

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

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COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

Principal place of business:
9 MacPherson Place
PO Box 42
Laverton WA 6440

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Laverton 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 Laverton 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 27TH day of MAY 2021



Chief Executive Officer

Peter Naylor

Name of Chief Executive Officer



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	22(a)	5,303,425	5,386,900	4,648,007
Operating grants, subsidies and contributions	2(a)	6,491,031	2,665,090	6,431,616
Fees and charges	2(a)	787,812	630,450	573,456
Interest earnings	2(a)	82,434	120,200	168,542
Other revenue	2(a)	260,871	542,433	496,739
		12,925,573	9,345,073	12,318,360
Expenses				
Employee costs		(3,997,268)	(4,465,315)	(3,628,460)
Materials and contracts		(4,826,017)	(6,695,962)	(6,494,122)
Utility charges		(334,447)	(309,300)	(280,611)
Depreciation on non-current assets	9(d)	(2,890,565)	(2,579,495)	(2,512,865)
Interest expenses	2(b)	(55,967)	(54,335)	(54,034)
Insurance expenses		(126,703)	(159,672)	(118,195)
Other expenditure		(183,618)	(392,119)	(123,712)
		(12,414,585)	(14,656,198)	(13,211,999)
		510,988	(5,311,125)	(893,639)
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Profit on asset disposals	9(a)	20,364	135,000	22,673
(Loss) on asset disposals	9(a)	(20,262)	0	(1,610,255)
Impairment of Plant and Equipment	7(a)	(890,471)	0	0
(Loss) on revaluation of land and buildings	7(a)	(643,796)	0	0
(Loss) on revaluation of Other infrastructure	8(a)	(423,088)	0	0
		4,100,013	5,864,805	7,448,959
Net result for the period		4,611,001	553,680	6,555,320
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	673,738	0	0
Total other comprehensive income for the period		673,738	0	0
Total comprehensive income for the period		5,284,739	553,680	6,555,320

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



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



	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
2(a)				
Governance		22,952	100	170
General purpose funding		7,895,309	6,636,800	7,160,444
Law, order, public safety		16,144	12,283	9,468
Health		4,138	3,500	104,574
Education and welfare		289,121	245,107	267,098
Housing		94,704	50,000	142,338
Community amenities		139,426	141,050	136,431
Recreation and culture		100,540	74,600	67,960
Transport		3,769,941	1,661,000	3,805,429
Economic services		366,506	415,133	387,324
Other property and services		226,792	105,500	237,124
		12,925,573	9,345,073	12,318,360
Expenses				
2(b)				
Governance		(570,883)	(666,337)	(477,165)
General purpose funding		(515,126)	(715,528)	(402,875)
Law, order, public safety		(239,982)	(308,707)	(272,798)
Health		(316,988)	(356,176)	(293,038)
Education and welfare		(542,454)	(693,692)	(578,767)
Housing		(74,273)	(70,785)	(92,157)
Community amenities		(590,446)	(623,366)	(555,192)
Recreation and culture		(1,296,065)	(1,292,612)	(924,748)
Transport		(7,267,062)	(8,387,857)	(8,394,175)
Economic services		(1,145,868)	(1,457,097)	(1,227,864)
Other property and services		200,529	(29,706)	60,814
		(12,358,618)	(14,601,863)	(13,157,965)
Finance Costs				
2(b)				
General purpose funding		(49)	(6,000)	(1,423)
Housing		(22,757)	(20,600)	(23,486)
Recreation and culture		(19,101)	(15,630)	(11,623)
Economic services		(14,060)	(12,105)	(17,502)
		(55,967)	(54,335)	(54,034)
		510,988	(5,311,125)	(893,639)
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Profit on disposal of assets	9(a)	20,364	135,000	22,673
(Loss) on disposal of assets	9(a)	(20,262)	0	(1,610,255)
Impairment of Plant & Equipment	7(a)	(890,471)	0	0
(Loss) on revaluation of land and buildings	7(a)	(643,796)	0	0
(Loss) on revaluation of Other infrastructure	8(a)	(423,088)	0	0
		4,100,013	5,864,805	7,448,959
Net result for the period		4,611,001	553,680	6,555,320
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	673,738	0	0
Total other comprehensive income for the period		673,738	0	0
Total comprehensive income for the period		5,284,739	553,680	6,555,320

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



SHIRE OF LAVERTON
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020	2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	2,881,341	3,936,574
Trade and other receivables	5	922,558	1,384,029
Inventories	6	189,717	139,287
TOTAL CURRENT ASSETS		3,993,616	5,459,890
NON-CURRENT ASSETS			
Trade and other receivables	5	3,687	3,687
Property, plant and equipment	7	13,865,902	14,937,892
Infrastructure	8	139,887,515	133,339,041
TOTAL NON-CURRENT ASSETS		153,757,104	148,280,620
TOTAL ASSETS		157,750,720	153,740,510
CURRENT LIABILITIES			
Trade and other payables	12	262,877	849,002
Other liabilities	13	473,209	0
Borrowings	14(a)	226,306	217,277
Employee related provisions	15	470,950	420,699
TOTAL CURRENT LIABILITIES		1,433,342	1,486,978
NON-CURRENT LIABILITIES			
Borrowings	14(a)	929,996	1,156,302
Employee related provisions	15	65,619	39,607
TOTAL NON-CURRENT LIABILITIES		995,615	1,195,909
TOTAL LIABILITIES		2,428,957	2,682,887
NET ASSETS		155,321,763	151,057,623
EQUITY			
Retained surplus		79,370,593	75,616,922
Reserves - cash backed	4	2,099,103	2,262,372
Revaluation surplus	11	73,852,067	73,178,329
TOTAL EQUITY		155,321,763	151,057,623

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



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

		RETAINED	RESERVES CASH	REVALUATION	TOTAL
	NOTE	SURPLUS	BACKED	SURPLUS	EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2018		68,557,638	2,766,336	73,178,329	144,502,303
Comprehensive income					
Net result for the period		6,555,320	0	0	6,555,320
Total comprehensive income		6,555,320	0	0	6,555,320
Transfers from reserves	4	896,761	(896,761)	0	0
Transfers to reserves	4	(392,798)	392,798	0	0
Balance as at 30 June 2019		75,616,922	2,262,372	73,178,329	151,057,623
Change in accounting policy	26(b)	(1,020,599)	0	0	(1,020,599)
Restated total equity at 1 July 2019		74,596,323	2,262,372	73,178,329	150,037,024
Comprehensive income					
Net result for the period		4,611,001	0	0	4,611,001
Other comprehensive income	11	0	0	673,738	673,738
Total comprehensive income		4,611,001	0	673,738	5,284,739
Transfers from reserves	4	195,000	(195,000)	0	0
Transfers to reserves	4	(31,731)	31,731	0	0
Balance as at 30 June 2020		79,370,593	2,099,103	73,852,067	155,321,763

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		5,348,468	5,386,900	4,298,555
Operating grants, subsidies and contributions		6,373,850	2,665,090	7,981,877
Fees and charges		787,812	630,450	573,456
Interest received		82,434	120,200	168,542
Goods and services tax received		1,435,074	0	2,203,828
Other revenue		260,871	542,433	496,739
		14,288,509	9,345,073	15,722,997
Payments				
Employee costs		(3,897,529)	(4,465,315)	(3,617,266)
Materials and contracts		(5,486,048)	(6,695,962)	(6,530,624)
Utility charges		(334,447)	(309,300)	(280,611)
Interest expenses		(55,967)	(54,335)	(54,034)
Insurance paid		(126,703)	(159,672)	(118,195)
Goods and services tax paid		(1,448,855)	0	(2,301,163)
Other expenditure		(183,618)	(392,119)	(123,712)
		(11,533,167)	(12,076,703)	(13,025,605)
Net cash provided by (used in) operating activities	16	2,755,342	(2,731,630)	2,697,392
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	7(a)	(518,120)	(1,383,000)	(4,452,129)
Payments for construction of infrastructure	8(a)	(9,235,089)	(5,080,386)	(12,279,687)
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Proceeds from sale of property, plant & equipment	9(a)	102,645	135,000	191,500
Net cash provided by (used in) investment activities		(3,593,298)	(598,581)	(7,503,775)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(217,277)	217,287	(174,616)
Proceeds from new borrowings	14(b)	0	0	800,000
Net cash provided by (used in) financing activities		(217,277)	217,287	625,384
Net increase (decrease) in cash held		(1,055,233)	(3,112,924)	(4,180,999)
Cash at beginning of year		3,936,574	4,026,742	8,117,573
Cash and cash equivalents at the end of the year	16	2,881,341	913,818	3,936,574

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	1,327,917	3,960,158	6,942,537
		1,327,917	3,960,158	6,942,537
Revenue from operating activities (excluding rates)				
Governance		22,952	100	170
General purpose funding		2,591,884	1,249,900	2,512,437
Law, order, public safety		16,144	12,283	9,468
Health		4,138	3,500	104,574
Education and welfare		289,121	245,107	267,098
Housing		94,704	50,000	142,338
Community amenities		139,426	141,050	136,431
Recreation and culture		100,540	74,600	67,960
Transport		3,790,305	1,796,000	3,810,621
Economic services		366,506	415,133	387,324
Other property and services		226,792	105,500	254,605
		7,642,512	4,093,173	7,693,026
Expenditure from operating activities				
Governance		(570,883)	(666,337)	(478,045)
General purpose funding		(515,175)	(721,528)	(404,298)
Law, order, public safety		(239,982)	(308,707)	(272,798)
Health		(316,988)	(356,176)	(293,038)
Education and welfare		(542,454)	(693,692)	(582,089)
Housing		(97,030)	(91,385)	(115,643)
Community amenities		(590,446)	(623,366)	(559,349)
Recreation and culture		(1,315,166)	(1,308,242)	(2,457,130)
Transport		(7,284,934)	(8,387,857)	(8,454,257)
Economic services		(1,159,928)	(1,469,202)	(1,247,433)
Other property and services		(868,745)	(29,706)	41,826
		(13,501,731)	(14,656,198)	(14,822,254)
Non-cash amounts excluded from operating activities	23(a)	4,033,610	2,444,495	4,026,965
Amount attributable to operating activities		(497,692)	(4,158,372)	3,840,274
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	6,057,266	5,729,805	9,036,541
Proceeds from disposal of assets	9(a)	102,645	135,000	191,500
Purchase of property, plant and equipment	7(a)	(518,120)	(1,383,000)	(4,452,129)
Purchase and construction of infrastructure	8(a)	(9,235,089)	(5,080,386)	(12,279,687)
Amount attributable to investing activities		(3,593,298)	(598,581)	(7,503,775)
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(217,277)	(217,286)	(174,616)
Proceeds from borrowings	14(c)	0	0	800,000
Transfers to reserves (restricted assets)	4	(31,731)	(800,382)	(392,797)
Transfers from reserves (restricted assets)	4	195,000	387,721	896,761
Amount attributable to financing activities		(54,008)	(629,947)	1,129,348
Surplus/(deficit) before imposition of general rates		(4,144,998)	(5,386,900)	(2,534,153)
Total amount raised from general rates	22(a)	5,303,425	5,199,900	4,648,007
Surplus/(deficit) after imposition of general rates	23(b)	1,158,427	(187,000)	2,113,854

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

SHIRE OF LAVERTON
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FOR THE YEAR ENDED 30 JUNE 2020

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1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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

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

The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
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

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by Council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
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

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	2,506,204	1,125,200	2,339,078
Law, order, public safety	5,670	5,483	6,380
Health	0	0	100,283
Education and welfare	284,614	245,107	264,745
Housing	44,489	20,000	108,730
Community amenities	0	60,000	0
Recreation and culture	61,066	951,000	61,338
Transport	3,273,534	167,300	3,227,365
Economic services	128,208	91,000	150,463
Other property and services	187,246	0	173,234
	6,491,031	2,665,090	6,431,616
Non-operating grants, subsidies and contributions			
Law, order, public safety	19,573	22,000	0
Recreation and culture	415,374	40,000	1,315,762
Transport	5,595,459	5,630,805	7,720,779
Economic services	26,860	37,000	0
	6,057,266	5,729,805	9,036,541
Total grants, subsidies and contributions	12,548,297	8,394,895	15,468,157
Fees and charges			
General purpose funding	3,246	4,500	4,561
Law, order, public safety	1,783	6,800	3,088
Health	477	500	590
Housing	50,215	30,000	29,214
Community amenities	139,426	141,050	136,431
Recreation and culture	24,427	14,600	2,609
Transport	475,977	325,000	179,475
Economic services	56,317	96,000	165,271
Other property and services	35,944	12,000	52,217
	787,812	630,450	573,456

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 \$
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:			
Non-operating grants, subsidies and contributions	6,057,266	5,729,805	9,036,541
	6,057,266	5,729,805	9,036,541
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:			
Transfer intended for acquiring or constructing recognisable non-financial assets included as a liability at the start of the period.	1,020,599	0	0
Other revenue from performance obligations satisfied during the year	5,036,667	5,729,805	9,036,541
	6,057,266	5,729,805	9,036,541
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	285,974		0
Other liabilities from transfers for recognisable non-financial assets	(473,209)		0

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

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

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

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

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates
Statutory permits and licences

Other revenue

Reimbursements and recoveries
Other

Interest earnings

Interest on reserve funds
Rates instalment and penalty interest (refer Note 22(c))
Other interest earnings

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	5,303,425	5,199,900	4,648,007
Statutory permits and licences	2,546	0	0
	5,305,971	5,199,900	4,648,007
Reimbursements and recoveries	0	542,433	203,706
Other	260,871	0	293,033
	260,871	542,433	496,739
Interest on reserve funds	31,732	40,000	71,036
Rates instalment and penalty interest (refer Note 22(c))	43,461	40,000	53,773
Other interest earnings	7,241	40,200	43,733
	82,434	120,200	168,542

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.

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Auditors remuneration				
- Audit of the Annual Financial Report		41,000	60,000	38,000
- Other services		0	0	3,842
		41,000	60,000	41,842
Interest expenses (finance costs)				
Borrowings	14(b)	55,917	48,335	52,611
Interest expense - Other		50	6,000	1,423
		55,967	54,335	54,034
Other expenditure				
Impairment loss on trade and other receivables from contracts with customers		133,131	0	0
Sundry expenses		50,487	392,119	123,712
		183,618	392,119	123,712

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2020	2019
		\$	\$
Cash at bank and on hand		782,238	999,368
Term deposits		2,099,103	2,937,206
Total cash and cash equivalents		2,881,341	3,936,574
Comprises:			
- Unrestricted cash and cash equivalents		178,584	(926,270)
- Restricted cash and cash equivalents		2,702,757	4,862,844
		2,881,341	3,936,574
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		2,702,757	4,862,844
		2,702,757	4,862,844

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

Reserves - cash backed	4	2,099,103	2,262,372
Contract liabilities from contracts with customers	13	473,209	0
Unspent grants, subsidies and contributions		0	2,374,169
Bonds and deposits - from trust		130,445	226,303
Total restricted assets		2,702,757	4,862,844

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

SHIRE OF LAVERTON

4. RESERVES - CASH BACKED

RESERVES - CASH BACKED														
	2020		2020		2020		2020		2020		2020		2020	
	Actual	Opening Balance	Transfer to	Actual	Transfer (from)	Actual	Closing Balance	Budget	Opening Balance	Transfer to	Budget	Transfer (from)	Budget	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	186,036		2,609	0	188,645	186,037	2,978	0	189,015	4,658	181,379	0	186,036	0
(b) Plant Reserve	95,402		1,338	0	96,740	95,402	4,811	0	100,213	2,388	93,014	0	95,402	0
(c) Swimming Pool Reserve	108,491		1,522	0	110,013	108,491	1,685	0	110,176	227,645	227,645	0	108,491	(125,000)
(d) Aerodrome Reserve	34,076		478	0	34,554	34,076	2,187	0	36,263	853	33,223	0	34,076	0
(e) Road Reserve	370,010		6,518	0	376,528	370,010	7,439	0	377,449	11,635	358,375	0	370,010	0
(f) Great Beyond Reserve	81,096		1,137	(50,000)	32,233	81,096	806	(50,000)	31,902	2,030	79,066	0	81,096	0
(g) Council Building Reserve	410,256		5,754	(60,000)	356,010	410,256	7,860	(60,000)	358,116	21,537	838,718	(450,000)	410,256	0
(h) Economic Development Reserve	298,479		4,186	0	302,665	298,479	4,285	(192,721)	110,043	7,472	291,006	0	298,479	0
(i) Community Bus Reserve	57,085		801	0	57,886	57,085	914	0	57,999	1,429	55,656	0	57,085	0
(j) Town Site Revitalisation Reserve	130,977		509	0	131,486	130,977	581	0	131,558	908	130,069	0	130,977	0
(k) Community Loan & Grant Reserve	21,169		297	0	21,466	21,169	339	0	21,508	530	20,638	0	21,169	0
(l) Coach House Renovation Reserve	247,008		3,464	(85,000)	165,472	247,008	2,558	(85,000)	164,566	6,184	240,825	0	247,008	0
(m) GCR/Skull Creek Floodway Reserve	222,287		3,118	0	225,405	222,287	3,558	0	225,845	5,566	216,722	0	222,287	0
(n) Lake Wells Road Reserve (Australian Potash)	0		0	0	0	0	760,381	0	760,381	321,761	0	(321,761)	0	0
	2,262,372		31,731	(195,000)	2,099,103	2,262,373	800,382	(387,721)	2,675,034	392,797	2,766,336	(896,761)	2,262,372	0

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	to be used to fund annual, RDO and long service leave requirements.
(b) Plant Reserve	Ongoing	to be used for the purchase of major plant.
(c) Swimming Pool Reserve	Ongoing	to be used for the renovation and upgrading works to the swimming pool.
(d) Aerodrome Reserve	Ongoing	to be used for the upkeep and major upgrade works to the Laverton Airport.
(e) Road Reserve	Ongoing	to be used for the upkeep and major improvements/re-sealing programmes for the roads within the Shire of Laverton.
(f) Great Beyond Reserve	Ongoing	to be used to plan, develop, expand or construct facilities for an improved tourism information centre.
(g) Council Building Reserve	Ongoing	to be used to maintain and construct buildings owned by the local government.
(h) Economic Development Reserve	Ongoing	to be used to purchase town site land.
(i) Community Bus Reserve	Ongoing	to be used for the maintenance and replacement of the community bus.
(j) Town Site Revitalisation Reserve	Ongoing	to be used to hold funds pertaining to the Laverton Town Site Revitalisation and Enhancement.
(k) Community Loan & Grant Reserve	Ongoing	to be held for monies that may be made available to community groups as a low interest loan to assist groups to achieve their aims.
(l) Coach House Renovation Reserve	Ongoing	to be used to fund Coach House renovations.
(m) GCR/Skull Creek Floodway Reserve	Ongoing	to be used to fund floodway construction.
(n) Lake Wells Road Reserve (Australian Potash)	Ongoing	to be used to fund roadworks - maintenance, renewal & construction along and adjacent to Lake Wells Road.

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

6. INVENTORIES

Current

Fuel and materials

2020	2019
\$	\$
189,717	139,287
189,717	139,287
139,287	175,760
0	(36,473)
50,430	0
189,717	139,287

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Utilisation of inventory

Additions to inventory

Carrying amount at end of period

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
Allowance for impairment of receivables
Other receivables - Accrued Income

Non-current

Pensioners' rates and ESL deferred

2020	2019
\$	\$
564,040	609,083
285,974	699,334
192,452	178,671
(133,131)	(122,140)
13,223	19,081
922,558	1,384,029
3,687	3,687
3,687	3,687

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

7. 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	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works in Progress	Golf Course	Race Course	Playground	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,072,896	1,072,896	6,511,354	6,511,354	7,584,250	169,607	3,957,692	15,120	12,000	14,000	21,800	11,774,469
Additions	0	0	1,514,145	1,514,145	1,514,145	140,715	2,790,978	6,291	0	0	0	4,452,129
(Disposals)	0	0	(123,027)	(123,027)	(123,027)	(16,429)	(242,976)	0	0	0	0	(382,432)
Depreciation (expense)	0	0	(368,274)	(368,274)	(368,274)	(31,858)	(458,342)	0	0	0	0	(858,474)
Transfers	0	0	0	0	0	0	15,120	(15,120)	(12,000)	(14,000)	(21,800)	(47,800)
Carrying amount at 30 June 2019	1,072,896	1,072,896	7,534,198	7,534,198	8,607,094	252,035	6,062,472	6,291	0	0	0	14,937,892
Comprises:												
Gross carrying amount at 30 June 2019	1,072,896	1,072,896	8,232,934	8,232,934	9,305,830	302,577	6,872,978	6,291	0	0	0	16,487,676
Accumulated depreciation at 30 June 2019	0	0	(698,736)	(698,736)	(698,736)	(40,542)	(810,506)	0	0	0	0	(1,549,784)
Carrying amount at 30 June 2019	1,072,896	1,072,896	7,534,198	7,534,198	8,607,094	252,035	6,062,472	6,291	0	0	0	14,937,892
Additions	0	0	103,098	103,098	103,098	42,637	372,385	0	0	0	0	518,120
(Disposals)	0	0	0	0	0	0	(102,543)	0	0	0	0	(102,543)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	1,789,024	1,789,024	1,789,024	0	(835,508)	0	0	0	0	953,516
Revaluation (loss) / reversals transferred to profit or loss	(643,796)	(643,796)	0	0	(643,796)	0	0	0	0	0	0	(643,796)
Impairment (losses) / reversals	0	0	0	0	0	(231,652)	(658,819)	0	0	0	0	(890,471)
Depreciation (expense)	0	0	(203,522)	(203,522)	(203,522)	(32,806)	(670,488)	0	0	0	0	(906,816)
Carrying amount at 30 June 2020	429,100	429,100	9,222,798	9,222,798	9,651,898	40,214	4,167,499	6,291	0	0	0	13,865,902
Comprises:												
Gross carrying amount at 30 June 2020	429,100	429,100	9,222,875	9,222,875	9,651,975	42,637	4,185,385	6,291	0	0	0	13,886,288
Accumulated depreciation at 30 June 2020	0	0	(77)	(77)	(77)	(2,423)	(17,886)	0	0	0	0	(20,386)
Carrying amount at 30 June 2020	429,100	429,100	9,222,798	9,222,798	9,651,898	40,214	4,167,499	6,291	0	0	0	13,865,902

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data using similar properties/income approach using discounted cashflow methodology	Independent registered valuers	June 2020	Price per hectare/market borrowing rate
Buildings	2	Market approach using recent observable market data using similar properties/income approach using discounted cashflow methodology	Independent registered valuers	June 2020	Price per square metre/market borrowing rate

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

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

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

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

8. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads \$	Infrastructure - footpaths & cycleways \$	Other infrastructure \$	Total Infrastructure \$
Balance at 1 July 2018	116,055,824	0	8,006,771	124,062,595
Additions	8,246,444		4,033,243	12,279,687
(Disposals)	0	0	(1,396,650)	(1,396,650)
Depreciation (expense)	(1,394,448)	0	(259,943)	(1,654,391)
Transfers	0	0	47,800	47,800
Carrying amount at 30 June 2019	122,907,820	0	10,431,221	133,339,041
Comprises:				
Gross carrying amount at 30 June 2019	146,171,088	0	10,691,164	156,862,252
Accumulated depreciation at 30 June 2019	(23,263,268)	0	(259,943)	(23,523,211)
Carrying amount at 30 June 2019	122,907,820	0	10,431,221	133,339,041
Additions	7,273,774	134,117	1,827,198	9,235,089
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	(279,778)	(279,778)
Revaluation (loss) / reversals transferred to profit or loss	0	0	(423,088)	(423,088)
Depreciation (expense)	(1,557,544)	0	(426,205)	(1,983,749)
Transfers	(36,400)	36,400	0	0
Carrying amount at 30 June 2020	128,587,650	170,517	11,129,348	139,887,515
Comprises:				
Gross carrying amount at 30 June 2020	153,407,241	171,738	11,148,473	164,727,452
Accumulated depreciation at 30 June 2020	(24,819,591)	(1,221)	(19,125)	(24,839,937)
Carrying amount at 30 June 2020	128,587,650	170,517	11,129,348	139,887,515

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

8. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Independent Valuation	Inputs Used
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition residual values and remaining useful life assessment inputs
Infrastructure - footpaths & cycleways	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition residual values and remaining useful life assessment inputs
Other Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2020	Construction costs and current condition residual values and remaining useful life assessment 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.

(c) Mt Weld Road upgrade project (Project)

The Shire commenced the Mt Weld Road upgrade project (Project) in 2018/19 and completed the Project in 2019/2020. The Project was to upgrade and seal 21.5 kilometres of the Mt Weld Road to better connect nearby mining operations to the Laverton township and provide improved access to the Laverton airport.

Included in infrastructure - roads is the Shire's expenditure of \$7.6 million on the Project. Original budgetted cost of the Project was \$5.1 million and the Shire incurred a cost overrun of \$2.5 million on the Project.

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

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, and vested improvements to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

In accordance with the then *Local Government (Financial Management) Regulation 16(a)(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 then *Local Government (Financial Management) Regulation 16(a)(i)* which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

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

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

Land under roads from 1 July 2019

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

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

Vested improvements from 1 July 2019

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

Refer to Note 10 that details the significant accounting policies applying to leases (including right of use assets).

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

9. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - non-specialised	0	0	0	0	0	0	0	0	123,027	0	0	(123,027)
Furniture and equipment	0	0	0	0	0	0	0	0	16,429	0	0	(16,429)
Plant and equipment	102,543	102,645	20,364	(20,262)	0	135,000	135,000	0	242,976	191,500	22,673	(74,149)
Other infrastructure	0	0	0	0	0	0	0	0	1,396,650	0	0	(1,396,650)
	102,543	102,645	20,364	(20,262)	0	135,000	135,000	0	1,779,082	191,500	22,673	(1,610,255)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Transport				
P336 - Fuso Canter Truck	3,769	15,600	11,831	0
P337 - Ford Ranger Tray Back Utility	12,467	21,000	8,533	0
P300 - Ford Ranger Utility	19,372	1,500	0	(17,872)
Other property and services				
P377 - Toyota Landcruiser Wagon	66,935	64,545	0	(2,390)
	102,543	102,645	20,364	(20,262)
	102,543	102,645	20,364	(20,262)

(b) Fully Depreciated Assets in Use

Nil

(c) Temporarily Idle Assets

Nil

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

9. FIXED ASSETS

(d) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	203,522	425,000	368,274
Furniture and equipment	32,806	32,000	31,858
Plant and equipment	670,488	320,000	458,342
Infrastructure - roads	1,557,544	1,300,995	1,394,448
Other infrastructure	426,205	501,500	259,943
	2,890,565	2,579,495	2,512,865

Revision of useful lives of plant and equipment

A management review of useful lives of plant and equipment was undertaken, and useful lives amended where necessary.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	40 years
Furniture and equipment	10 years
Plant and equipment	3 to 10 years
Roads and streets	40 - 80 years
formation	not depreciated
Airport	20 years
Sewerage piping	100 years
Parks and gardens equipment	35 years
Information bay	35 years
Town centre facilities	35 years
Tools	10 years
Right of use (buildings)	Based on the remaining lease term

Depreciation on revaluation

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

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

Amortisation

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

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

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

10. LEASES

(a) Right of Use Assets

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

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

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 9 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

The Shire did not hold any leases as recognised under AASB 16 as at 30 June 2020.

11. REVALUATION SURPLUS

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1. Vested land is no longer required to be recognised at fair value. Land under golf courses, snow grounds, race courses or any other sporting or recreational facility of state or regional significance should be recognised at zero cost.

SHIRE OF LAVERTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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12. TRADE AND OTHER PAYABLES

Current

Sundry creditors

Accrued salaries and wages

ATO liabilities - PAYG & GST

Bonds and deposits held

Other Accrued Income

Payroll Creditors

Other payables

	2020	2019
	\$	\$
Sundry creditors	17,107	625,984
Accrued salaries and wages	0	94,254
ATO liabilities - PAYG & GST	176,808	59,078
Bonds and deposits held	46,603	45,368
Other Accrued Income	8,886	11,008
Payroll Creditors	985	985
Other payables	12,488	12,325
	262,877	849,002

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

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

Prepaid rates

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

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

13. CONTRACT AND OTHER LIABILITIES

Current

Other liabilities - deferred grant revenue

2020	2019
\$	\$
473,209	0
473,209	0

Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

473,209
473,209

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

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

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

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

SHIRE OF LAVERTON

14. INFORMATION ON BORROWINGS

	2020	2019
(a) Borrowings	\$	\$
Current	226,306	217,277
Non-current	929,996	1,156,302
	<u>1,156,302</u>	<u>1,373,579</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019			30 June 2020			30 June 2020			30 June 2020			30 June 2019			30 June 2019		
				Actual Principal	Actual Interest	Actual outstanding	Budget Principal	Budget Interest	Budget outstanding	Actual Principal	Actual Interest	Actual outstanding	Actual Principal	Actual Interest	Actual outstanding	Actual Principal	Actual Interest	Actual outstanding	Actual Principal	Actual Interest	Actual outstanding
Housing	79B	WATC	6.14%	61,923	(14,786)	(3,197)	47,137	61,923	(3,375)	31,895	90,187	0	(28,264)	(5,196)	61,923						
	81	WATC	4.72%	223,221	(40,579)	(10,877)	182,642	223,221	(10,075)	182,642	261,951	0	(38,730)	(13,007)	223,221						
	82	WATC	3.04%	239,210	(37,315)	(8,682)	201,895	239,210	(22,075)	217,135	0	(10,790)	(5,283)	239,210							
Recreation and culture	83	WATC	3.04%	526,262	(48,565)	(19,101)	477,697	526,262	(48,570)	477,692	0	(23,738)	(11,623)	526,262							
	80	WATC	3.98%	322,963	(76,032)	(14,060)	246,931	322,963	(76,035)	246,928	396,057	0	(73,094)	(17,502)	322,963						
Economic services				1,373,579	(217,277)	(55,917)	1,156,302	1,373,579	(217,287)	1,156,292	748,195	800,000	(174,616)	(52,611)	1,373,579						
				1,373,579	(217,277)	(55,917)	1,156,302	1,373,579	(217,287)	1,156,292	748,195	800,000	(174,616)	(52,611)	1,373,579						

* WA Treasury Corporation

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

14. INFORMATION ON BORROWINGS (Continued)

	2020	2019
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	25,000	25,000
Credit card balance at balance date	(3,282)	(12,078)
Total amount of credit unused	521,718	512,922
 Loan facilities		
Loan facilities - current	226,306	217,277
Loan facilities - non-current	929,996	1,156,302
Total facilities in use at balance date	1,156,302	1,373,579
 Unused loan facilities at balance date	0	0

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 24.

15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	165,949	254,750	420,699
Non-current provisions	0	39,607	39,607
	165,949	294,357	460,306
Additional provision	208,450	49,223	257,673
Amounts used	(174,205)	(7,205)	(181,410)
Balance at 30 June 2020	200,194	336,375	536,569
Comprises			
Current	200,194	270,756	470,950
Non-current	0	65,619	65,619
	200,194	336,375	536,569

	2020 \$	2019 \$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	57,260	422,048
More than 12 months from reporting date	492,835	38,258
Expected reimbursements from other WA local governments	(13,526)	0
	536,569	460,306

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	2,881,341	913,818	3,936,574
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	4,611,001	553,680	6,555,320
Non-cash flows in Net result:			
Depreciation on non-current assets	2,890,565	2,579,495	2,512,865
(Profit)/loss on sale of asset	(102)	(135,000)	1,587,582
Impairment of Plant and Equipment	890,471	0	0
Loss on revaluation of fixed assets	1,066,884	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(85,919)	0	1,022,138
(Increase)/decrease in inventories	(50,430)	0	36,473
Increase/(decrease) in payables	(586,125)	0	(54,358)
Increase/(decrease) in provisions	76,263	0	73,913
Non-operating grants, subsidies and contributions	(6,057,266)	(5,729,805)	(9,036,541)
Net cash from operating activities	2,755,342	(2,731,630)	2,697,392

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

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	2,800	552,946
General purpose funding	782,238	900,885
Law, order, public safety	75,200	3,553
Health	285,000	328,652
Education and welfare	224,800	290,427
Housing	2,594,100	3,198,550
Community amenities	925,602	2,365,363
Recreation and culture	8,499,750	7,033,455
Transport	137,159,919	134,121,983
Economic services	2,478,761	1,996,188
Other property and services	1,516,193	1,056,449
Unallocated	3,206,357	1,892,059
	157,750,720	153,740,510

18. CONTINGENT LIABILITIES

A potential liability exists for the upgrade/maintenance of the Lake Wells Road as an agreement exists with Australian Potash Limited to be responsible for the upgrade/maintenance for a period of five years. At the time of compilation of this report the extent of the liability is limited to the amount of rates levied on the tenements mentioned in the agreement.

The contingent liability at 30 June 2020 is \$1.2 million, contingent on the execution of the agreement.

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

19. CAPITAL AND LEASING COMMITMENTS

	2020	2019
	\$	\$
Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	701,425
- plant & equipment purchases	0	46,248
	0	747,673
Payable:		
- not later than one year	0	747,673

The capital expenditure project outstanding at the end of the previous year represents the contracts associated with the Community Hub project, runway lighting project, contract to upgrade the playgroup and old police station, and contracts to upgrade staff housing. This project is now complete.

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

20. 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	93,000	100,000	73,451
President's allowance	24,000	24,000	18,315
Deputy President's allowance	6,000	6,000	4,580
Travelling expenses	7,519	10,000	4,052
	130,519	140,000	100,398

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	531,149	528,635
Post-employment benefits	82,775	77,554
Other long-term benefits	12,433	12,625
Termination benefits	30,712	0
	657,069	618,814

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

SHIRE OF LAVERTON
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FOR THE YEAR ENDED 30 JUNE 2020
20. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

Councillor Rex Ryles owns a cartage, contract earthworks and plant hire company called Desert Sands Cartage Contractors which has been paid for earthworks and plant hire during the financial year.

	2020 Actual	2019 Actual
The following transactions occurred with related parties:	\$	\$
Purchase of goods and services	690,554	0
Amounts payable to related parties:		
Trade and other payables	0	84,605

All related party transactions were made in accordance with the Shire's procurement policies.

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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

21. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

(a) Share of joint operations

The Shire together with the Shire of Coolgardie, Dundas, Esperance, Leonora, Menzies, Ngaanyatjaraku, Ravensthorpe and Wiluna have a joint venture arrangement with regards to the provision of a Regional Records Service. The assets included in the joint operation is the Shire's one tenth share as follows:

	2020 \$	2019 \$
Current Assets	7,445	0
Non-Current Assets	75,118	80,615
Total assets	82,563	80,615
Net Assets	82,563	80,615
Net increase(decrease) in share of associate entity's net assets	1,948	(1,812)
- Share of associates profit(loss) from ordinary activities	11,680	4,994
- Share of associates total comprehensive income arising during the period		
Carrying amount at beginning of period	1,793	(3,211)
- Share of associates total comprehensive income arising during the period	11,680	4,994
Carrying amount at end of period	13,473	1,783

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

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

Interests in joint arrangements (Continued)

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

SHIRE OF LAVERTON

22. RATING INFORMATION

(a) Rates

RATE TYPE
Differential general rate / gene

RATE TYPE	Differential general rate / gene	2019/20				2019/20				2019/20				2018/19			
		Number of Properties	Actual Rateable Value	Actual Rate	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue	Actual Total Revenue				
														\$			
Gross rental valuations																	
GRV GRV - Townsite	0.1161	177	2,393,204	277,851	(183)		277,668	277,850	0	0	277,850	267,385					
GRV GRV - Mining	0.0897	12	12,580,500	1,128,471	160,100		1,288,571	1,128,470	0	0	1,128,470	1,084,439					
Unimproved valuations																	
UV - IUV - Pastoral	0.0979	17	581,775	56,956	(1,532)	0	55,424	56,954	0	0	56,954	54,745					
UV - IUV - Mining	0.1656	750	21,890,480	3,625,063	(46,205)	(208)	3,578,650	3,625,060	0	0	3,625,060	3,135,957					
UV - UV - Shared Tenements	0.1656	43	1,042,058	172,565	(2,926)	0	169,639	172,560	0	0	172,560	152,321					
Sub-Total		999	38,488,017	5,260,906	109,254	(208)	5,369,952	5,260,894	0	0	5,260,894	4,694,847					
Minimum payment																	
\$																	
Gross rental valuations																	
GRV - Townsite	315	49	16,767	15,435	(315)	0	15,120	15,435	0	0	15,435	13,192					
GRV - Mining	315	1	20	315	0	0	315	315	0	0	315	304					
Unimproved valuations																	
UV - Pastoral	315	3	3,000	945	0	(564)	381	945	0	0	945	912					
UV - Mining	315	341	333,601	107,415	0	0	107,415	107,415	0	0	107,415	104,272					
UV - Shared Tenements	158	12	4,008	1,896	0	0	1,896	1,896	0	0	1,896	1,672					
Sub-Total		406	357,396	126,006	(315)	(564)	125,127	126,006	0	0	126,006	120,352					
Discounts (Note 22(b))																	
		1,405	38,845,413	5,386,912	108,939	(772)	5,495,079	5,386,900	0	0	5,386,900	4,815,199					
Total amount raised from gent																	
							(191,654)	(187,000)			(187,000)	(167,192)					
							5,303,425	5,199,900			5,199,900	4,648,007					

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

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

22. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	2020 Actual \$	2020 Budget \$	2019 Actual \$	Circumstances in which Discount is Granted
Council Rates	5.00%	191,654	187,000	167,192	Payment in full by due date.
Total discounts/concessions (Note 22(a))		191,654	187,000	167,192	

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

22. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	9/09/2019			11.00%
Option Three				
First instalment	9/09/2019			11.00%
Second instalment	11/11/2019	5.00	5.50%	11.00%
Third instalment	13/01/2020	5.00	5.50%	11.00%
Fourth instalment	13/03/2020	5.00	5.50%	11.00%

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Interest on unpaid rates	32,219	25,000	38,735
Interest on instalment plan	11,242	15,000	15,038
Charges on instalment plan	3,060	4,000	4,170
	46,521	44,000	57,943

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

23. RATE SETTING STATEMENT INFORMATION

		2019/20 (30 June 2020 Carried Forward)	2019/20 Budget (30 June 2020 Carried Forward)	2019/20 (1 July 2019 Brought Forward)	2018/19 (30 June 2019 Carried Forward)
Note		\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities					
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .					
Adjustments to operating activities					
	Less: Profit on asset disposals	9(a)	(20,364)	(135,000)	(22,673)
	Movement in pensioner deferred rates (non-current)		0	(2,113)	(2,113)
	Movement in employee benefit provisions (non-current)		76,263	(51,376)	(51,376)
	Movement in other provisions (non-current)		0	(19,993)	(19,993)
	Add: Loss on disposal of assets	9(a)	20,262	1,610,255	1,610,255
	Add: Loss on revaluation of fixed assets	7(a), 8(a)	1,066,884	0	0
	Add: Depreciation on non-current assets	9(d)	2,890,565	2,512,865	2,512,865
	Non cash amounts excluded from operating activities		4,033,610	4,026,965	4,026,965
(b) Surplus/(deficit) after imposition of general rates					
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.					
Adjustments to net current assets					
	Less: Reserves - cash backed	4	(2,099,103)	(2,262,372)	(2,262,372)
	Add: Current liabilities not expected to be cleared at end of year				
	- Current portion of borrowings	14(a)	226,306	217,277	217,277
	- Employee benefit provisions		470,950	420,699	186,037
	Total adjustments to net current assets		(1,401,847)	(1,624,396)	(1,859,058)
Net current assets used in the Rate Setting Statement					
	Total current assets		3,993,616	5,459,890	5,459,890
	Less: Total current liabilities		(1,433,342)	(2,507,577)	(1,486,978)
	Less: Total adjustments to net current assets		(1,401,847)	(1,624,396)	(1,859,058)
	Net current assets used in the Rate Setting Statement		1,158,427	1,327,917	2,113,854
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards					
Total current assets at 30 June 2019					5,459,890
Total current assets at 1 July 2019					5,459,890
Total current liabilities at 30 June 2019					(1,486,978)
	- Contract liabilities from contracts with customers	26(b)			(1,020,599)
Total current liabilities at 1 July 2019					(2,507,577)

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

24. FINANCIAL RISK MANAGEMENT

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

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

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 Council. The finance 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
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.06%	2,881,341	2,099,103	780,738	1,500
2019					
Cash and cash equivalents	0.2297%	3,936,574	2,262,372	1,672,602	1,600

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	7,807	16,726

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

SHIRE OF LAVERTON
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FOR THE YEAR ENDED 30 JUNE 2020

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt 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 debt collection policy and management of any non-payment of receivables results in an appropriate provision being made for any debts which are unrecoverable and therefore the Shire does not expect to have any future credit losses on receivables.

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. The covid-19 pandemic, housing prices and unemployment rates have been identified as the most relevant factors 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 renegotiation of repayment terms.

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	2.58%	0.00%	0.00%	87.81%	
Gross carrying amount	428,729	0	0	138,998	567,727
Loss allowance	11,081	0	0	122,050	133,131
30 June 2019					
Rates receivable					
Expected credit loss	2.33%	0.00%	0.00%	75.51%	
Gross carrying amount	465,363	0	0	147,407	612,770
Loss allowance	10,830	0	0	111,310	122,140

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	261,030	24,944	0	0	285,974
Loss allowance	0	0	0	0	0
30 June 2019					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	380,852	299,114	16,693	2,736	699,395
Loss allowance	0	0	0	0	0

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

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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
	\$	\$	\$	\$	\$
2020					
Payables	262,877	0	0	262,877	262,877
Borrowings	265,530	768,455	326,819	1,360,804	1,156,302
	528,407	768,455	326,819	1,623,681	1,419,179
2019					
Payables	849,002	0	0	849,002	849,002
Borrowings	0	653,661	818,840	1,472,501	1,373,579
	849,002	653,661	818,840	2,321,503	2,222,581

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Council did not have any events occurring after the end of the reporting period of consequence.

SHIRE OF LAVERTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

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

In summary, there were no adjustments made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019).

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

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004:

		AASB 118 and AASB 1004 carrying amount		AASB 1058 carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Other liabilities - current				
Other liabilities from transfers for recognisable non financial assets	13	0	(1,020,599)	(1,020,599)
Adjustment to retained surplus from adoption of AASB 1058	27(b)		(1,020,599)	

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance gave rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurred, the financial liability was extinguished and the Shire recognised income for the prepaid rates that have not been refunded.

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

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

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	22(a)	5,303,425	0	5,303,425
Operating grants, subsidies and contributions	2(a)	6,491,031	473,209	6,964,240
Fees and charges	2(a)	787,812	0	787,812
Non-operating grants, subsidies and contributions	2(a)	6,057,266	0	6,057,266
Net result		4,611,001	473,209	5,084,210
Statement of Financial Position				
Trade and other payables	12	262,877	0	262,877
Contract and other liabilities	13	473,209	(473,209)	0
Net assets		155,321,763	(473,209)	154,848,554
Statement of Changes in Equity				
Net result		4,611,001	473,209	5,084,210
Retained surplus		79,370,593	473,209	79,843,802

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

(c) AASB 16: Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. The Shire had no leases in place which required recognition on application of AASB 16.

27. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Revaluation surplus	11	73,178,329	0	73,178,329
Retained surplus		75,616,922	0	75,616,922

Also, following changes to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously or during the year were reversed as it was deemed fair value did not approximate cost at the date of the change and therefore the difference has been deemed to be impairment.

(b) Changes in equity due to change in accounting policies

The impact on the Shire's opening retained surplus due to the adoption of AASB 15 and AASB 1058 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			75,616,922
Adjustment to retained surplus from adoption of AASB 15	26(a)	0	0
Adjustment to retained surplus from adoption of AASB 1058	26(b)	(1,020,599)	(1,020,599)
Retained surplus - 1 July 2019		(1,020,599)	74,596,323

The impact on the Shire's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was nil.

28. TRUST FUNDS

No funds held at balance date are required to be held in trust and therefore none are included in the financial statements for 2019/2020.

29. 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.

30. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

ACTIVITIES

GOVERNANCE

Administration and operation facilities and services to members of Council. Other costs that relate to the tasks of assisting members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various laws, fire prevention, emergency services and animal control.

HEALTH

Food control, maintenance of child health clinics and health administration and the retention of a full time doctor in Laverton.

EDUCATION AND WELFARE

Maintenance of pre-school facilities, day care centre, donations to school, administration of the Cashless Debit Card (CDC), assistance to welfare groups and the management of the Youth Development Program.

HOUSING

Provision of staff housing as well as private housing for the retention of professionals in Laverton.

COMMUNITY AMENITIES

Rubbish collection services, operation of rubbish tip site, noise control, administration of town planning, operation of the cemetery and operations & maintenance of public conveniences.

RECREATION AND CULTURE

Provision of public halls, swimming pool, recreational facilities, various reserves, operation of library together with television and radio re-broadcasting facilities.

TRANSPORT

Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic signs, street cleaning and operation of Laverton Airport.

ECONOMIC SERVICES

Community development, tourism and area promotion, heritage development and maintenance, Great Beyond Visitor Centre & Explorers Hall of Fame, Community Resource Centre and Building control.

OTHER PROPERTY AND SERVICES

Private works, community bus, technical services, administration, plant operations control and miscellaneous services not able to be classified elsewhere.

SHIRE OF LAVERTON
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31. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.04	0.46	3.88
Asset consumption ratio	0.86	0.86	0.86
Asset renewal funding ratio	0.70	0.26	0.27
Asset sustainability ratio	3.30	5.98	7.65
Debt service cover ratio	5.49	0.38	(11.26)
Operating surplus ratio	(0.23)	(0.44)	(0.59)
Own source revenue coverage ratio	0.50	0.38	0.56

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