

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

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	59

**COMMUNITY VISION**

The Shire of Cue is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

Principal place of business:  
73 Austin Street  
Cue WA 6640

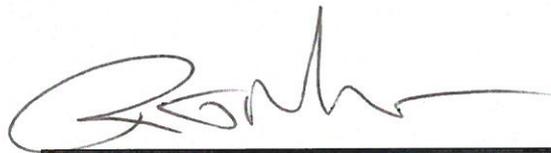
**SHIRE OF CUE  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

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

Signed on the 11<sup>th</sup> day of FEBRUARY 2021



---

Rob Madson  
Chief Executive Officer



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

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	26(a)	2,396,607	2,337,128	2,350,734
Operating grants, subsidies and contributions	2(a)	3,664,962	1,390,264	2,634,228
Fees and charges	2(a)	493,862	599,780	549,413
Interest earnings	2(a)	170,093	184,500	221,186
Other revenue	2(a)	98,239	89,400	124,898
		<u>6,823,763</u>	<u>4,601,072</u>	<u>5,880,459</u>
<b>Expenses</b>				
Employee costs		(1,778,674)	(1,859,507)	(1,944,442)
Materials and contracts		(2,461,685)	(1,396,758)	(1,149,997)
Utility charges		(268,406)	(286,300)	(308,953)
Depreciation on non-current assets	10(b)	(2,746,947)	(2,809,062)	(2,770,650)
Interest expenses		(23,675)	(8,800)	0
Insurance expenses		(163,816)	(162,850)	(150,715)
Other expenditure		(74,914)	(225,700)	(146,019)
		<u>(7,518,117)</u>	<u>(6,748,977)</u>	<u>(6,470,776)</u>
		(694,354)	(2,147,905)	(590,317)
Non-operating grants, subsidies and contributions	2(a)	215,804	1,410,545	163,150
Profit on asset disposals	10(a)	3,967	64,606	6,723
(Loss) on asset disposals	10(a)	(7,051)	(11,432)	(47,727)
(Loss) on revaluation of furniture and equipment	8(a)	0	0	(22,014)
		<u>212,720</u>	<u>1,463,719</u>	<u>100,132</u>
		(481,634)	(684,186)	(490,185)
<b>Net result for the period</b>				
<b>Other comprehensive income</b>				
<i>Items not reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	417,186
<b>Total other comprehensive income for the period</b>		<u>0</u>	<u>0</u>	<u>417,186</u>
<b>Total comprehensive income for the period</b>		<u>(481,634)</u>	<u>(684,186)</u>	<u>(72,999)</u>

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



**SHIRE OF CUE**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2020**

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>			
General purpose funding	4,501,348	3,487,592	4,555,802
Law, order, public safety	6,775	10,500	12,916
Health	1,208	500	1,134
Housing	25,676	25,480	22,080
Community amenities	72,303	85,500	77,224
Recreation and culture	4,958	7,000	6,110
Transport	1,858,997	492,500	706,414
Economic services	224,538	371,200	371,381
Other property and services	127,960	120,800	127,398
	6,823,763	4,601,072	5,880,459
<b>Expenses</b>			
Governance	(333,644)	(408,911)	(363,523)
General purpose funding	(163,729)	(251,573)	(206,524)
Law, order, public safety	(58,732)	(81,399)	(60,065)
Health	(48,056)	(92,201)	(55,249)
Education and welfare	(2,657)	(16,955)	(2,035)
Housing	(205,203)	(259,910)	(226,765)
Community amenities	(344,369)	(400,186)	(268,495)
Recreation and culture	(629,500)	(988,224)	(672,255)
Transport	(5,126,081)	(3,492,499)	(3,942,764)
Economic services	(580,717)	(696,558)	(657,794)
Other property and services	(25,429)	(60,561)	(15,307)
	(7,518,117)	(6,748,977)	(6,470,776)
	(694,354)	(2,147,905)	(590,317)
Non-operating grants, subsidies and contributions	2(a) 215,804	1,410,545	163,150
Profit on disposal of assets	10(a) 3,967	64,606	6,723
(Loss) on disposal of assets	10(a) (7,051)	(11,432)	(47,727)
(Loss) on revaluation of furniture and equipment	8(a) 0	0	(22,014)
	212,720	1,463,719	100,132
	(481,634)	(684,186)	(490,185)
<b>Net result for the period</b>			
<b>Other comprehensive income</b>			
<i>Items not reclassified subsequently to profit or loss</i>			
Changes in asset revaluation surplus	11 0	0	417,186
<b>Total other comprehensive income for the period</b>	0	0	417,186
<b>Total comprehensive income for the period</b>	(481,634)	(684,186)	(72,999)

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



**SHIRE OF CUE**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2020**

	Note	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	4,334,261	1,574,199
Trade and other receivables	5	1,766,370	1,422,323
Inventories	6	28,161	23,205
Financial assets	7	5,590,479	6,230,737
<b>TOTAL CURRENT ASSETS</b>		<b>11,719,271</b>	<b>9,250,464</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	7,701	6,531
Financial assets	7	17,805	17,517
Property, plant and equipment	8(a)	12,391,080	12,013,445
Infrastructure	9(a)	40,756,466	41,819,198
<b>TOTAL NON-CURRENT ASSETS</b>		<b>53,173,052</b>	<b>53,856,691</b>
<b>TOTAL ASSETS</b>		<b>64,892,323</b>	<b>63,107,155</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,282,257	240,120
Employee related provisions	14	126,543	108,869
Borrowings	13(a)	91,176	0
Contract obligations	25(b)	259,427	0
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,759,403</b>	<b>348,989</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee related provisions	14	71,117	58,568
Borrowings	13(a)	843,839	0
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>914,956</b>	<b>58,568</b>
<b>TOTAL LIABILITIES</b>		<b>2,674,359</b>	<b>407,557</b>
<b>NET ASSETS</b>		<b>62,217,964</b>	<b>62,699,598</b>
<b>EQUITY</b>			
Retained surplus		18,481,671	18,432,470
Reserves - cash backed	4	6,041,975	5,680,737
Revaluation surplus	11	37,694,318	38,586,391
<b>TOTAL EQUITY</b>		<b>62,217,964</b>	<b>62,699,598</b>

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



**SHIRE OF CUE**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE 2020**

		<b>RESERVES</b>			
	<b>Note</b>	<b>RETAINED SURPLUS</b>	<b>CASH BACKED</b>	<b>REVALUATION SURPLUS</b>	<b>TOTAL EQUITY</b>
		\$	\$	\$	\$
<b>Balance as at 1 July 2018</b>		18,455,127	6,148,265	38,169,205	62,772,597
Comprehensive income					
Net result for the period		(490,185)	0	0	(490,185)
Other comprehensive income	11	0	0	417,186	417,186
Total comprehensive income		(490,185)	0	417,186	(72,999)
Transfers from/(to) reserves	4	467,528	(467,528)	0	0
<b>Balance as at 30 June 2019</b>		18,432,470	5,680,737	38,586,391	62,699,598
Comprehensive income					
Net result for the period		(481,634)	0	0	(481,634)
Other comprehensive income	11	0	0	0	0
Change to regulations*	11	892,073	0	(892,073)	0
Total comprehensive income		410,439	0	(892,073)	(481,634)
Transfers from/(to) reserves	4	(361,238)	361,238	0	0
<b>Balance as at 30 June 2020</b>		18,481,671	6,041,975	37,694,318	62,217,964

\* - Revaluation surplus derecognised due to the *Local Government (Financial Management) Regulations 1996* amendment to Regulation 17A.

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

**SHIRE OF CUE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2020**

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		2,322,960	2,337,128	2,265,776
Operating grants, subsidies and contributions		4,086,313	2,607,562	2,819,096
Fees and charges		491,817	599,780	549,413
Interest received		171,175	184,500	221,186
ATO receivables		0	0	62,917
Other revenue		74,354	89,400	107,381
		<u>7,146,619</u>	<u>5,818,370</u>	<u>6,025,769</u>
<b>Payments</b>				
Employee costs		(1,812,119)	(1,859,507)	(1,867,716)
Materials and contracts		(1,947,031)	(1,396,758)	(1,526,206)
Utility charges		(268,406)	(286,300)	(308,953)
Interest expenses		(12,180)	(8,800)	0
Insurance paid		(163,816)	(162,850)	(150,715)
ATO liabilities		(93,661)	0	0
Other expenditure		(74,914)	(225,700)	(117,248)
		<u>(4,372,127)</u>	<u>(3,939,915)</u>	<u>(3,970,838)</u>
<b>Net cash provided by (used in) operating activities</b>	15	<u>2,774,492</u>	<u>1,878,455</u>	<u>2,054,931</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	215,804	1,410,545	163,150
Proceeds from sale of property, plant & equipment	10(a)	133,000	210,000	123,909
Purchase of property, plant & equipment	8(a)	(1,018,936)	(4,133,500)	(919,503)
Purchase of infrastructure	9(a)	(1,178,998)	(2,720,900)	(1,498,852)
Proceeds/(Payments) from financial assets at amortised cost	7	640,258	0	(5,699)
Proceeds/(Payments) from contract obligations	25(b)	259,427	0	0
<b>Net cash provided by (used in) investment activities</b>		<u>(949,445)</u>	<u>(5,233,855)</u>	<u>(2,136,995)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	13(b)	(44,985)	(45,000)	0
Proceeds from new borrowings	13(c)	980,000	980,000	0
<b>Net cash provided by (used in) financing activities</b>		<u>935,015</u>	<u>935,000</u>	<u>0</u>
<b>Net increase (decrease) in cash held</b>		<u>2,760,062</u>	<u>(2,420,400)</u>	<u>(82,064)</u>
Cash at beginning of year		<u>1,574,199</u>	<u>7,796,975</u>	<u>1,656,263</u>
<b>Cash and cash equivalents at the end of the year</b>	15	<u><u>4,334,261</u></u>	<u><u>5,376,575</u></u>	<u><u>1,574,199</u></u>

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

**SHIRE OF CUE  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2020**

	Note	2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net current assets at 01 Jul - surplus/(deficit)	27(b)	3,220,738	3,291,633	2,700,544
<b>Revenue from operating activities (excluding rates)</b>				
General purpose funding		2,104,741	1,150,464	2,205,068
Law, order, public safety		6,775	10,500	12,916
Health		1,208	500	1,134
Housing		25,676	25,480	22,080
Community amenities		72,303	85,500	77,224
Recreation and culture		4,958	7,000	6,110
Transport		1,862,964	557,106	709,047
Economic services		224,538	371,200	371,381
Other property and services		127,960	120,800	131,488
		<u>4,431,123</u>	<u>2,328,550</u>	<u>3,536,448</u>
<b>Expenditure from operating activities</b>				
Governance		(333,644)	(408,911)	(363,523)
General purpose funding		(163,729)	(251,573)	(206,524)
Law, order, public safety		(58,732)	(81,399)	(60,065)
Health		(48,056)	(92,201)	(55,249)
Education and welfare		(2,657)	(16,955)	(2,035)
Housing		(205,203)	(259,910)	(226,765)
Community amenities		(344,369)	(400,186)	(268,495)
Recreation and culture		(629,500)	(988,224)	(694,269)
Transport		(5,133,132)	(3,503,931)	(3,990,490)
Economic services		(580,717)	(696,558)	(657,794)
Other property and services		(25,429)	(60,561)	(15,307)
		<u>(7,525,168)</u>	<u>(6,760,409)</u>	<u>(6,540,516)</u>
Non-cash amounts excluded from operating activities	27(a)	2,761,122	2,755,888	2,837,296
<b>Amount attributable to operating activities</b>		<u>2,887,815</u>	<u>1,615,662</u>	<u>2,533,772</u>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	215,804	1,410,545	163,150
Proceeds from disposal of assets	10(a)	133,000	210,000	123,909
Purchase of property, plant and equipment	8(a)	(1,018,936)	(4,133,500)	(919,503)
Purchase of infrastructure	9(a)	(1,178,998)	(2,720,900)	(1,498,852)
<b>Amount attributable to investing activities</b>		<u>(1,849,130)</u>	<u>(5,233,855)</u>	<u>(2,131,296)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	13(b)	(44,985)	(45,000)	0
Proceeds from borrowings	13(c)	980,000	980,000	0
Transfers to reserves (restricted assets)	4	(429,259)	(463,135)	(479,589)
Transfers from reserves (restricted assets)	4	68,021	809,200	947,117
<b>Amount attributable to financing activities</b>		<u>573,777</u>	<u>1,281,065</u>	<u>467,528</u>
<b>Surplus/(deficit) before imposition of general rates</b>		<u>1,612,462</u>	<u>(2,337,128)</u>	<u>870,004</u>
<b>Total amount raised from general rates</b>	26(a)	<u>2,396,607</u>	<u>2,337,128</u>	<u>2,350,734</u>
<b>Surplus/(deficit) after imposition of general rates</b>	27(b)	<u>4,009,069</u>	<u>0</u>	<u>3,220,738</u>

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

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

**1. BASIS OF PREPARATION**

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

**AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown Land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. The Shire held no assets at 1 July 2019 which were impacted by this amendment.

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

**NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**

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

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

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

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

**CRITICAL ACCOUNTING ESTIMATES**

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

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

**THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 to these financial statements.

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Grant revenue

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

#### Operating grants, subsidies and contributions

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
General purpose funding	1,912,856	941,964	1,951,626
Law, order, public safety	4,581	7,500	10,402
Health	0	800	0
Recreation and culture	0	0	535
Transport	1,714,214	390,000	617,862
Other property and services	33,311	50,000	53,803
	<u>3,664,962</u>	<u>1,390,264</u>	<u>2,634,228</u>

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

Community amenities	0	120,000	0
Recreation and culture	39,404	691,545	0
Transport	176,400	569,000	120,000
Economic services	0	30,000	43,150
	<u>215,804</u>	<u>1,410,545</u>	<u>163,150</u>

#### Total grants, subsidies and contributions

	<u>3,880,766</u>	<u>2,800,809</u>	<u>2,797,378</u>
--	------------------	------------------	------------------

### SIGNIFICANT ACCOUNTING POLICIES

#### Grants, subsidies and contributions

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

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

#### Fees and Charges

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

## 2. REVENUE AND EXPENSES (Continued)

### (a) Revenue (Continued)

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
<b>Significant revenue</b>			
<b>Grants, subsidies and contributions</b>			
<b>Transport</b>			
Flood damage restoration	1,586,422	4,726,350	538,516
<b>Other revenue</b>			
Reimbursements and recoveries	35,425	20,400	107,381
Other	62,814	69,000	17,517
	<u>98,239</u>	<u>89,400</u>	<u>124,898</u>
<b>Fees and charges</b>			
General purpose funding	1,170	500	770
Law, order, public safety	2,195	3,000	2,514
Health	1,208	500	1,134
Housing	25,676	25,480	22,080
Community amenities	72,303	85,500	77,224
Recreation and culture	2,100	1,800	1,339
Transport	144,784	102,000	88,553
Economic services	219,277	357,200	340,219
Other property and services	25,149	23,800	15,580
	<u>493,862</u>	<u>599,780</u>	<u>549,413</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

### Interest earnings

Reserve accounts interest	101,098	133,000	167,217
Rates instalment and penalty interest (refer Note 26(e))	22,401	29,500	28,520
Other interest earnings	46,594	22,000	25,449
	<u>170,093</u>	<u>184,500</u>	<u>221,186</u>

## SIGNIFICANT ACCOUNTING POLICIES

### Interest earnings

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

### Interest earnings (continued)

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

## 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:

Note	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions	76,304	115,000	53,804
Fees and charges	428,551	528,080	477,986
Other revenue	62,814	69,000	17,517
Non-operating grants, subsidies and contributions	215,804	1,410,545	163,150
	783,473	2,122,625	712,457

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:

Contracts with customers included as a contract liability at the start of the period	0	0	0
Performance obligations satisfied in the previous year	0	0	0
Other revenue from contracts with customers recognised during the year	567,669	712,080	549,307
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period	0	0	0
Other revenue from performance obligations satisfied during the year	215,804	1,410,545	163,150
	783,473	2,122,625	712,457

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	298,405	120,383
Contract assets	0	0
Contract liabilities from contracts with customers	0	0
Financial assets held from transfers for recognisable financial assets	0	0
Contract liabilities from transfers for recognisable non financial assets	25(b) (259,427)	0

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

**(a) Revenue (Continued)**

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2020. Assets associated with contracts with customers were not subject to an impairment charge. 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.

**(b) Expenses**

<b>Significant expense</b>	<b>2020 Actual</b>	<b>2020 Budget</b>	<b>2019 Actual</b>
<b>Materials and contracts</b>	\$	\$	\$
<b>Transport</b>			
Flood damage restoration	1,586,422	4,726,350	555,419
<b>Interest expenses (finance costs)</b>			
Borrowings (refer Note 13(b))	23,675	8,800	0
	<u>23,675</u>	<u>8,800</u>	<u>0</u>
<b>Auditors remuneration</b>			
Audit of the annual financial report	35,750	35,750	35,750

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

**3. CASH AND CASH EQUIVALENTS**

	Note	2020	2019
<b>Cash and cash equivalents</b>			
Cash at bank and on hand		\$ 1,315,204	\$ 1,074,199
Term deposits		1,501,026	500,000
Term deposits - reserves		1,518,031	0
<b>Total cash and cash equivalents</b>		<b>4,334,261</b>	<b>1,574,199</b>
<b>Other financial assets at amortised cost</b>			
Term deposits	7	1,066,535	550,000
Term deposits - reserves	7	4,523,944	5,680,737
<b>Total other financial assets at amortised cost</b>		<b>5,590,479</b>	<b>6,230,737</b>
		<b>9,924,740</b>	<b>7,804,936</b>
<b>Comprises:</b>			
Unrestricted		2,125,734	2,116,239
Restricted		7,799,006	5,688,697
		<b>9,924,740</b>	<b>7,804,936</b>

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

Cash backed reserves	4	6,041,975	5,680,737
Deposits and bonds	12	7,960	7,960
Unspent loans	13(d)	907,775	0
Revenue, contract liabilities and obligations	25(b)	841,296	0
<b>Total restricted cash and cash equivalents</b>		<b>7,799,006</b>	<b>5,688,697</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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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 CUE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020

4. RESERVES - CASH BACKED

	Opening balance	Transfer to	Transfer (from)	Closing balance
	\$	\$	\$	\$
<b>(a) 2019/20 Actual</b>				
(a) Long service leave reserve	62,406	539	0	62,945
(b) Building maintenance reserve	637,216	11,340	0	648,556
(c) Plant replacement reserve	504,540	9,551	0	514,091
(d) Streetscape reserve	311,763	5,548	0	317,311
(e) Sports facilities reserve	120,040	2,137	0	122,177
(f) Tourist park development reserve	247,949	4,412	0	252,361
(g) Water playground reserve	59,638	1,061	0	60,699
(h) Beringarra road reserve	2,681,140	47,715	(68,021)	2,660,834
(i) Tourism reserve	121,102	2,156	0	123,258
(j) Housing / land development reserve	188,474	3,355	0	191,829
(k) Heritage reserve	615,855	10,960	0	626,815
(l) Road maintenance reserve	130,614	102,325	0	232,939
(m) Infrastructure reserve	0	228,160	0	228,160
	5,680,737	429,259	(68,021)	6,041,975
<b>(b) 2019/20 Budget</b>				
(a) Long service leave reserve	62,406	707	0	63,113
(b) Building maintenance reserve	637,216	14,888	(150,000)	502,104
(c) Plant replacement reserve	504,540	12,526	(150,000)	367,066
(d) Streetscape reserve	311,762	7,277	(100,000)	219,039
(e) Sports facilities reserve	120,041	2,805	0	122,846
(f) Tourist park development reserve	247,949	5,796	(50,000)	203,745
(g) Water playground reserve	59,638	1,399	0	61,037
(h) Beringarra road reserve	2,681,140	62,307	(150,000)	2,593,447
(i) Tourism reserve	121,102	2,834	(23,000)	100,936
(j) Housing / land development reserve	188,475	4,418	0	192,893
(k) Heritage reserve	615,854	14,388	(186,200)	444,042
(l) Road maintenance reserve	130,614	105,630	0	236,244
(m) Infrastructure reserve	0	228,160	0	228,160
	5,680,737	463,135	(809,200)	5,334,672
<b>(c) 2018/19 Actual</b>				
(a) Long service leave reserve	29,580	32,826	0	62,406
(b) Building maintenance reserve	573,476	63,740	0	637,216
(c) Plant replacement reserve	524,100	12,557	(32,117)	504,540
(d) Streetscape reserve	304,468	7,295	0	311,763
(e) Sports facilities reserve	107,466	12,575	0	120,041
(f) Tourist park development reserve	212,849	35,100	0	247,949
(g) Water playground reserve	33,827	25,810	0	59,637
(h) Beringarra road reserve	3,511,992	84,147	(915,000)	2,681,139
(i) Tourism reserve	92,720	28,383	0	121,103
(j) Housing / land development reserve	121,562	66,913	0	188,475
(k) Heritage reserve	557,497	58,357	0	615,854
(l) Road maintenance reserve	78,728	51,886	0	130,614
(m) Infrastructure reserve	0	0	0	0
	6,148,265	479,589	(947,117)	5,680,737

#### 4. RESERVES - CASH BACKED (Continued)

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

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

Name of reserve	Anticipated date of use	Purpose of the reserve
(a) Long service leave reserve	as required	to be used to fund long service leave requirements
(b) Building maintenance reserve	as required	to be used to fund maintenance and capital expenditure on Council owned building
(c) Plant replacement reserve	as required	to be used for the purchase or significant overhaul of major plant
(d) Streetscape reserve	as required	to be used to fund streetscape improvements within the town centre of Cue
(e) Sports facilities reserve	as required	to be used to fund maintenance and capital expenditure on the sports facilities
(f) Tourist park development reserve	as required	to be used to fund the development of the Cue Tourist Park
(g) Water playground reserve	as required	to be used to fund the maintenance of the Water Playground
(h) Beringarra road reserve	as required	to be used for maintenance and capital expenditure on Beringarra Road
(i) Tourism reserve	as required	to be used to fund and maintain Tourism related infrastructure and programs
(j) Housing / land development reserve	as required	to be used to assist with the provision of affordable housing and the establishment of an incubator hub
(k) Heritage reserve	as required	to be used to maintain / renovate / promote heritage places and buildings owned or under a Shire management order
(l) Road maintenance reserve	as required	to be used for maintenance and capital expenditure on Shire roads
(m) Infrastructure reserve	as required	to be used to fund maintenance and capital expenditure for Shire's infrastructure assets

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

5. TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
<b>Current</b>		
Rates receivable	334,508	322,226
Sundry receivables	298,405	120,383
Allowance for impairment of receivables	(52,260)	(95,173)
Accrued income	1,063,010	1,038,673
ATO Receivables	122,707	36,214
	<u>1,766,370</u>	<u>1,422,323</u>
<b>Non-current</b>		
Pensioner's rates and ESL deferred	7,701	6,531
	<u>7,701</u>	<u>6,531</u>

Information with respect to the impairment or otherwise of the totals of rates outstanding, sundry debtors, and accrued income are as follows:

**Rates outstanding (including non-current pensioners)**

Includes:

Past due and not impaired	311,709	235,538
Impaired	30,500	93,219
	<u>342,209</u>	<u>328,757</u>

The table illustrates the rates outstanding aging analysis (including non-current pensioners)

Up to one year	140,937	3,604
One to three years	90,021	194,601
Three or more years	111,251	130,552
	<u>342,209</u>	<u>328,757</u>

**Sundry debtors**

Includes:

Past due and not impaired	276,645	118,429
Impaired	21,760	1,954
	<u>298,405</u>	<u>120,383</u>

The table below illustrates the sundry debtors aging analysis

Up to one month	241,018	100,608
One to three months	29,360	17,215
Three months to one year	28,027	2,560
	<u>298,405</u>	<u>120,383</u>

**Accrued income**

The following illustrates the accrued income aging analysis

Up to 30 days	614,046	42,111
30 to 60 days	254,900	247
60 to 90 days	163,173	0
Over 90 days	30,891	996,315
	<u>1,063,010</u>	<u>1,038,673</u>

## 5. TRADE AND OTHER RECEIVABLES (Continued)

### 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.

#### 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.

#### 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.

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

## 6. INVENTORIES

### Current

Fuel and materials  
 History books

	2020	2019
	\$	\$
	22,625	17,673
	5,536	5,532
	<u>28,161</u>	<u>23,205</u>

The following inventory movements occurred during the year:

### Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

### Carrying amount at 30 June

	23,205	19,680
	(5,028)	(4,850)
	9,984	8,375
	<u>28,161</u>	<u>23,205</u>

## SIGNIFICANT ACCOUNTING POLICIES

### General

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

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

### Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

### Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

## 7. OTHER FINANCIAL ASSETS

	Note	2020	2019
<b>Current assets</b>		<b>\$</b>	<b>\$</b>
Financial assets at amortised cost - term deposits	3	1,066,535	550,000
Financial assets at amortised cost - reserve term deposits	3	4,523,944	5,680,737
		<u>5,590,479</u>	<u>6,230,737</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit and loss			
Local government house trust		17,805	17,517
		<u>17,805</u>	<u>17,517</u>

### Local government house trust

The Shire holds 1 of 620 units in the local government house trust which purchased the Local Government House. The total contribution by all Councils towards the purchase of the building was \$582,000.

Based on net assets of \$11,039,266 and 620 units, the value of 1 unit in the local government house at 30 Jun 19, is \$17,805

## 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 in Note 28

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in carrying amounts

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

	Land - freehold land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	412,000	1,426,246	7,273,273	8,699,519	9,111,519	155,231	2,138,975	11,405,725
Additions	0	8,609	226,558	235,167	235,167	9,080	675,256	919,503
(Disposals)	(5,000)	(9,000)	(2,116)	(11,116)	(16,116)	(14,184)	(132,613)	(162,913)
Revaluation adjustments								
Increments / (decrements) to surplus	0	0	0	0	0	(51,324)	468,510	417,186
(Loss) / reversals to profit or loss	0	0	0	0	0	(22,014)	0	(22,014)
Depreciation (expense)	0	(35,403)	(177,102)	(212,505)	(212,505)	(18,809)	(312,728)	(544,042)
<b>Carrying amount at 30 June 2019</b>	<u>407,000</u>	<u>1,390,452</u>	<u>7,320,613</u>	<u>8,711,065</u>	<u>9,118,065</u>	<u>57,980</u>	<u>2,837,400</u>	<u>12,013,445</u>
<b>Comprises:</b>								
Gross carrying amount at 30 June 2019	407,000	1,458,746	7,638,591	9,097,337	9,504,337	57,980	2,837,400	12,399,717
Accumulated depreciation at 30 June 2019	0	(68,294)	(317,978)	(386,272)	(386,272)	0	0	(386,272)
<b>Carrying amount at 30 June 2019</b>	<u>407,000</u>	<u>1,390,452</u>	<u>7,320,613</u>	<u>8,711,065</u>	<u>9,118,065</u>	<u>57,980</u>	<u>2,837,400</u>	<u>12,013,445</u>
Additions	20,674	73,912	396,112	470,024	490,698	6,800	521,438	1,018,936
(Disposals)	0	0	0	0	0	0	(136,084)	(136,084)
Depreciation (expense)	0	(36,468)	(181,692)	(218,160)	(218,160)	(9,452)	(277,605)	(505,217)
<b>Carrying amount at 30 June 2020</b>	<u>427,674</u>	<u>1,427,896</u>	<u>7,535,033</u>	<u>8,962,929</u>	<u>9,390,603</u>	<u>55,328</u>	<u>2,945,149</u>	<u>12,391,080</u>
<b>Comprises:</b>								
Gross carrying amount at 30 June 2020	427,674	1,532,657	8,034,704	9,567,361	9,995,035	64,780	3,208,338	13,268,153
Accumulated depreciation at 30 June 2020	0	(104,761)	(499,671)	(604,432)	(604,432)	(9,452)	(263,189)	(877,073)
<b>Carrying amount at 30 June 2020</b>	<u>427,674</u>	<u>1,427,896</u>	<u>7,535,033</u>	<u>8,962,929</u>	<u>9,390,603</u>	<u>55,328</u>	<u>2,945,149</u>	<u>12,391,080</u>

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair value measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	2017	Price per hectare / market borrowing rate
Land - freehold land	3	Market approach using recent observable market data for similar properties with adjustments to reflect the existing use or zoning of the land restrictions	Independent registered valuer	2017	Price per hectare / market borrowing rate
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	2017	Market sales evidence
Buildings - non-specialised	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs
Buildings - specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	2017	Market sales evidence
Buildings - specialised	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

### (b) Fair value measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
<b>Furniture and equipment*</b>					
Furniture and equipment	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2019	Purchase costs and current condition, residual values and remaining useful life assessments inputs
<b>Plant and equipment*</b>					
Plant and equipment	2	Market approach using recent observable market data for similar assets (gross valuation method)	Independent registered valuer	2019	Market price of similar assets per item
Plant and equipment	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2019	Purchase costs and current condition, residual values and remaining useful life assessments inputs

\* - *Local Government (Financial Management) Regulation 17A (Amended)* now requires these assets to be measured under the cost model, rather than at fair value. The change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change. The information above will no longer be presented in subsequent years.

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.

There were no transfers between level 2 and 3 during the current and previous financial year

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

9. INFRASTRUCTURE

(a) Movements in carrying amounts

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

	Roads	Parks and ovals	Other infrastructure	Airport	Drainage and sewerage	Total Infrastructure
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	37,966,040	1,204,700	1,721,314	1,431,900	225,000	42,548,954
Additions	1,236,130	167,173	95,549	0	0	1,498,852
(Disposals)	0	(2,000)	0	0	0	(2,000)
Depreciation (expense)	(1,954,714)	(92,406)	(75,476)	(97,229)	(6,783)	(2,226,608)
Transfers	0	7,790	(7,790)	0	0	0
<b>Carrying amount at 30 June 2019</b>	<b>37,247,456</b>	<b>1,285,257</b>	<b>1,733,597</b>	<b>1,334,671</b>	<b>218,217</b>	<b>41,819,198</b>
<b>Comprises:</b>						
Gross carrying amount at 30 June 2019	53,705,906	2,108,173	2,289,263	2,509,000	510,000	61,122,342
Accumulated depreciation at 30 June 2019	(16,458,450)	(822,916)	(555,666)	(1,174,329)	(291,783)	(19,303,144)
<b>Carrying amount at 30 June 2019</b>	<b>37,247,456</b>	<b>1,285,257</b>	<b>1,733,597</b>	<b>1,334,671</b>	<b>218,217</b>	<b>41,819,198</b>
Additions	733,701	131,913	79,779	233,605	0	1,178,998
(Disposals)	0	0	0	0	0	0
Depreciation (expense)	(1,958,322)	(101,421)	(77,975)	(97,229)	(6,783)	(2,241,730)
<b>Carrying amount at 30 June 2020</b>	<b>36,022,835</b>	<b>1,315,749</b>	<b>1,735,401</b>	<b>1,471,047</b>	<b>211,434</b>	<b>40,756,466</b>
<b>Comprises:</b>						
Gross carrying amount at 30 June 2020	54,439,608	2,240,086	2,369,042	2,742,605	510,000	62,301,341
Accumulated depreciation at 30 June 2020	(18,416,773)	(924,337)	(633,641)	(1,271,558)	(298,566)	(21,544,875)
<b>Carrying amount at 30 June 2020</b>	<b>36,022,835</b>	<b>1,315,749</b>	<b>1,735,401</b>	<b>1,471,047</b>	<b>211,434</b>	<b>40,756,466</b>

## 9. INFRASTRUCTURE (Continued)

### (b) Fair value measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
Roads	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Parks and ovals	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Airport	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Drainage and sewerage	3	Cost approach using depreciated replacement cost (gross valuation method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

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

**9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

Each class of fixed assets, within either property, 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 with a fair value less than \$5,000 at the date of acquisition are not recognised as an asset in accordance with the *Local Government 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 or 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 cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

**Revaluation**

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

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

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

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY**

**Land under control prior to 1 July 2019**

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

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

**Land under roads prior to 1 July 2019**

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

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

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

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

**Land under roads from 1 July 2019**

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

The Shire held no assets at 1 July 2019 related to this amendment.

**Vested improvements from 1 July 2019**

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

## 10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

### (a) Disposals of assets

#### (i) 2019/20 Actual

<b>Property, Plant and Equipment</b>	<b>Net book value</b>	<b>Sale proceeds</b>	<b>Profit on disposal</b>	<b>Loss on disposal</b>
	\$	\$	\$	\$
<b>Transport</b>				
Mitsubishi Pajero Wagon 4x4 (CEO)	40,000	36,363	0	(3,637)
Mitsubishi Pajero Wagon 4x4 (DCEO)	35,837	37,273	1,436	0
Isuzu D-Max Space Cab 4x4 (Works Manager)	23,378	25,909	2,531	0
Isuzu D-Max Dual Cab Ute 4x4 (Roads Crew)	27,348	25,455	0	(1,893)
P72 Iveco Eurotech MP4500 Prime Mover	9,521	8,000	0	(1,521)
	<u>136,084</u>	<u>133,000</u>	<u>3,967</u>	<u>(7,051)</u>

#### (ii) 2019/20 Budget

<b>Property, Plant and Equipment</b>				
<b>Transport</b>				
Mitsubishi Pajero Wagon 4x4 (CEO)	26,663	40,000	13,337	0
Mitsubishi Pajero Wagon 4x4 (DCEO)	26,663	40,000	13,337	0
P34 2012 Caterpillar 226B3SC Skid Steer	22,689	40,000	17,311	0
Isuzu D-Max Space Cab 4x4 (Works Manager)	24,011	35,000	10,989	0
Isuzu D-Max Dual Cab Ute 4x4 (Roads Crew)	20,368	30,000	9,632	0
P66 - S20 Ride-on Street Sweeper	26,368	15,000	0	(11,368)
P72 Iveco Eurotech MP4500 Prime Mover	10,064	10,000	0	(64)
	<u>156,826</u>	<u>210,000</u>	<u>64,606</u>	<u>(11,432)</u>

#### (iii) 2018/19 Actual

<b>Property, Plant and Equipment</b>				
<b>Governance</b>				
Regulation 17A assets	10,046	0	0	(10,046)
<b>Transport</b>				
1993 CAT Front End Loader	28,368	31,000	2,632	0
2015 Ford Ranger	23,666	21,818	0	(1,848)
1996 CAT Vibratory Roller	26,289	16,000	0	(10,289)
Multipac Multi Tyre Roller	26,543	25,000	0	(1,543)
Isuzu 3 Tonne Truck	23,734	21,000	0	(2,734)
Regulation 17A assets	19,339	0	0	(19,339)
<b>Economic services</b>				
Regulation 17A assets	1,928	0	0	(1,928)
<b>Other property and services</b>				
Lot 564, 54 Marshall Street	5,000	9,091	4,091	0
	<u>164,913</u>	<u>123,909</u>	<u>6,723</u>	<u>(47,727)</u>

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

### (b) Depreciation

Asset class	2020	2020	2019
	Actual	Budget	Actual
	\$	\$	\$
Buildings - non-specialised	36,468	34,986	35,403
Buildings - specialised	181,692	182,257	177,102
Furniture and equipment	9,452	22,760	18,809
Plant and equipment	277,605	311,659	312,728
Roads	1,958,322	1,985,000	1,954,714
Parks and ovals	101,421	96,575	92,406
Other infrastructure	77,975	74,248	75,476
Airport	97,229	95,000	97,229
Drainage and sewerage	6,783	6,577	6,783
	<u>2,746,947</u>	<u>2,809,062</u>	<u>2,770,650</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
bituminous seals	20 years
asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	50 years
Water supply piping systems	75 years
Water supply drainage systems	75 years
Parks and ovals	12 to 35 years
Other infrastructure	12 to 60 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease

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

### 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.

#### Amortisation

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

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

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

#### Depreciation on revaluation

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

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

## 11. REVALUATION SURPLUS

	Opening balance	Revaluation increment	Revaluation (decrement)	Change to regulations	Total movement	Closing balance
	\$	\$	\$	\$	\$	\$
<b>(a) 2019/20 Actual</b>						
Land and buildings	5,339,579	0	0	0	0	5,339,579
Furniture and equipment*	0	0	0	0	0	0
Plant and equipment*	892,073	0	0	(892,073)	(892,073)	0
Roads	31,263,338	0	0	0	0	31,263,338
Parks and ovals	0	0	0	0	0	0
Other infrastructure	11,563	0	0	0	0	11,563
Airport	972,579	0	0	0	0	972,579
Drainage and sewerage	107,259	0	0	0	0	107,259
	<u>38,586,391</u>	<u>0</u>	<u>0</u>	<u>(892,073)</u>	<u>(892,073)</u>	<u>37,694,318</u>
<b>(b) 2018/19 Actual</b>						
Land and buildings	5,339,579	0	0	0	0	5,339,579
Furniture and equipment	51,324	0	(51,324)	0	(51,324)	0
Plant and equipment	423,563	468,510	0	0	468,510	892,073
Roads	31,263,338	0	0	0	0	31,263,338
Parks and ovals	0	0	0	0	0	0
Other infrastructure	11,563	0	0	0	0	11,563
Airport	972,579	0	0	0	0	972,579
Drainage and sewerage	107,259	0	0	0	0	107,259
	<u>38,169,205</u>	<u>468,510</u>	<u>(51,324)</u>	<u>0</u>	<u>417,186</u>	<u>38,586,391</u>

Revaluation movements in property, plant and equipment (including infrastructure) cannot be reliably attributed to a program as the assets were revalued by class in accordance with AASB 116 *Property, Plant and Equipment* and *Local Government (Financial Management) Regulations 1996 Regulation 17A*.

\* - Revaluation surplus derecognised due to the *Local Government (Financial Management) Regulations 1996* amendment to Regulation 17A. The information above will no longer be presented in subsequent years. Refer to the statement of changes in equity for further information.

## 12. TRADE AND OTHER PAYABLES

### Current

#### Revenue related

Revenue received in advance

#### Expense related

Sundry creditors

Accrued salaries and wages

ATO liabilities

Payroll creditors

Accrued expenses

Deposits and bonds

Note	2020	2019
	\$	\$
25(b)	581,869	0
	559,515	59,936
	23,723	71,319
	9,740	16,909
	32,322	48,394
	67,128	35,602
	7,960	7,960
	<u>1,282,257</u>	<u>240,120</u>

### 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

#### Revenue received in advance

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer.

#### Revenue received in advance (Continued)

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.

Asset repair working capital is initially recognised as a financial liability. A portion is extinguished each time the Shire recognises flood damage revenue.

Further information is provided in Note 25(b).

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

13. INFORMATION ON BORROWINGS

(a) Borrowings

	<u>Principal outstanding</u>
	\$
Current	91,176
Non-current	<u>843,839</u>
	935,015

(b) Repayments of borrowings

	<u>Institution</u>	<u>Interest rate</u>	<u>Principal 01 Jul 19</u>	<u>New loans</u>	<u>Principal repayments</u>	<u>Interest repayments</u>	<u>Principal outstanding</u>
		%	\$	\$	\$	\$	\$
<b>(i) 2019/20 Actual</b>							
<b>Housing</b>							
GROH / TP housing	WATC*	1.78%	0	980,000	44,985	23,675	935,015
			<u>0</u>	<u>980,000</u>	<u>44,985</u>	<u>23,675</u>	<u>935,015</u>
<b>(ii) 2019/20 Budget</b>							
<b>Housing</b>							
GROH / TP housing	WATC*	1.78%	0	980,000	45,000	8,800	935,000
			<u>0</u>	<u>980,000</u>	<u>45,000</u>	<u>8,800</u>	<u>935,000</u>
<b>(iii) 2018/19 Actual</b>							
<b>Housing</b>							
GROH / TP housing	WATC*	1.78%	0	0	0	0	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

\* - Western Australian Treasury Corporation.

All borrowing repayments, other than self supporting loans, will be financed by general purpose revenue.

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

13. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2019/20

	Institution	Loan Type	Term Years	Total Interest	Interest Rate	Amount Borrowed	
						2020 Actual	2020 Budget
<b>Housing</b>				\$	%	\$	\$
GROH / TP housing	WATC	Fixed Rate Annuity	10	94,149	1.78%	980,000	980,000

(d) Unspent Borrowings

	Date Borrowed	Unspent Balance 01 Jul 19	Borrowed During the Year	Expended During the Year	Unspent Balance 30 Jun 20
<b>Housing</b>		\$	\$	\$	\$
GROH / TP housing	01 Jul 19	0	980,000	72,225	907,775
		0	980,000	72,225	907,775

### 13. INFORMATION ON BORROWINGS (Continued)

#### (e) Undrawn borrowing facilities

	2020	2019
	\$	\$
<b>Credit standby arrangements</b>		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	15,000	15,000
Credit card balance at balance date	(1,489)	0
<b>Total amount of credit unused</b>	<b>13,511</b>	<b>15,000</b>
<b>Loan facilities</b>		
Loan facilities - current	91,176	0
Loan facilities - non-current	843,839	0
<b>Total facilities in use at balance date</b>	<b>935,015</b>	<b>0</b>
<b>Amount undrawn at balance date*</b>	<b>0</b>	<b>980,000</b>

\* - The Shire entered into a Master Lending Agreement with WATC on 28 June 2019. These funds were advanced by WATC on 1 July 2019.

#### 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.

#### 14. EMPLOYEE RELATED PROVISIONS

##### Employee related provisions

	Provision for annual leave	Provision for long service leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2019</b>			
Current provisions	97,777	11,092	108,869
Non-current provisions	0	58,568	58,568
	<u>97,777</u>	<u>69,660</u>	<u>167,437</u>
Additional provision	41,007	30,156	71,163
Amounts used	(37,313)	(3,627)	(40,940)
<b>Balance at 30 June 2020</b>	<u>101,471</u>	<u>96,189</u>	<u>197,660</u>
<b>Comprises</b>			
Current	101,471	25,072	126,543
Non-current	0	71,117	71,117
	<u>101,471</u>	<u>96,189</u>	<u>197,660</u>

Amounts are expected to be settled on the following basis:

	2020	2019
	\$	\$
Less than 12 months after the reporting date		
Annual leave	101,471	97,777
Long service leave	25,072	11,092
More than 12 months from reporting date		
Long service leave	97,570	85,021
Receivable from other local governments	(26,453)	(26,453)
	<u>197,660</u>	<u>167,437</u>

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.

## 14. EMPLOYEE RELATED PROVISIONS (Continued)

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

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

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

##### Other long-term employee benefits

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

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

##### Other long-term employee benefits (Continued)

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

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

##### Provisions

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

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

## 15. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	4,334,261	5,376,575	1,574,199

### Reconciliation of net cash provided By operating activities to net result

Net result	(481,634)	(684,186)	(490,185)
Non-cash flows in net result:			
Adjustments to fair value of financial assets	(288)	0	(17,517)
Depreciation	2,746,947	2,809,062	2,770,650
(Profit)/loss on sale of asset	3,084	(53,174)	41,004
Loss on revaluation of fixed assets	0	0	22,014
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(345,217)	1,217,298	191,598
(Increase)/decrease in inventories	(4,956)	0	(3,525)
Increase/(decrease) in revenue received in advance	581,869	0	0
Increase/(decrease) in payables	460,268	0	(373,237)
Increase/(decrease) in provisions	30,223	0	77,279
Non-operating grants, subsidies and contributions	(215,804)	(1,410,545)	(163,150)
<b>Net cash from operating activities</b>	<b>2,774,492</b>	<b>1,878,455</b>	<b>2,054,931</b>

## 16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Program	2020	2019
	\$	\$
General purpose funding	4,618,894	2,560,882
Law, order, public safety	8,325	8,550
Health	3,192	4,000
Housing	1,500,661	1,441,301
Community amenities	273,176	257,811
Recreation and culture	3,865,697	4,165,806
Transport	43,826,741	44,126,655
Economic services	6,157,827	5,973,603
Other property and services	4,637,810	4,568,547
	<u>64,892,323</u>	<u>63,107,155</u>

## 17. CONTINGENT LIABILITIES

The Shire operates the Cue Refuse Site (Registration R1652/2004/1) under Category 89 Putrescible Landfill Site (PLS). A PLS is defined as "a premises (other than clean fill premises) on which waste of a type permitted for disposal for this category of prescribed premises, in accordance with the Landfill Waste Classification and Waste Definitions 1996, is accepted for burial".

*Environmental Protection (Rural Landfill) Regulations 2002 s17* requires the Shire to rehabilitate the Refuse Site after closure. Estimates based on the current rate of use suggest the remaining life of the site is between 25 and 30 years. The rehabilitation cost is yet to be determined, therefore, the contingent liability associated with the site was not known at reporting date. The liability will be determined once the post-closure rehabilitation plan is updated.

## 18. CAPITAL COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:	2020	2019
	\$	\$
Railway Building Refurbishment (RFT 2020-01)	162,791	0
	<u>162,791</u>	<u>0</u>
Payable:		
- not later than one year	162,791	0

## 19. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

## 20. INVESTMENT IN ASSOCIATES

The Shire did not have any investments in associates at reporting date.

## 21. MAJOR LAND TRANSACTIONS

The Shire did not have any major land transactions during the financial year.

## 22. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire was not involved in any trading undertakings or major trading undertakings during the financial year.

## 23. INVESTMENT PROPERTIES

The Shire did not hold any investment properties at reporting date.

## 24. RELATED PARTY TRANSACTIONS

### Elected members remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	26,386	30,500	18,853
President's allowance	9,988	10,900	10,800
Deputy President's allowance	2,724	2,800	2,700
Travelling expenses	15,934	25,000	24,673
Telecommunications allowance	23,780	24,500	24,650
	<u>78,812</u>	<u>93,700</u>	<u>81,676</u>

### Key management personnel (KMP) compensation disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	464,575	456,042
Post-employment benefits	65,501	63,267
Other long-term benefits	52,072	50,135
Termination benefits	<u>0</u>	<u>0</u>
	582,148	569,444

#### 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 annual and long service leave benefits accruing during the year.

#### Termination benefits

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

## 24. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

The following transactions occurred with related parties:

	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services:		
Key management personnel	43,760	17,265
Other related parties	3,793	3,576
	47,553	20,841
<b>Joint venture entities:</b>		
Distributions received from joint venture entities	0	0
<b>Amounts outstanding from related parties:</b>		
Trade and other receivables	0	0
Loans to associated entities	0	0
Loans to key management personnel	0	0
<b>Amounts payable to related parties:</b>		
Trade and other payables	0	0
Loans from associated entities	0	0

### Related parties

The Shire's three main related parties are as follows:

#### *Key management personnel*

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

#### *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.

#### *Close family members of key management personnel*

Close family members of key management personnel and for entities controlled or jointly controlled by any of the key management personnel or their close family members.

## 25. REVENUE, CONTRACT LIABILITIES AND OBLIGATIONS

### (a) Revenue - Unrestricted

		Opening balance 01 Jul 18	Received 2019	Expended 2019	Closing balance 30 Jun 19	Received 2020	Expended 2020	Closing balance 30 Jun 20
		\$	\$	\$	\$	\$	\$	\$
<b>Statutory revenue</b>								
General rates (including waste disposal)	(2)	0	2,396,048	(2,396,048)	0	2,449,620	(2,449,620)	0
Statutory fees, permits and licences	(2)	0	9,078	(9,078)	0	3,025	(3,025)	0
Fines	(2)	0	400	(400)	0	400	(400)	0
<b>Assets acquired below fair value</b>								
Federal Assistance Grant - General	(1)	680,107	1,413,795	(1,378,330)	715,572	1,408,843	(1,364,866)	759,549
ESL grant	(1)	750	10,402	(8,813)	2,339	4,581	(6,076)	844
Donations	(2)	0	535	(535)	0	0	0	0
Federal Assistance Grant - Roads	(1)	235,572	537,831	(479,313)	294,090	504,013	(560,940)	237,163
MRWA Subsidy	(2)	0	4,438	(4,438)	0	4,522	(4,522)	0
MRWA direct grant	(2)	0	74,908	(74,908)	0	80,278	(80,278)	0
<b>Reimbursements</b>								
Flood damage reimbursement	(3)	0	538,516	(538,516)	0	1,189,817	(1,189,817)	0
Other reimbursements	(2)	0	107,381	(107,381)	0	35,425	(35,425)	0
		916,429	5,093,332	(4,997,760)	1,012,001	5,680,524	(5,694,969)	997,556

- (1) Revenue received in advance which relates to first quarter funding of the following year. The closing balances are recognised as revenue in the year received.  
(2) Funds received and expended during the relevant reporting year.  
(3) Reimbursed expenses for the repair of roads due to flood damage. Amounts unpaid at reporting date are recognised as revenue and current assets.

## 25. REVENUE, CONTRACT LIABILITIES AND OBLIGATIONS (Continued)

### (b) Revenue - Restricted

		Opening balance 01 Jul 18	Received 2019	Expended 2019	Closing balance 30 Jun 19	Received 2020	Expended 2020	Closing balance 30 Jun 20
		\$	\$	\$	\$	\$	\$	\$
<b>Statutory revenue</b>								
Prepaid rates	(1)	8,335	20,229	(24,969)	3,595	11,396	(12,467)	2,524
<b>Transfers to purchase / construct assets</b>								
Skate park grant	(2)	0	0	0	0	39,404	(39,404)	0
Regional roads group	(2)	0	120,000	(120,000)	0	120,000	(120,000)	0
Roads to recovery	(3)	0	0	0	0	315,827	(56,400)	259,427
Oasis tourist park grant	(2)	0	43,150	(43,150)	0	0	0	0
<b>Other significant revenue</b>								
Asset repair working capital*	(1)	0	0	0	0	975,950	(396,605)	579,345
		8,335	183,379	(188,119)	3,595	1,462,577	(624,876)	841,296

- (1) Revenue received in advance. The closing balances are recognised as a current liability at reporting date, then as revenue once the relevant requirements are met.
- (2) The obligations related to the funding have been met during the relevant reporting year. This funding has been recognised as revenue.
- (3) The obligations related to the funding have not been met during the relevant reporting year. The closing balances are recognised as a current liability at reporting date, then as revenue once the obligations are met.

\* The Shire receives an advanced payment which is 20% of the estimated cost to repair the flood damage. This payment is initially recognised as a current liability. Each payment then received by the Shire is reduced by an agreed upon amount (normally 25% of the amount invoiced). The amount withheld corresponds to the portion to be recognised from the asset repair working capital liability which is recognised as revenue.

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

**25. REVENUE, CONTRACT LIABILITIES AND OBLIGATIONS (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES**

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 satisfied	Payment terms	Returns / Refunds / Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund if event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund if event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs

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

**25. REVENUE, CONTRACT LIABILITIES AND OBLIGATIONS (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES**

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 satisfied	Payment terms	Returns / Refunds / Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Revenue recognition
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
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 CUE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020

26. RATING INFORMATION

(a) Rates	2020 Actual			2020 Budget	2019 Actual
	Rate in	Number of properties	Rateable value	Total revenue	Total revenue
<b>Differential general rate / general rate</b>					
<b>Gross rental valuations</b>	\$	#	\$	\$	\$
GRV residential	0.10620	94	565,444	60,050	60,050
GRV commercial	0.10620	5	299,208	31,776	31,776
GRV vacant land	0.10620	0	0	0	0
GRV M & T workforce	0.30000	2	246,750	74,025	76,493
UV mining	0.30000	312	6,911,003	2,077,651	2,052,747
UV pastoral	0.08430	14	511,413	43,112	42,604
<b>Sub-total</b>		427	8,533,818	2,286,614	2,263,670
<b>Minimum payment</b>					
<b>Gross rental valuations</b>					
GRV residential	451	45	105,003	20,295	20,295
GRV commercial	451	0	0	0	0
GRV vacant land	451	41	8,780	18,491	18,040
GRV M & T workforce	451	0	0	0	0
UV mining	451	125	95,824	55,924	52,316
UV pastoral	451	4	11,933	1,804	1,804
<b>Sub-total</b>		215	221,540	96,514	92,455
		642	8,755,358	2,383,128	2,356,125
Discounts/incentives (refer Note 26(d))			(7,355)	(1,000)	(3,805)
Rates written-off			(509)	(50,000)	(372)
<b>Total amount raised from general rate</b>			2,371,365	2,332,128	2,351,948
Interim and back rates			25,242	5,000	(1,214)
<b>Totals</b>			2,396,607	2,337,128	2,350,734

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates (refer Note 12).

## 26. RATING INFORMATION (Continued)

### (b) Specified area rate

No specified area rates were imposed by the Shire during the year ended 30 June 2020.

### (c) Service charges

No service charges were imposed by the Shire during the year ended 30 June 2020.

### (d) Discounts, incentives, concessions, and write-offs

#### Rates discounts

Rate or fee			2020	2020	2019
Discount granted	Incentive	Discount	Actual	Budget	Actual
	\$	%	\$	\$	\$
Discount	N/A	20.0%	6,355	0	2,805
Incentive Draw	1,000	N/A	1,000	1,000	1,000
			<u>7,355</u>	<u>1,000</u>	<u>3,805</u>

#### Circumstances in which discount/incentive is granted

##### Discount

Provided to rate payers of this category whose payment of the full amount owing, including arrears and service charges is received on or before 35 days after the date appearing on the rate notice.

##### Incentive Draw

Incentive for the payment of rates and charges by the single payment due date by the way of lottery draw for cash prizes. First prize is \$600, second prize is \$300, and third prize is \$100.

#### Waivers or concessions

No waivers or concessions were offered during the year ended 30 June 2020.

26. RATING INFORMATION (Continued)

(e) Interest charges and instalments

Instalment options	Date due	Instalment plan admin charge \$	Instalment plan interest rate %	Unpaid rates interest rate %
<b>Option one</b>				
Single full payment	04 Oct 2019			
<b>Option two</b>				
First instalment	04 Oct 2019	15	5.5%	11.0%
Second instalment	06 Dec 2019	15	5.5%	11.0%
Third instalment	07 Feb 2020	15	5.5%	11.0%
Fourth instalment	10 Apr 2020	15	5.5%	11.0%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	17,893	24,000	23,871
Interest on instalment plan	4,508	5,500	4,649
	22,401	29,500	28,520

## 27. RATE SETTING STATEMENT INFORMATION

	2020 Actual (30 June 2020 carried forward) \$	2020 Budget (30 June 2020 carried forward) \$	2019 Actual 1 July 2019 brought forward) \$	
<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	10(a)	(3,967)	(64,606)	(6,723)
Less: Fair value adjustments to financial assets	7	(288)	0	(17,517)
Movement in pensioner deferred rates (non-current)	5	(1,170)	0	(2,563)
Movement in employee benefit provisions (non-current)	14	12,549	0	23,708
Add: Loss on disposal of assets	10(a)	7,051	11,432	47,727
Add: Loss on revaluation of fixed assets	8(a)	0	0	22,014
Add: Depreciation on assets	10(b)	2,746,947	2,809,062	2,770,650
<b>Non cash amounts excluded from operating activities</b>		<b>2,761,122</b>	<b>2,755,888</b>	<b>2,837,296</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 - restricted cash	4	(6,041,975)	(5,334,672)	(5,680,737)
Add: Borrowings	13(a)	91,176	114,200	0
<b>Total adjustments to net current assets</b>		<b>(5,950,799)</b>	<b>(5,220,472)</b>	<b>(5,680,737)</b>
<b>Net current assets used in the rate setting statement</b>				
Total current assets		11,719,271	5,664,764	9,250,464
Less: Total current liabilities		(1,759,403)	(421,268)	(348,989)
Less: Total adjustments to net current assets		(5,950,799)	(5,243,496)	(5,680,737)
<b>Net current assets used in the rate setting statement</b>		<b>4,009,069</b>	<b>0</b>	<b>3,220,738</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 type	Exposure arising from	Measurement	Management
<b>Market risk - interest rate</b>	Cash and cash equivalents, financial assets at amortised cost, and long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings and term deposits
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis. Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. 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>2020</b>					
Cash and cash equivalents	0.23%	4,334,261	3,019,057	1,246,479	68,725
Financial assets at amortised cost	0.79%	5,590,479	5,590,479	0	0
<b>2019</b>					
Cash and cash equivalents	1.49%	1,574,199	500,000	1,073,229	970
Financial assets at amortised cost	2.24%	6,230,737	6,230,737	0	0

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Interest rate risk (Continued)

#### Sensitivity

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

	2020	2019
Impact of a 1% movement in interest rates on: profit and loss and equity*	\$ 12,465	\$ 10,732

\* - 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 13(c).

### (b) Credit risk

#### Trade and other receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 72 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk (Continued)

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

Rates receivable	Current	One to	Three or	Total
	\$ or %	three years	more years	\$
<b>30 June 2020</b>				
Expected default rate	0.8%	2.0%	24.8%	8.9%
Gross carrying amount	140,937	90,021	111,251	342,209
Expected credit loss	1,062	1,809	27,629	30,500
<b>30 June 2019</b>				
Expected default rate	53.8%	33.0%	20.7%	28.4%
Gross carrying amount	3,604	194,601	130,552	328,757
Expected credit loss	1,940	64,211	27,068	93,219

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

Sundry receivables	Current	One to	Three or	Total
	\$ or %	three months	more months	\$
<b>30 June 2020</b>				
Expected default rate	0.0%	0.0%	77.6%	7.3%
Gross carrying amount	241,018	29,360	28,027	298,405
Expected credit loss	0	0	21,760	21,760
<b>30 June 2019</b>				
Expected default rate	0.0%	0.0%	76.3%	1.6%
Gross carrying amount	100,608	17,215	2,560	120,383
Expected credit loss	0	0	1,954	1,954

## 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 if required.

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>2020</b>					
Payables	1,282,257	0	0	1,282,257	1,282,257
Borrowings	107,415	429,660	483,367	1,020,442	935,015
	1,389,672	429,660	483,367	2,302,699	2,217,272
<b>2019</b>					
Payables	240,120	0	0	240,120	240,120
	240,120	0	0	240,120	240,120

## 29. TRUST FUNDS

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

	01 Jul 19	Amounts received	Amounts paid	30 Jun 20
	\$	\$	\$	\$
Cue Land Conservation District Committee	2,080	0	0	2,080
	2,080	0	0	2,080

The current interest rate for the Trust Fund bank account is 0.00% when funds held are less than \$500,000

### 30. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

- (a) The Shire was notified in September 2020 the cost estimate for AGRN888 was approved. The terms and conditions were signed and submitted in December 2020 along with receiving the asset repair working capital. The amounts are shown below:

	<u>2020</u>
<b>Flood damage reconstruction</b>	<b>\$</b>
Total project cost estimate	3,150,164
Asset repair working capital	630,033

- (b) The Shire entered into an agreement with Modular WA in July 2020 to construct three houses. The contract amount for each house is shown below:

	<u>2020</u>
<b>Capital commitments</b>	<b>\$</b>
Tourist Park House with Office (RFT 2019-01)	329,653
GROH House - 29 Allen Street (RFT 2019-01)	352,727
GROH House - 28 Dowley Street (RFT 2019-01)	317,430
	<u>999,810</u>

### 31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

The Shire adopted AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in a change in accounting policies. In accordance with the transition provisions in AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

There was no impact from the application of AASB 15 on the reported balances at the date of initial application (1 July 2019).

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

The Shire adopted AASB 1058 *Income for Not-For-Profit Entities* (issued December 2016) on 1 July 2019 resulting in a change in accounting policies. In accordance with the transition provisions in AASB 1058, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods were not restated in accordance with the AASB 1058 transition requirements.

There were no uncompleted contracts or funds previously recognised as revenue, applicable under AASB 1058, at the date of initial application (1 July 2019).

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

#### (c) AASB 16: Leases

The Shire adopted AASB 16 *Leases* retrospectively from 1 July 2019 which resulted in a change in accounting policies. In accordance with the transition provisions in AASB 16, the Shire applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised at 1 July 2019. Comparative information for prior reporting periods were not restated in accordance with the AASB 16 transition requirements.

At the date of initial application (1 July 2019), the Shire had no leases applicable under AASB 16.

#### (d) Impact of New Accounting Standards on Accumulated Surplus

The impact on the Shire's accumulated surplus, following the adoption of AASB 15, AASB 1058 and AASB 16 at 1 July 2019, is as follows:

	Note	Adjustments	2019
		\$	\$
Retained surplus - 30 June 2019			18,432,472
Adjustment to retained surplus from adoption of AASB 15	31(a)	0	0
Adjustment to retained surplus from adoption of AASB 1058	31(b)	0	0
Adjustment to retained surplus from adoption of AASB 16	31(c)	0	0
Retained surplus - 1 July 2019			18,432,472

# SHIRE OF CUE

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2020

### 32. 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 ends of the reporting period.

### 33. ACTIVITIES / PROGRAMS

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

<b>PROGRAM NAME</b>	<b>OBJECTIVE / ACTIVITIES</b>
<b>GOVERNANCE</b>	Administration and operation of facilities and services to members of Council. Other costs that relate to tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.
<b>GENERAL PURPOSE FUNDING</b>	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b>	Supervision of various local laws, fire prevention, emergency services and animal control.
<b>HEALTH</b>	Food quality and water control. Environmental Health Officer. Doctor Service.
<b>EDUCATION AND WELFARE</b>	Assistance to Cue Primary School, Thoo Thoo Wandii, Senior Citizens and Playgroup. Involvement in work experience programmes.
<b>HOUSING</b>	Provision and maintenance of staff and rental housing.
<b>COMMUNITY AMENITIES</b>	Rubbish collection services, maintenance of refuse sites, administration of the town planning scheme, control and co-ordination of cemeteries, and maintenance of public conveniences.
<b>RECREATION AND CULTURE</b>	Maintenance of Shire hall, recreation centre, Stan Gurney Memorial Park and various reserves. Operation of library and internet services. Co-ordination of Australia Day activities.
<b>TRANSPORT</b>	Construction and maintenance of streets, roads, footpaths, drainage works, parking facilities, traffic signs and median strips. Control and maintenance of Cue Airport.
<b>ECONOMIC SERVICES</b>	The regulation and provision of tourism and the Historical Photographic Collection. Maintenance of the Shire-owned Caravan Park. Building and vermin control. Employment programme administered on behalf of the Department of Employment, Workplace Relations and Small Business.
<b>OTHER PROPERTY AND SERVICES</b>	Private works operation, plant repair and operation costs.

### 34. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	2.31	12.43	5.26
Asset consumption ratio	0.61	0.65	0.67
Asset renewal funding ratio	0.81	0.85	0.51
Asset sustainability ratio	0.65	0.73	0.43
Debt service cover ratio	30.20	N/A	N/A
Operating surplus ratio	(0.23)	(0.20)	(0.20)
Own source revenue coverage ratio	0.41	0.50	0.47

#### Asset consumption ratio restatement

The consumption ratios for 2018 and 2019 have been restated below due to the removal of non-depreciable assets from the calculation.

	Previously reported	Adjustment	Restated ratio
Asset consumption ratio - 2018	0.75	(0.08)	0.67
Asset consumption ratio - 2019	0.73	(0.08)	0.65

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