be implemented by June 2022.*

<b>Responsible Person:</b>	A/Manager Corporate and Community
<b>Completion Date:</b>	30 June 2022

## SHIRE OF IRWIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

**3. Review of developer contributions****Finding**

From the Shire's annual financial report we noted the developer contributions liability balance of \$140,508 at 30 June 2021 remains unchanged from the prior year. A high proportion of this balance relates to footpath and roadworks contributions received between 1997 to 2009 and may no longer represent a liability to the Shire if the obligations of the Shire have previously been met.

**Rating: Moderate****Implication**

In the absence of performing a regular review of outstanding liability balances, there is an increased risk of incorrect revenue and liability recognition resulting in non-compliance with accounting standards.

**Recommendation**

Management should establish a process to periodically review all developer contributions received to ensure correct recognition of revenue and liability balances in accordance with the relevant accounting standards, taking into consideration the Shire's obligations and development milestones that have been achieved.

**Management Comment**

*Management Policy MP27 – Internal Audits has been developed in DRAFT format to ensure periodical review of developer contributions received to ensure correct revenue and liability recognition in accordance with the relevant accounting standards and the Shire's development milestones. Policy to be implemented by June 2022.*

**Responsible Person:** A/Manager Corporate and Community

**Completion Date:** 30 June 2022

## SHIRE OF IRWIN

PERIOD OF AUDIT: 1 JULY 2020 TO 30 JUNE 2021

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

## 4. Long outstanding trade and rates debtors

**Finding**

We noted the Shire currently holds a high proportion of long-outstanding trade and rates debtor balances at year-end. Outstanding trade and other debtor balances overdue for more than 90 days is \$33,285 (24% of the total) and outstanding rates debtors balances overdue for more than 2 years is \$283,862 (65% of the total).

**Rating: Moderate****Implication**

In the absence of timely review of long outstanding debts, there is an increased risk to the Shire's cashflow requirements and further delays in recovering outstanding balances may result in financial loss.

**Recommendation**

Management should review all outstanding debtors on a periodic basis and establish clear debt recoverability procedures proportionate to the size, nature and risk profile of the debtor categories. Management should also review its rationale for recognising expected credit losses in accordance with AASB 9 – *Financial Instruments*.

**Management Comment**

*Management Policy MP27 – Internal Audits has been developed in DRAFT format to ensure periodical review of all outstanding debtors with debts to be recovered as per existing Council Policy CP14 Debt Recovery. MP27 Policy to be implemented by June 2022.*

**Responsible Person:** A/Manager Corporate and Community  
**Completion Date:** 30 June 2022



Shire of Irwin

## OAG Independent Audit 2020/21 Significant Matters Report

March 2022



## Document Control

Document No.	Date Originated	Previous Version	
Revision No.	Date Reviewed	Adopted by Council - Date	Adopted by Council – Minute Ref
DRAFT	30 March 2022		
Rev0	30 March 2022		

## Amendments

Details of amendments	Reviewed/Amended Date	Record No.	Council Minute Ref.

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## 1 Purpose of Report

---

Pitcher Partners on behalf of the Office of the Auditor General (OAG) completed an audit of the Shire of Irwin's financials for the year ended 30 June 2021. The purpose of this report is to comply with Section 7.12A(4) (5) of the *Local Government Act 1995* which states that a local government must:

*(a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*

*(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*

*(5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

The Shire is required to prepare a report for its Audit Committee and seek Council's endorsement before forwarding a copy to the Department.

## 2 Significant Matters Identified by OAG

---

Pitcher Partners on behalf of the Office of the Auditor General (OAG) reported on legal and regulatory requirements in accordance with the *Local Government (Audit) Regulations 1996* and identified the following significant matters:

*"In my opinion, the following material matters indicate significant adverse trend in the financial position of the Shire:*

- a. The Operating Surplus Ratio as reported in Note 32 of the annual financial report has been below the Department of Local Government, Sport and Cultural Industries' (DLGSCI's) standard of 0.01 for the last three financial years; and*
- b. The Asset Sustainability Ratio as reported in Note 32 of the annual financial report is below the DLGSCI's' standard of 0.90 for the last three financial years."*

## 3 Implication

---

The possible implications of the significant adverse trends in the financial position of the Shire:

- i) The Asset Sustainability Ratio below the DLGSCI's standard for the past three years;
  - Further deterioration of Shire infrastructure and assets
  - Limited opportunity to support community or infrastructure improvement projects
- ii) The Operating Surplus Ratio below the DLGSCI's standard for the last three years;
  - The Shire's operating result (ignoring non-operating grants, subsidies and contributions) for the year ended 30 June 2021 recorded a net deficit of \$3,251,025 (2020: \$3,478,007). Whilst there is a continuing slight improvement in the net deficit, the long term implication is that there is insufficient funding to maintain the Shire's infrastructure.

## 4 Management Comment

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### 4.1 Operating Surplus Ratio

The Net Result deficit as reported in the Statement of Comprehensive Income of \$1,902,885 in 2019-20 significantly improved to a deficit in 2020-21 of \$468,418 when the non-operating grants, subsidies and contributions were included.

The key areas to improve the Operating Surplus Ratio include:

- Increase operating grants
- Increase rate revenue
- Reduce employee costs
- Reduce materials and contract expenditure
- Depreciation cost management

#### 4.1.1 Operating grants increase

The Shire is on a minimum Federal Assistance Grant (FAG) and comparatively, receives one of the lowest amounts in regional Western Australia. This has the single most dominant impact on the Shire's financial position.

Outside of FAG funding, the only other significant funding opportunities are the Main Roads WA (MRWA) Regional Road Group (RRG) and Roads to Recovery (RtR) grants. However, pursuing operating grant revenue where it is simply materials and contracts expenditure has no benefit in terms of improving operating surplus. Only grants that can be used to offset costs such as employee costs would have material benefit. An example would be rural road resheeting, but RRG funding is the only real opportunity for this type of funding support outside of RtR and FAG. However, RRG funding for rural road resheeting activities is not normally successful due to high competition for the regional pool of funds.

#### 4.1.2 Rate revenue increase

Rate revenue increase could be raised either:

- Directly – raise rates
- Indirectly – long-term growth of the ratepayer base through population growth

A significant rate increase, which is estimated to be well over 50%, would be required to achieve an on-target Operating Surplus Ratio, which is not feasible even if executed over a long period of time.

The long-term growth of the ratepayer base is probable given the large number of resource projects in development together with the attractiveness of Dongara-Port Denison as a tourist destination, but largely controlled by factors outside of the Shire's control.

#### 4.1.3 Employee cost reduction

The Shire conducted an organisational review in November 2018 resulting in a number of redundancies. Whilst achieving the desired reduction in operating expenditure, its influence on the Operating Surplus Ratio has been minimal plus the Shire is now operating at the bare minimum employee base to meet its core service delivery commitments.

#### 4.1.4 Materials & contracts cost reduction

The Shire is currently operating at the minimum materials and contracts expenditure necessary to meet its core service delivery commitments. There was a further reduction in

materials and contracts expenditure from a value of \$3,251,820 in 2019-20 to \$3,183,806 for 2020-21.

#### **4.1.5 Depreciation**

An independent valuation undertaken in 2016 of the Shire's road infrastructure significantly impacted the non-current asset depreciation data from \$2,251,478 in 2016-17 to \$4,152,634 in 2017-18. It is currently at \$4,485,327. The Shire reviewed the 2016 external valuation results thoroughly and is confident that it is transparent and accurate, but it resulted in a further \$2M deficit of the Net Operating result and a significant decline in the Operating Surplus Ratio.

#### **4.2 Asset Sustainability Ratio**

The Asset Sustainability Ratio (ASR) significantly improved from 0.26 in 2019-20 to 0.71 for 2020-21, but unfortunately is still below the DLGSCI's 0.90 target. The Shire is focused on using asset management principles to ensure the preservation and integrity for the majority of its infrastructure at a minimum cost when compared to non-current asset depreciation value.

In summary, smaller regional Shire's face similar dilemmas to Irwin by not having a sufficient ratepayer base as well as falling outside of the criteria for the appropriate operating grants whilst having significant infrastructure to maintain.

### **5 Action Taken**

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The Shire has completed a review of its Strategic Community Plan (SCP) and developed its Long Term Financial Plan (LTFP). The LTFP forecasts the ASR sitting between 0.60 and 0.90 before reaching DLGSCI's 0.90 target in 2031-32.

A review of the Corporate Business Plan (CBP) is in progress plus Asset valuations have been ordered to review all depreciation values.

### **6 Action Intended to be Taken**

---

The Shire is keeping tight controls on expenditure and continuing to investigate ways to increase revenue.

Other immediate actions to be taken include:

- Operating Surplus Ratio
  - Continue to lobby the Grants Commission for a fairer share of the FAG given the detrimental impact the reduced funding is having on the Shire's financial position.
  - Raise rates.
- Asset Sustainability Ratio
  - Limit capital new projects unless fully funded until ASR recovered.
  - Further develop internal capacity for maintenance renewal works including financing to upgrade the current equipment together with the necessary staff.

## 7 Completion Date

---

- |  |           |
|--|-----------|
| • Upgrade the maintenance renewal program            | June 2023 |
| • Update Corporate Business Plan                     | June 2022 |
| • Further Development of the asset management system | Ongoing   |

## 8 Recommendation

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In addition to keeping tight controls on expenditure, while investigating ways to increase revenue, it is recommended to:

- Upgrade the maintenance renewal program
- Update the Corporate Business Plan
- Continue lobbying the Grants Commission for a fairer share of the Federal Assistance Grant
- Continue the development of the asset management system