

# Section 6 – Financial Reporting

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# Financial Reporting

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## 6.1 Financial Reporting Responsibilities

### □ 6.1.1 Introduction

All local governments in Western Australia are required to prepare their financial statements in accordance with the *Local Government Act 1995* (LGA), the *Local Government (Financial Management) Regulations 1996* (FMR), the Australian Accounting Standards (AASB) and the Australian Accounting Standards Board Interpretations (AASBI) which replaces the Urgent Issues Group (UIG) Interpretations. Details are included in the Compliance and Reporting Summaries throughout this section.

Accounting Standard AASB 101 prescribes the basis for the presentation of a general purpose financial report. Local governments, as reporting entities, are required to prepare general purpose financial reports to ensure comparability with financial reports for previous periods and with the financial reports of other local governments.

This part of the manual covers in detail the financial reporting requirements of local government as prescribed by legislation and the Australian Accounting Standards including comment on the plan for the future, Annual Budget and Annual Report – all of which link to financial reporting. The manual provides examples based on the hypothetical Town of Eagle Bay for which a complete set of model financial statements is contained in the Appendix.

### Definitions and Abbreviations

The abbreviations used in this chapter refer to the following:

<b>FMR</b>	<i>Local Government (Financial Management) Regulations 1996</i>
<b>LGA</b>	<i>Local Government Act 1995</i>
<b>AASB</b>	<i>Australian Accounting Standards</i> followed by the number of the applicable standard
<b>DLG</b>	<i>Department of Local Government</i>
<b>CEO</b>	<i>Chief Executive Officer</i>
<b>UIG</b>	<i>Urgent Issues Group Interpretation</i> followed by the number of the interpretation (now disbanded)
<b>AASBI</b>	<i>Australian Accounting Standards Board Interpretations</i> replaces the Urgent Issues Group and identifies and classifies interpretations into two groups (refer AASB 1048)
<b>SAC</b>	<i>Statement of Accounting Concepts</i> followed by the number of the statement

All UIG Abstracts have been withdrawn.

## Compliance and Reporting Summary

LGA s. 6.4 FMR r. 36	A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed. The form of the annual financial report is as prescribed under FMR r. 36
LGA s. 5.53(2)(f)&(h)	A local government is to prepare an annual report for each financial year and is to contain the financial report and the auditor's report for the preceding financial year.
FMR r. 4	The FMR are in addition to and not in derogation of Australian Accounting Standards (referred to as AAS in the FMR but now abbreviated to AASB). If a provision of the FMR is inconsistent with the provision of an AASB, the FMR applies to the extent of the inconsistency.
FMR r. 5A	Subject to FMR r. 4, the annual budget, <b>annual financial report</b> and other financial reports of a local government must comply with the AASB.
AASB 101.81 AASB 101.82	Statement of Comprehensive Income  An entity shall present all items of income and expense recognised in a period. As a minimum, the statement of comprehensive income shall include line items that present the prescribed amounts for the period.
AASB 101.51	Each financial statement and the notes must be clearly identified with name of the entity or group of entities, the date of the end of the reporting period, presentation currency and the level of rounding used in the financial statements.
AASB 101.38	Except when Australian Accounting Standards permit or require otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the current period's financial statements.

### □ 6.1.2 Reporting Requirements

Financial Reporting is primarily aimed at external users for the purposes of accountability. Management Reporting (or Internal Reporting) is for internal management information needs and can be structured to meet management requirements.

The reporting formats used in this Manual are examples of good practice used for illustrative purposes only and comply with AASB 101 and legislation.

The reporting format should NOT be interpreted as mandatory. The report structure as indicated in the Appendix is simply a guide that applies to a wide range of local governments and it is unlikely that all disclosures will be appropriate to any one local government. Local governments should include appropriate financial information suitable to their own circumstances and conform to the requirements for additional disclosure by the Western Australian legislation, Australian Accounting Standards (AASB) and the Australian Accounting Standards Interpretations (AASBI) which replaces Urgent Issue Group (UIG) Interpretations.

All local governments should access and become familiar with Australian Accounting Standards, which are available at [www.aasb.gov.au](http://www.aasb.gov.au) or [www.aasb.com.au](http://www.aasb.com.au).

### **Benefits and Purpose of Financial Reporting**

The primary benefits of financial reporting are:

- it makes the council accountable to the community for its financial management of local government operations; and
- it provides the community and other interested parties with access to information about the current financial status of the council and its operational performance for the period in question.

The purpose of financial reporting, or the preparation of annual financial statements, is to communicate information about the financial position and operating results of a council to those who need to know or have an interest in council operations.

General purpose financial reports are intended to meet the needs of users who are not in a position to demand reports prepared to meet their information needs. Parties who have an interest in, or need for financial reporting information include:

- councillors and management;
- residents/ratepayers;
- local government suppliers/creditors;
- employees;
- contractors;
- government departments and public authorities;
- community groups; and
- financial institutions.

## **Financial Reporting Principles**

The underlying principles when preparing financial reports of a local government are the “accrual basis of accounting”, the ability to continue as a “going concern”, “consistency of presentation” and “materiality”.

A local government shall prepare its financial report, except for its cash flow statement, using the accrual basis of accounting. “Accrual accounting” is the basis whereby expenditure and revenue is brought to account as it is earned or incurred (as opposed to the cash actually being received or paid) and included in the accounts for the financial period to which they relate.

“Going concern” is an assessment of an entity’s ability to continue trading. When preparing financial reports, management shall make an assessment of an entity’s ability to continue as a “going concern” and prepare reports on this basis. When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern.

The presentation and classification of items in the financial report shall be retained from one period to the next (“consistency of presentation”). If there is a change in presentation comparative information should be reclassified unless the reclassification is impractical and the amounts reclassified disclosed with the nature, reasons and amount of each item reclassified.

Each material class of similar items shall be presented separately in the financial report. An item is material if it satisfies the conditions of AASB 1031 on Materiality. This is covered in more detail in part 6.1.9 of this section.

### **□ 6.1.3 Plan for the Future**

Section 5.56 of the LGA requires each local government to prepare a plan for the future in respect of each financial year after the financial year ended 30 June 2006.

As part of the Local Government Reform and Integrated Planning and Reporting Framework, new legislation has been introduced to require local governments to have developed and adopted a Strategic Community Plan and a Corporate Business Plan as part of the Plan for the Future.

In accordance with *Local Government (Administration) Regulations 1996, regulation 19C and 19DA*, a local government is required to prepare for the Council to adopt by absolute majority, a Strategic Community Plan and a Corporate Business Plan for each financial year after the financial year ended 30 June 2013.

A Strategic Community Plan needs to:

- Cover at least 10 financial years;
- Set out the vision, aspirations and objectives of the community;
- Have a strategic review every 2 years and full review every 4 years;
- Have regard to (a) capacity of current and future resources; (b) strategic performance indicators and (c) demographic trends.
- Be adopted or modified through engagement with the community and by an absolute majority of Council;
- Ensure rate payers and electors are consulted about the plan and contain a description of the involvement of the electors and ratepayers.

A Corporate Business Plan needs to:

- Cover at least 4 financial years;
- Set out, consistently with the Strategic Community Plan, priorities for dealing with the objectives and aspirations of the community;
- State services, operations and projects that will be delivered over the period of the plan and methods for delivering these and associated costs;
- Reference asset management, workforce planning, long-term financial planning and other resourcing considerations;
- Be adopted by absolute majority of Council; and
- Be reviewed every year, as it is the 'driver' for the annual budget.

A local government may modify the Plans, including extending the period of the Plans.

### Compliance and Reporting Summary

LGA s. 5.56	A local government is to plan for the future of the district.
LGA s. 6.2(2)	In the preparation of the annual budget the local government is to have regard to the contents of the plan for the future of the district made in accordance with LGA s. 5.56.
Local Government (Administration) Reg 19CA	Annual Reports to contain information on strategic community plans and corporate business plans –LGA s5.53(2)(i)

## □ 6.1.4 Annual Budget

In relation to budgeting, Section 6.2(1) of the LGA states:

*“During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt (absolute majority required), in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August”.*

Section 6.2(2) of the LGA requires council in formulating the budget, to have regard to the contents of the plan for the future of the district and prepare detailed estimates for the current year.

Section 6.2(4) of the LGA sets out certain details that the annual budget is to incorporate and such other matters as prescribed.

The FMR establishes the form and content of the budget document and requires a copy of the annual budget to be submitted to the Department within 30 days of adoption by council.

The annual budget and the budget process are covered in full in Section 4 of this manual.

### Compliance and Reporting Summary

LGA s. 6.2	A local government is to prepare an annual budget for the next financial year and the preparation of the budget is to have regard to the contents of the plan for the future of the district made in accordance with LGA s. 5.56. The annual budget is to incorporate details of income and expenditure. Council is to adopt the budget by the 31 August or such extended time as the Minister allows.
FMR r. 33	A copy of the annual budget of a local government is to be submitted to the Departmental CEO within 30 days of its adoption by the local government.

## □ 6.1.5 Budget Review

Local Governments are required to conduct a budget review between 1 January and 31 March each financial year. This is a requirement covered by Regulation 33A of the FMR. The intention of the legislation is to ensure local governments conduct at least one budget review between six and eight months into a financial year.

A budget review is a detailed comparison of the year to date actual results with the adopted budget. It establishes whether a local government continues meeting its budget commitments, is in receipt of income and incurs expenditures in accordance with the adopted budget.

The review must consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year and consider the local government's financial position as at the date of the review as required by Regulation 33A(2A).

Regulation 33A(2) and (3) of the FMR require the results of the budget review to be submitted to council within 30 days of the review. Council is then to consider a review submitted to it and determine whether or not to adopt the review, or any recommendations made in the review.

Regulation 33A(4) states that within 30 days after council has made a determination, a copy of the review and determination is to be provided to the Department.

An example of a budget review is included in Section 4 of this manual.

### Compliance and Reporting Summary

FMR r. 33A(1)(2)	Between 1 January and 31 March in each year a local government is to carry out a review of its annual budget for that year. The review is to be submitted to council within 30 days for determination.
FMR r. 33A(2A)	The review of an annual budget for a financial year must- <ul style="list-style-type: none"> <li>a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and</li> <li>b) consider the local government's financial position as at the date of the review; and</li> <li>c) review the outcomes for the end of that financial year that are forecast in the budget.</li> </ul>
FMR r. 33A(4)	Within 30 days after a council has made a determination, a copy of the review and council's determination is to be submitted to the Department.

#### □ 6.1.6 Monthly Financial Reports to Council

A local government is to prepare a Statement of Financial Activity each month as prescribed by section 6.4 of the LGA and Regulation 34 of the FMR.

The Statement of Financial Activity is to be compiled on the accrual basis and set out in a similar format to the Rate Setting Statement.

It is to include a comparison of actual results with budget estimates and a summary of the net assets at the end of the month to which the statement relates.

Material variances between the actual revenue and expenditure and the comparable year to date budget estimates should be investigated and included in a report, along with the reasons for the variances.

There needs to be an explanation of the composition of the net current assets at the end of the month to which the statement relates less committed and restricted assets.

The Financial Activity Statement may be prepared by nature and type, or by program or by business units. The example in the appendix for the Town of Eagle Bay is by Programme of Activity.

Each financial year, a local government is to adopt a percentage or value, calculated in accordance with the Australian Accounting Standards, to be used in statements of financial activity for reporting material variances. See section 6.1.9 of this manual for discussion on application of materiality.

The monthly Statement of Financial Activity is to be presented to council at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates.

An example of a Statement of Financial Activity can be found at Appendix B of this section.

### **Compliance and Reporting Summary**

FMR r. 34(1)	A local government is to prepare each month a statement of financial activity reporting on the sources and applications of funds, as set out in the annual budget under regulation 22(1)(d), for the month as prescribed.
FMR r. 34(4)	The Statement is to be presented to council at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates and recorded in the minutes of the meeting.

### **□ 6.1.7 Annual Financial Report**

Local governments are required by AASB 101, LGA and FMR to disclose the following information in the Annual Financial Report:

- a) a Statement of Financial Position as at the end of the period;
- b) a Statement of Comprehensive Income for the period;
- c) a Statement of Changes in Equity for the period;

- d) a Statement of Cash Flows for the period;
- e) notes, comprising a summary of significant accounting policies and other explanatory information; and
- f) a Statement of Financial Position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

An entity may use titles for the statements other than those used in this Standard.

In addition to the above, FMR r. 36 details other reporting and disclosure requirements, which include the preparation of a Rate Setting Statement.

An example of a model set of annual financial reports for the Town of Eagle Bay is contained in the appendix to this section (Section 6 Appendix).

### Compliance and Summary

LGA s. 6.4(3)	By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor: <ul style="list-style-type: none"> <li>a) the accounts of the local government, balanced up to the last day of the preceding financial year; and</li> <li>b) the annual financial report of the local government for the preceding financial year.</li> </ul>
FMR r. 51(2)	A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.
FMR r. 36 to FMR r. 51	A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed. The form of the annual financial report is as prescribed under FMR r. 36 to FMR r. 51

#### □ 6.1.8 Annual Report

The Annual Financial Report forms part of the annual report which has to be prepared for each financial year. Section 5.53 of the LGA prescribes the format of the annual report.

The annual report is to contain:

- a report from the mayor or president;
- a report from the CEO;
- an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year;
- the financial report for the financial year;
- prescribed information in relation to employees with an annual salary of \$100,000 or above;
- the auditor’s report for the financial year;
- a matter on which a report must be made under section 29(2) of the Disability Services Act;
- details of entries made under section 5.121 during the financial year in the register of complaints, including the number of complaints recorded in the register and how the complaints were dealt with; and
- other information that may be prescribed (such as information required by the National Competition Policy and the State Records Act). The FMR r. 36 to r. 51 prescribe additional information and disclosures required.

Subject to the availability of the auditor’s report, the annual report must be accepted (by absolute majority) by the council no later than 31 December after that financial year.

Absolute majority means a majority comprising enough of the members for the time being of the council for their number to be more than 50% of the number of offices (whether vacant or not) of member of the council (LGA s1.4(a)).

### **Compliance and Reporting Summary**

LGA s. 5.54(1)	Subject to subsection (2) the annual report is to be accepted by council's absolute majority, no later than 31 December.
LGA s. 5.54(2)	If the auditor’s report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor’s report becomes available.
LGA s. 5.55	The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

### □ 6.1.9 Application of Materiality

The concept of materiality is an overriding concept which governs not only the preparation and presentation of financial statements, but also the applicability of statements of accounting standards.

AASB 1031 is the Australian Accounting Standard relating to materiality.

The following are examples of issues which may have to be settled by reference to materiality:

- Should an item be disclosed separately?
- Should the fact, and the financial effect of a change in accounting method be disclosed?
- Should an error in the accounting records, detected prior to completion of the financial statements, be corrected and such statements be amended, or any corrections be left until after the completion of the statement?

In deciding the materiality of information, the nature and amount of the items involved usually need to be evaluated together. In certain circumstances, either the nature or the amount could be the determining factor.

In considering whether the amount is material:

- a) an item relating to the Statement of Financial Position is compared with the more appropriate of:
  - i) equity (assets less liabilities); and
  - ii) the appropriate asset or liability class total.
- b) an item relating to the Statement of Comprehensive Income is compared with the more appropriate of the:
  - iii) profit or loss and the appropriate income or expense amount for the current reporting period; and
  - iv) average profit or loss and average income or expenses amounts for a number of reporting periods, including the current period.
- c) an item relating to the Cash Flow Statement is compared with:
  - v) net cash provided by the operating, investing and financing for the current reporting period; and
  - vi) average net cash provided by operating, investing and financing for a number of reporting periods including the current period.

Guidelines which attempt to establish quantitative thresholds for determining the materiality of an item must be drawn at arbitrary levels.

The following are considered benchmarks in considering materiality according to AASB 1031:

- a) an amount which is equal to or greater than 10 per cent of the appropriate based amount may be presumed to be material unless there is evidence, or convincing argument, to the contrary.
- b) an amount which is equal to or less than 5 per cent of the appropriate base amount may be presumed not to be material unless there is evidence to the contrary.

In relation to items in the Statement of Comprehensive Income, 'an amount' as referred to in sub-paragraphs a) and b) above, should be an amount after allowing for any income tax effect when the base amount has itself been determined after allowing for any income tax effect (generally not applicable to local government).

In determining if an amount is material local governments should consult with their external auditors.

#### **6.1.10 Land Under Roads**

This topic is discussed under "*Section 9 - Asset Management*" of the accounting manual. AASB 1051 Land Under Roads requires this to be valued. However, under FMR r. 16 the annual financial report of a local government is not to include, as an asset, crown land that is public thoroughfare when the responsibility for managing this land is vested in the local government. The FMR therefore preclude this.

## 6.2 Key Annual Financial Statements

### □ 6.2.1 Statement of Comprehensive Income

The Statement of Comprehensive Income of a local government is to be prepared by program and by nature and type. The purpose of the Statement of Comprehensive Income by Program is to enable users to identify the cost of goods and services provided, and the extent to which that cost was recovered from revenues, during the reporting period. The nature of local government is that its major revenue item of general rates is tied, by legislation, to a balance of cash requirements for the municipality for the year. Accordingly, a local government's Statement of Comprehensive Income does not attempt to show a profit or loss on operations.

It is important that all readers of this manual refer to the Accounting Standard *AASB 101 Presentation of Financial Statements* (available from the Australian Accounting Standards Board) for a more detailed explanation of the characteristics of assets, liabilities, equity, expenses and revenues.

The Statement of Comprehensive Income is prepared on an accrual basis. It is therefore fundamentally different to a "receipts and payments account" (often prepared by clubs and social groups) which records cash receipts and payments in that it makes adjustments for unearned income, credit sales, re-payments, accrued expenses and non-cash provisions (i.e. depreciation and leave entitlements). Depreciation, which is an expense charged in the Statement of Comprehensive Income to reflect the value of capital assets consumed during the accounting period, is explained in more detail in this manual.

This process of recognising income as it is earned, and expenses as they are incurred, is known as "accrual accounting". This method provides a more accurate reflection of the transactions which actually occurred during the accounting period, and is a better reflection of the actual business activities undertaken by the local government.

Accounting Standard *AASB 1004 Contributions* requires contributions to be recognised as revenue (i.e. in the Statement of Comprehensive Income) when the council obtains control over the assets comprising the contributions, notwithstanding that those contributions may be a grant for a capital item.

Given this requirement, grants for capital works have the potential to significantly affect the operating result in a particular year.

## □ 6.2.2 Statement of Financial Position

AASB 101 requires all councils to prepare a statement of financial position (previously called balance sheet) which discloses the assets, liabilities and equity of the council as at the reporting date. (Note: FMR r. 3 includes a definition of 'balance sheet' to mean "...a balance sheet (or equivalent) that meets the requirements of the AASB for balance sheets"). The statement of financial position is the equivalent to a balance sheet and this term is used throughout this manual.

The ratepayer equity in the council can be calculated by deducting total liabilities from total assets. The purpose of the Statement of Financial Position is to provide a "snap-shot" of the overall financial position of the council as at a particular date (usually the end of a financial period). Statements of Financial Position are constructed according to well defined accounting principles which are embodied in the Australian Accounting Standards.

An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its Statement of Financial Position and on the basis of liquidity.

AASB 116 prescribes the accounting treatment for property, plant and equipment and AASB 1051 for Land under Roads. AASB 136 deals with impairment of assets while AASB 5 covers non-current assets held for sale (e.g. land). AASB 140 deals with investment property.

The principal issue for property plant and equipment is the recognition of assets, the determination of their carrying amounts, the depreciation charges and impairment losses to be recognized in relation to them.

Subject to special requirements for revaluation of various classes of assets, accepted accounting practice includes well defined accounting principles. This convention dictates that an asset represents the value of an investment acquired to provide future economic benefit to an entity.

The future economic benefits may be in the form of cash or cash equivalents or in the case of not-for-profit (including public sector) entities, the economic benefits are derived from meeting the entities objectives of providing goods and services.

The accounting definition of an asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. An asset is recognized at its cost when it is available for use.

In respect of not-for-profit entities, where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition. Fair value is defined in AASB 13 as:

"... the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

To establish a fair value market based evidence must be available.

Australian Accounting Standards provide the option to use either cost or fair value. However, an amendment to the *Local Government (Financial Management) Regulations 1996* – regulation 17A, mandates the use of fair value by the sector. This will be phased-in over three years from 1 July 2012, so that the value of all assets of a local government in each financial report for a financial year ending on or after 30 June 2015 must be the fair value.

Regulation 17A(4) also requires revaluation to occur every 3 years.

Further commentary on fair value is included at Note 7 and in section 9 of this Manual.

### **Relationship Between the Statement of Comprehensive Income and the Statement of Financial Position**

It is important to understand the relationship between the Statement of Financial Position and the Statement of Comprehensive Income. The most common practice is for the two financial reporting documents to be presented together because they are intrinsically related.

Accounting principles use five classifications for recording transactions:

#### **Statement of Comprehensive Income Items**

- Revenue
- Expenses

#### **Statement of Financial Position Items**

- Assets
- Liabilities
- Equity

In accounting, the “double entry” system of recording transactions is used.

This system requires a debit entry for every credit entry. During normal business operation, transactions will occur which involve accounting entries on both Statement of Financial Position and Statement of Comprehensive Income accounts.

For example, the purchase of stationery on credit results in the following initial accounting entry:

- DR Stationery expense (Statement of Comprehensive Income item)
- CR Creditors – liability (Statement of Financial Position item)

When the local government later pays the creditors account, the following accounting entry is recorded:

- DR Creditors – liability (Statement of Financial Position)

- CR Bank account – asset (Statement of Financial Position item)

Therefore, a Statement of Financial Position, prepared at period end from asset, liability and equity accounts (other than accumulated surplus) only, would not “balance” because it would not include debit and credit balances in revenue and expense accounts.

The balance is achieved by including in the equity section of the Statement of Financial Position, the net impact of operations, or operating result of a local government by revenue less expenses for the period.

### □ **6.2.3 Statement of Changes in Equity**

Councils are required by AASB 101 to prepare a Statement of Changes in Equity (consolidated if appropriate) and include it in the financial statements. An example of this statement for the Town of Eagle Bay (without consolidation of controlled entities) is contained in the example.

The Statement of Changes in Equity reconciles the opening and closing balances of each class of the local government’s equity over the reporting period. It provides a summary of the causes of the changes in equity and identifies specifically the changes in composition of the local government’s equity.

The categories of changes in equity recorded in this statement are:

- accumulated surplus/deficit;
- transfers to and from reserves; and
- asset revaluations.

The Statement of Changes in Equity enables ratepayers to identify how the operating result for the reporting period has impacted upon equity, and the other factors which have affected the overall ratepayer equity position of the local government.

### □ **6.2.4 Statement of Cash Flows**

Cash flow information provides users of financial reports with a basis to assess the ability of an entity to generate cash and cash equivalents and the needs of the entity to utilize those cash flows. AASB 107 sets out the requirements for the presentation of the cash flow statement and related disclosures.

The Statement of Cash Flows shall report cash flows during the period classified by operating, investing and financing activities.

When estimating inflows, the relevant Statement of Financial Position items are:

- cash (or overdraft);
- debtors; and
- investments.

These assets form the starting point for a cash flow budget which is built using the following process:

- profiling the period over which the local government expects to receive funds from debtors;
- budgeting revenues from rates, charges and other sources for each period;
- profiling the expected timing of receipts from each revenue source (i.e. due date for rates payments, instalments dates, etc.);
- determining the period in which any loans/grants will be received; and
- identifying the points at which investments will mature.

This process attempts to predict or profile the local government's cash inflows, by period, for the coming year. The same process is used for cash outflows, with the starting point being the following Statement of Financial Position items:

- creditors; and
- loans.

From this point, an attempt is made to predict cash outflows for the local government by:

- profiling the periods in which creditors will be paid;
- identifying due dates for loan repayments;
- profiling wages and salaries commitments;
- profiling the local government's capital works program; and
- budgeting all expenditure on the basis of expected payment date as opposed to the period in which the expenditure is expected to be incurred.

All cash inflows and outflows should be incorporated into the cash flow forecast including:

- draw downs on loan facilities/loan redemption; and
- capital purchases/asset sales.

The key objective of a cash flow forecast is to predict the period in which cash inflows and outflows will occur.

As a management tool a running cash balance for the local government for the year is predicted on a monthly basis, identifying peaks and troughs in cash surpluses and deficits.

The peaks in available cash can be identified and arrangements made to invest surplus cash, and overdraft arrangements organised in advance with bankers to cover shortfalls.

The management of cash is extremely important and a local government's cash position must be distinguished from its equity position. Equity is represented by all of the local government's assets less its liabilities. Most local governments could survive an operating deficit for a year but would reach crisis point if insufficient cash was available to pay wages and salaries.

The cash flow forecast thus provides the local government with the means by which:

- cash surpluses can be predicted and surplus funds invested for an appropriate period; and
- cash shortages can be predicted and appropriate arrangements made for a bank overdraft or redemption of invested funds.

Whilst a cash flow forecast is not mandatory (other than in assisting with setting the annual rates and charges), it is considered a vital financial management technique for all organizations to ensure there is sufficient liquidity throughout the financial year.

## □ **6.2.5 Rate Setting Statement**

It is essential that local governments have meaningful and accurate financial information on which to base decisions. The starting point for sound financial management is the preparation of the Rate Setting Statement. This statement is a crucial component of the budget process and shows the amount of rates that are required to make up the budget deficiency.

### **Opening and Closing Funds**

The Rate Setting Statement is a statutory requirement and is unique to local government in Western Australia in that it contains values of the opening funds and closing funds.

Opening funds refer to 'net current assets less restricted funds and committed cash and amounts already reflected in the current year budget'. The opening funds form part of the calculation of the amount of the deficiency to be raised from rates as referred to in s. 6.2(2)(c) of the *Local*

*Government Act 1995*. Therefore, it is important that it be calculated as accurately as possible.

For more on calculation of Opening and Closing funds please see *Local Government Operational Guidelines - Number 8 Opening and Closing Funds used in the Annual Budget (DLGRD)* enclosed in "Section 12 – Attachments" of this manual.

### 6.3 Reporting Timeline

The following table details statutory reporting timelines for annual and monthly financial reports.

REF	ACTION	TIMELINE	DETAILS
LGA s. 6.4(3)	Local government to submit to its <b>Auditor</b> the <b>Accounts</b> and <b>Annual Financial Report</b> for the preceding financial year	30 September	Or such extended time as the Minister allows (delegated to Director General)
LGA s. 7.9(1)	Auditor to examine accounts and Annual Financial Report and prepare <b>Audit Report</b>	31 December	Or such later date as may be prescribed – no date prescribed
Audit R r. 10(1)	Auditor to forward copy of <b>Audit Report</b> to <b>Minister</b> (and Mayor/President and CEO)	Within 30 days	Following completion of audit
FMR r. 51	Local government is to submit a copy of the <b>Annual Financial Report</b> to the <b>Departmental CEO</b>	Within 30 days	Following receipt of Auditor's Report
LGA s. 5.54(1)	Local government to accept <b>Annual Report</b>	By 31 Dec	Which is to include the <b>Annual Financial Report</b> and <b>Auditor's Report</b>
LGA s. 5.54(2)		OR Within 2 months	After Auditor's Report becomes available if not available in time for it to be accepted by 31 December
FMR r. 34	Monthly <b>Statement of Financial Activity</b> to be presented to council	Within 2 months	After the end of the month to which the statement relates

## 6.4 Model Annual Financial Report

This model Annual Financial Report is based on the hypothetical Town of Eagle Bay for which a complete set of model financial statements is provided.

The reporting formats used for the Town of Eagle Bay are examples of good practice used for illustrative purposes only and comply with AASB 101, other applicable AASB's and legislation.

They should NOT be interpreted as mandatory reporting formats. The report structure as indicated is simply a guide. The model statements include disclosures that apply to a wide range of users, but it is unlikely that any one user will find all of the disclosures appropriate to its circumstances. Similarly, it is likely that most users will need to make one or more disclosures not shown in the model statement.

The key financial statements and notes as far as practicable have been cross-referenced to the Australian Accounting Standards and Western Australian legislation. The commentary to the financial statements and notes are on the left page to each document with a brief explanation of the standard and legislation. To obtain a clearer understanding of the Australian Accounting Standards may require further reference to the narratives provided by each of the Australian Accounting Standards, the Australian Accounting Standards Interpretations which replace the UIG Interpretations or the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

### The abbreviations used refer to the following:

- **AASB** - refers to the *Australian Accounting Standards*, followed by the number of the applicable standard;
- **UIG** - refers to the *Urgent Issues Group Interpretation* followed by the number of the interpretation; (now disbanded)
- **AASBI** - *Australian Accounting Standards Board Interpretations* replace the Urgent Issues Group and identifies and classifies interpretations into two groups (refer AASB 1048)
- **FMR** - refers to the *Local Government (Financial Management) Regulations 1996*; and
- **LGA** - refers to the *Local Government Act 1995*.

## Reference to the AASB's

Reference is made to various Australian Accounting Standards (Standards) throughout this section of the manual. Compliance with the Standards is mandatory by virtue of the *Local Government (Financial Management) Regulations 1996* Regulation 4(1). Individual standards are identified by their AASB number and include a paragraph reference number after the full stop for greater reference. On occasions a reference is made to an 'Aus' paragraph, which is a reference to specific not for profit exemptions and guidance.

### Commentary - Lodgement of Financial Reports

#### Annual Financial Report

- LGA s. 6.4(3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor:
- (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
  - (b) the annual financial report of the local government for the preceding financial year.
- FMR r. 51(2) A copy of the annual financial report of a local government is to be submitted to the Director General of DLG within 30 days of the receipt by the CEO of the auditor's report on that financial report.

#### Annual Report

- LGA s. 5.54(1) Subject to subsection (2) the annual report is to be accepted by council's absolute majority, no later than 31 December.
- LGA s. 5.54(2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.
- LGA s. 5.55 The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

#### Statement By CEO

- FMR Schedule 2 Form 1 A template for Statement By CEO is provided in Schedule 2 Form 1 of the Financial Management Regulations.
- This regulation requires the CEO to sign this statement.
- FMR r. 51(1)

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**TOWN OF EAGLE BAY**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 201Y**

**LOCAL GOVERNMENT ACT 1995**  
**LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Town of Eagle Bay being the annual financial report and supporting notes and other information for the financial year ended 30 June 201Y are in my opinion properly drawn up to present fairly the financial position of the Town of Eagle Bay at 30 June 201Y and the results of the operations for the financial year then ended in accordance with the *Australian Accounting Standards* and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed on the \_\_\_\_\_ day of \_\_\_\_\_ 201Y

\_\_\_\_\_  
Name of CEO  
Chief Executive Officer

## Commentary – Statement of Comprehensive Income (By Nature or Type)

### Accounting standard for financial report presentation and disclosures

- AASB 101 *Presentation of Financial Statements* – this Standard applies to each entity which is required to prepare general purpose financial reports, including local governments.
- AASB 101.5 This Standard uses terminology that is suitable for profit-oriented entities. Some line items are renamed to reflect the activities of the local government.
- AASB 101.8  
FMR r. 3 This standard requires a financial report to include a Statement of Comprehensive Income and the definition of income statement in Financial Management Regulation 3 is that which meets the requirements of Australian Accounting Standards for income statements.
- FMR r. 15(3) Where a local government rounds off any figures, the basis of the rounding off is to be shown in column headings and explained fully in the accompanying notes.
- AASB 101.81,  
82, 85 The Standard prescribes the minimum disclosure requirement on the face of the Statement of Comprehensive Income. AASB 101.85 allows for additional line items, headings and subtotals when such presentation is relevant to an understanding of the local government's financial performance.
- AASB 101.97, 98  
DLG When items of income or expense are material, an entity shall disclose their nature and amount separately.  
The disclosure opposite illustrates revenue and expenditure items by nature or type as prescribed in Schedule 1 Part 2 of the FMR (see below). For guidance on the classification of financial transactions into appropriate categories refer to Section 5.4 "Classification of Financial Transactions" of this Manual.  
Please note the legislation only prescribes the minimum disclosures and greater details should be provided if such presentation is relevant to the understanding of the council's financial performance.
- FMR r. 36(2) The annual financial report is to include the budget estimates for the financial year next to the end-of-year figures.
- FMR r. 3 Nature or Type classification means a classification set forth in Part 2 of Financial Management Regulations Schedule 1.

### Changes to the Financial Management Regulations - "Nature or Type" Classifications

- FMR Schedule 1 Part 2 The operating revenue classes for "nature or type" prescribed under Schedule 1 Part 2 of the FMR were amended in June 2008 from:  
(a) Grants and subsidies  
(b) Contributions, reimbursements and donations;  
to:  
(a) Operating grants, subsidies and contributions  
(b) Non-operating grants, subsidies and contributions.
- The model Statement of Comprehensive Income by Nature or Type featured opposite complies with the amendments. Local Governments are required to also prepare the Statement of Comprehensive Income by Program.
- AASB 101.113 **Notes to the financial statements shall be presented in a systematic order. Each item in the financial statements shall be cross-referenced to the related notes.**



## Commentary – Statement of Comprehensive Income By Nature or Type (Continued)

### Other Presentation Issues

UIG  
1031(6),(7)

#### Goods and Services Tax (GST)

UIG 1031 Accounting for the GST provides that revenues and expenses must be recognised net of the amount of GST, except where GST relating to expense items that is not recoverable from the tax authority it must be recognised as part of the item of expense.

AASB 101.32

#### Offsetting

Assets and liabilities and income and expenses, must not be offset unless required or permitted by the Australian Accounting Standards. Examples of income and expenses that are required or permitted to be offset are as follows:

- (a) Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.
- (b) Expenditure related to provision that is recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.
- (c) Gains and losses arising from a group of similar transactions are reported on a net basis, for example, gains and losses arising on financial instruments held for trading. Such gains and losses need to be reported separately if they are material.

## Commentary – Statement of Comprehensive Income By Program (Function or Activities)

FMR r. 14

Western Australian local governments are required by Regulation 14 of the *Local Government (Financial Management) Regulations 1996* (FMR) to disclose operating income and expenses by program in the Statement of Comprehensive Income and provide nature or type disclosure by note or statement.

FMR r. 3,  
FMR Schedule  
1 Part 1

The program classifications for the classification of financial transactions for local government in Western Australia are prescribed in Schedule 1, Part 1 of the *Local Government (Financial Management) Regulations 1996*.

AASB 1052.11,  
12, 13

The standard requires for each broad function or activity, disclosure by note of the nature, objectives and carrying amount of assets attributable to each function or activity (see note 2(a)).

DLG

The model statements have taken the approach of including both the Statement of Comprehensive Income by Nature or Type and a Statement of Comprehensive Income by Program as part of key financial statements.

Section 5.4 of the manual *"Classification of Financial Transactions"* provides further clarity on classification of local government financial transactions.

FMR r. 15(3)

Requires the basis of the rounding off figures to be shown in the reports and notes.

FMR r. 36(2)

Requires disclosure adjacent to the end of year figures in the Statement of Comprehensive Income, the original budget estimates for the financial year.

AASB 101.5

This Standard uses terminology that is suitable for profit-oriented entities. Some line items are renamed to reflect the activities of the local government.

AASB 101.99

The standard requires an entity to present Statement of Comprehensive Income using a classification based on either their nature or their function (program) within the entity, whichever provides information that is reliable and more relevant.

DLG

The Department has re-formatted the Statement of Comprehensive Income by Program for easier comparison with prior year and budget figures between the program statement and the nature and type statement and between the annual financial statements and the annual budget.

FMR r. 3, AASB 101.8

AASB 101.5

AASB 101.10(b)

AASB 101.51

AASB 101.81(a)

AASB 101.85

AASB 101.99

AASB 101.38

FMR r. 36(2)(c)

FMR r. 15(3)

AASB 1052.11(b)(i)

AASB 101.82(a)

AASB 101.5

FMR Schedule 1

Part 1

AASB 1052.11(b)(ii)

AASB 101.82(f)

AASB 101.82(g)

AASB101.82(i)

**TOWN OF EAGLE BAY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE PERIOD ENDED 30 JUNE 201Y**

NOTE	201Y Actual \$	201Y Budget \$	201X Actual \$
<b>REVENUE</b>			
Governance	108,566	93,221	76,376
General Purpose Funding	12,221,261	11,995,985	11,490,352
Law, Order, Public Safety	574,829	444,802	759,126
Health	262,378	176,240	175,879
Education & Welfare	1,660,935	1,416,806	1,291,279
Housing	520	600	460
Community Amenities	1,688,168	1,332,502	1,319,876
Recreation & Culture	1,081,801	931,562	1,099,700
Transport	1,604,548	879,065	785,366
Economic Services	503,702	387,060	354,887
Other Property & Services	1,000,611	630,864	499,839
	<u>20,707,319</u>	<u>18,288,707</u>	<u>17,853,140</u>
<b>EXPENSES</b>			
Governance	(802,072)	(898,185)	(763,011)
General Purpose Funding	(171,816)	(158,077)	(154,898)
Law, Order, Public Safety	(1,137,630)	(1,349,794)	(928,250)
Health	(356,604)	(331,717)	(291,011)
Education & Welfare	(1,743,528)	(1,713,980)	(1,495,536)
Housing	(1,657)	(1,500)	(1,432)
Community Amenities	(2,859,238)	(3,057,906)	(2,755,017)
Recreation & Culture	(4,259,938)	(4,235,364)	(3,800,603)
Transport	(8,517,398)	(8,308,559)	(8,117,838)
Economic Services	(616,182)	(598,183)	(469,186)
Other Property & Services	(899,520)	(1,143,078)	(831,219)
	<u>(21,365,583)</u>	<u>(21,796,343)</u>	<u>(19,608,001)</u>
Fair Value Adjustments to financial assets at fair value through profit and loss	(50,000)	0	0
<b>Non-Operating Grants, Subsidies, Contributions</b>			
Law Order & Public Safety	112,000	112,000	105,000
Recreation & Culture	247,102	240,000	300,000
Transport	3,134,935	3,004,328	4,500,000
Economic Services	0	0	28,510
Other Property & Services	0	2,500,000	0
	<u>3,494,037</u>	<u>5,856,328</u>	<u>4,933,510</u>
<b>Profit/(Loss) on Disposal of Assets</b>			
Governance	(24,097)	(10,000)	5,000
Health	0	0	(5,000)
Recreation & Culture	0	138,196	9,018
Transport	44,048	76,974	80,000
Transport	(74,228)	(39,155)	(38,985)
Other Property & Services	0	2,118,566	2,500
	<u>(54,277)</u>	<u>2,284,581</u>	<u>52,533</u>
<b>NET RESULT</b>	2,731,496	4,633,273	3,231,182
Other Comprehensive Income	(750,500)	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>1,980,996</u></u>	<u><u>4,633,273</u></u>	<u><u>3,231,182</u></u>

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

## Commentary – Statement of Financial Position

### Accounting standard for financial report presentation and disclosures

AASB 101 Aus1.1 AASB 101 Presentation of Financial Statements applies to each entity which is required to prepare general purpose financial reports.

### On the face of the Statement of Financial Position

AASB 101.54, AASB 101.55 Paragraphs 54 and 55 of AASB 101 set out the line items that shall, as a minimum, be presented on the face of the Statement of Financial Position. Additional line items, headings and subtotals shall be presented on the face of the Statement of Financial Position when such presentation is relevant to an understanding of the entity's financial position.

### Either on the face of the Statement of Financial Position or in the notes

AASB 101.77, AASB 101.78 An entity shall disclose, either on the face of the Statement of Financial Position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved.

### Current/non current distinction

AASB 101.60 A local government should present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its Statement of Financial Position.

### Current assets

AASB 101.66 An asset shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the local government's normal operating cycle (12 months);
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within 12 months after the reporting date; or
- (d) it is cash or a cash equivalent (as defined in *AASB 107 Cash Flow Statements*) unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets shall be classified as non-current.

### Current liabilities

AASB 101.69 A liability shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the local government's normal operating cycle (12 months);
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within 12 months after the reporting date; or
- (d) the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

AASB 101.73 All other liabilities shall be classified as non-current.

Long term borrowings are split into current and non-current portions. If a local government has an outstanding bank overdraft at balance day, it should be disclosed separately as a short-term borrowing as opposed to a current portion of a long-term borrowing.

### Consistency

Other Relevant Standards AASB 101.45 The presentation and classification of items in the financial report shall be retained from one period to the next unless:

- (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial report, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*; or
- (b) an Australian Accounting Standard requires a change in presentation.



## Commentary – Statement of Changes in Equity

### Accounting standard for financial report presentation and disclosures

- AASB 101 Aus1.1  
AASB 101.10
- AASB 101 Presentation of Financial Statements* applies to each entity which is required to prepare general purpose financial reports.
- This standard requires an entity to present a Statement of Changes in Equity.

### Information to be disclosed

- AASB 101.106
- An entity shall present a statement of changes in equity showing on the face of the statement profit or loss for the period:
- (a) each item of income and expense for the period that, as required by other Australian Accounting Standards, is recognised directly in equity, and the total of these items;
  - (b) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to the local government and to minority interests; or
  - (c) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.
- AASB 108
- This standard allows for adjustments of changes in accounting policy directly to equity if required.

### Either on the face of the Statement of Financial Position or in the notes

- AASB 101.107
- An entity shall also present, either on the face of the statement of changes in equity or in the notes:
- (a) the balance of retained earnings (ie. accumulated profit or loss) at the beginning of the period and at the reporting date, and the changes during the period; and
  - (b) reconciliation between the carrying amount of each reserve at the beginning and the end of the period, separately disclosing each change.

### Asset Revaluation

- AASB 116
- The standard prescribes the treatment of revaluation for Property, Plant and Equipments. See Note 13.

AASB 101.10(c)  
AASB 101.5  
AASB 101.106

**TOWN OF EAGLE BAY  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 201Y**

		RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
	NOTE				
<i>FMR r. 15(3)</i>					
		110,555,780	2,461,034	103,234,454	216,251,268
AASB 108		0	0	0	0
AASB 108		0	0	0	0
		<b>Restated Balance</b>	<b>2,461,034</b>	<b>103,234,454</b>	<b>216,251,268</b>
		3,231,182	0	0	3,231,182
		0	0	0	0
	12	(1,069,162)	1,069,162	0	0
AASB 101.38		<b>Balance as at 30 June 201X</b>	<b>3,530,196</b>	<b>103,234,454</b>	<b>219,482,448</b>
AASB 101.107		2,731,496	0	0	2,731,496
AASB 116	13	0	0	(750,500)	(750,500)
AASB 101.107	12	(1,632,122)	1,632,122	0	0
		<b>Balance as at 1 July 201Y</b>	<b>5,162,318</b>	<b>102,483,954</b>	<b>221,463,444</b>

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

## Commentary – Statement of Cash Flows

### Accounting standard for financial report presentation and disclosures

AASB 101.10 The Standard prescribes the composition of a complete set of financial statements. This needs to include a statement of cash flows for the reporting period.

### Accounting Standard for the statement of cash flow

AASB 107 The accounting standard for statement of cash flow is set out in *AASB 107 Statement of Cash Flow*. The Standard applies to each entity which is required to prepare general purpose financial reports.

### Reporting cash flows - operating activities

AASB 107.18(a) An entity shall report cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

FMR Schedule  
1  
Part 2

### Classifications According to Nature and Type

#### Interest and dividends

AASB 107.31 Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities.

#### Goods and Services Tax

UIG 1031.10 Cash flows shall be included in the cash flow statement on a gross basis.

UIG 1031.11 The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows.

### From investing and financing activities

AASB 107.21 An entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in paragraphs 22 and 24 of AASB 107 are reported on a net basis (refer to description below).

#### On a net basis

AASB 107.22, 23 Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

- (a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity (eg. rents collected on behalf of, and paid over to, the owners of properties); and
- (b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short (eg advances made for, and repayment of, principal amounts relating to credit card customers).

AASB 107.45 An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the Statement of Financial Position.

**TOWN OF EAGLE BAY  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 201Y**

AASB 101.10(d) AASB 101.51 AASB 101.111 AASB 107 AASB 101.38 FMR r. 15(3) AASB 107.10 AASB 107.18 AASB 107.18(a) FMR Schedule 1 Part 2	NOTE	201Y \$	201Y Budget \$	201X \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
		8,226,693	8,050,569	7,648,911
		6,975,823	5,248,348	5,609,425
		4,969,298	4,937,413	4,165,637
		498,964	484,435	450,625
		1,539,891	1,125,569	1,329,522
		(134,800)	50,000	35,000
		<u>22,075,869</u>	<u>19,896,334</u>	<u>19,239,120</u>
<b>Payments</b>				
		(9,186,356)	(8,807,866)	(7,615,298)
		(3,952,892)	(3,528,233)	(3,347,845)
		(443,972)	(435,600)	(400,526)
		(336,390)	(333,163)	(326,578)
		(77,531)	(399,008)	(38,904)
		(1,539,891)	(1,359,380)	(1,272,710)
		(516,058)	(852,515)	(513,245)
		<u>(16,053,090)</u>	<u>(15,715,765)</u>	<u>(13,515,106)</u>
<b>Net Cash Provided By</b>				
	14(b)	<u>6,022,779</u>	<u>4,180,569</u>	<u>5,724,014</u>
<b>Cash Flows from Investing Activities</b>				
		(2,056,759)	(4,076,189)	(702,227)
	20	(2,738,440)	(4,474,382)	(3,123,139)
	20	(6,186,340)	(10,704,824)	(6,319,171)
		(500,000)	(500,000)	0
	30	3,494,037	5,856,328	4,933,510
	21	759,429	5,904,714	655,230
		0	0	0
		<u>(7,228,073)</u>	<u>(7,994,353)</u>	<u>(4,555,797)</u>
<b>Net Cash Used in Investing Activities</b>				
<b>Cash Flows from Financing Activities</b>				
	23	(70,597)	(70,597)	(68,526)
		0	0	0
	23	24,393	24,393	48,098
	23	2,027,644	2,188,452	350,000
<b>Net Cash Provided By (Used In)</b>				
		1,981,440	2,142,248	329,572
<b>Financing Activities</b>				
		776,142	(1,671,536)	1,497,789
<b>Net Increase (Decrease) in Cash Held</b>				
		6,005,702	6,005,702	4,507,913
<b>Cash and Cash Equivalents</b>				
	14(a)	<u>6,781,848</u>	<u>4,334,166</u>	<u>6,005,702</u>
		<u>6,781,848</u>	<u>4,334,166</u>	<u>6,005,702</u>

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

## Commentary – Rate Setting Statement

### Rate setting statement

FMR r.  
36(2)(a)

The annual financial report is to include –

- (a) the rate setting statement included under regulation 22(1)(d) in the annual budget to which the report relates.

The annual budget of a local government is to include a rate setting statement showing details of:

FMR r.  
22(1)(d)

- (a) all revenue and expenditure that have been taken into account to determine the budget deficiency;
- (b) the total amount of the general rates to be imposed; and
- (c) any deficit or surplus remaining after the imposition of the general rates.

FMR r.  
30(1)©

Previous financial year's figures need to be included for comparison.

### Rounding off figures

FMR r. 15(3)

All figures shown in the annual budget and a financial report (other than a rate in the dollar) may be:

- (a) rounded off to the nearest dollar;
- (b) if the total assets shown in the last audited annual financial report of the local government exceed \$10,000,000, rounded off to the nearest \$1,000.

FMR r. 36(2)(a)  
AASB 101.51

**TOWN OF EAGLE BAY  
RATE SETTING STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 201Y**

AASB 101.38  
FMR r. 36(2)(b)  
FMR r. 15(3)

	NOTE	201Y Actual \$	201Y Budget \$	201X Actual \$
<b>REVENUE</b>				
Governance		108,566	93,221	81,376
General Purpose Funding (Excl Rates)		4,104,679	3,970,416	3,855,332
Law, Order, Public Safety		686,829	556,802	864,126
Health		262,378	176,240	175,879
Education and Welfare		1,660,935	1,416,806	1,291,279
Housing		520	600	460
Community Amenities		1,688,168	1,803,650	1,324,894
Recreation and Culture		1,328,903	2,171,562	1,403,700
Transport		4,783,531	3,960,367	5,365,366
Economic Services		503,702	387,060	385,897
Other Property and Services		1,000,611	3,916,478	499,839
		<u>16,128,822</u>	<u>18,453,202</u>	<u>15,248,148</u>
<b>EXPENSES</b>				
Governance		(826,169)	(908,185)	(763,010)
General Purpose Funding		(171,816)	(158,077)	(154,898)
Law, Order, Public Safety		(1,137,630)	(1,349,794)	(928,250)
Health		(356,604)	(331,717)	(296,011)
Education and Welfare		(1,743,528)	(1,682,025)	(1,495,536)
Housing		(1,657)	(1,500)	(1,432)
Community Amenities		(2,859,238)	(3,057,906)	(2,755,017)
Recreation & Culture		(4,259,938)	(4,243,523)	(3,800,603)
Transport		(8,641,626)	(8,380,666)	(8,156,823)
Economic Services		(616,182)	(598,183)	(469,186)
Other Property and Services		(899,520)	(1,133,922)	(831,220)
		<u>(21,513,908)</u>	<u>(21,845,498)</u>	<u>(19,651,986)</u>
<b>Net Result</b>		<b><u>(5,385,086)</u></b>	<b><u>(3,392,296)</u></b>	<b><u>(4,403,838)</u></b>
<b>Excluding Rates</b>				
<b>Adjustments for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure</b>				
<b>&amp; Revenue</b>				
(Profit)/Loss on Asset Disposals	21	54,277	(2,284,581)	(52,533)
Movement in Borrowings		(13,015)	0	(12,010)
Movement in Deferred Pensioner Rates		(17,875)	0	(7,800)
Movement in Employee Benefit Provisions		12,692	0	99,137
Movement in SSL Debtors		20,275	0	25,175
Depreciation on Assets	2(a)	6,907,407	7,100,000	7,435,789
<b>Net Non-Cash Expenditure</b>		<b>6,963,761</b>	<b>4,815,419</b>	<b>7,487,758</b>
<b>&amp; Revenue</b>				

## Commentary – Rate Setting Statement

### Make up of Surplus/(Deficit) Brought Forward and Carried Forward

	201Y Actual Carried Forward	201Y Budget Brought Forward	201X Actual Brought Forward
Current Assets	8,156,143	8,153,063	7,191,470
Current Liabilities	(2,033,690)	(1,834,938)	(1,882,546)
Less Restricted Current Assets	(5,662,318)	(5,662,318)	(4,141,993)
Less SSL Principal Repayments	(24,393)	(24,393)	(48,098)
Add Back Current Long Term Borrowings	83,612	70,597	64,886
Add Cash Back Leave Provision	644,160	588,462	657,330
<b>Surplus/(Deficit)</b>	<b>1,163,514</b>	<b>1,290,473</b>	<b>1,841,049</b>

*Refer Rate Setting Statement  
Refer also Note 24(b)*

FMR r. 36(2)(a)  
AASB 101.51

**TOWN OF EAGLE BAY  
RATE SETTING STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 201Y**

AASB 101.38  
FMR r. 36(2)(b)  
FMR r. 15(3)

(continued)	NOTE	201Y Actual \$	201Y Budget \$	201X Actual \$
<b>Capital Expenditure</b>				
Purchase of Land Held for Resale		(2,056,759)	(4,076,189)	(702,227)
Purchase Land and Buildings	20	(660,185)	(1,787,479)	(957,226)
Purchase Plant and Equipment	20	(2,031,457)	(2,686,903)	(2,165,913)
Purchase Furniture and Equipment	20	(46,798)	0	0
Infrastructure Assets	20	(6,186,340)	(10,704,824)	(6,319,171)
Advances to Community Groups		(500,000)	(500,000)	0
Repayment of Debentures	23(a)	(70,597)	(70,597)	(68,526)
<b>Net Capital Expenditure</b>		<b>(11,552,136)</b>	<b>(19,825,992)</b>	<b>(10,213,063)</b>
<b>Capital Revenue</b>				
Proceeds from Disposal of Assets	21	759,429	5,904,712	655,232
Proceeds from New Debentures	23	2,027,644	2,188,452	350,000
SS Loan Principal Income	23	24,393	24,393	48,098
<b>Net Capital Revenue</b>		<b>2,811,466</b>	<b>8,117,557</b>	<b>1,053,330</b>
<b>Transfers</b>				
Transfers to Reserves	12	(3,376,061)	(1,478,584)	(2,952,482)
Transfers from Reserves	12	1,743,939	2,447,854	1,883,320
<b>Net Transfers</b>		<b>(1,632,122)</b>	<b>969,270</b>	<b>(1,069,162)</b>
<i>ADD</i> Surplus/(Deficit) July 1 B/F	24(b)	1,841,049	1,290,473	1,351,004
<i>LESS</i> Surplus/(Deficit) June 30 C/F	24(b)	1,163,514	0	1,841,049
<b>Amount Required to be Raised from Rates</b>	24(a)	<b>(8,116,582)</b>	<b>(8,025,569)</b>	<b>(7,635,020)</b>

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

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