



murchisonshire

Ancient land under brilliant skies

Audit Committee Meeting

13 December 2025

Attachments



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strength in numbers

26 November 2025

Councillors
Shire of Murchison
Via Email

Dear Councillors,

30 June 2025 Audit

We are pleased to present you with our report on the audit of Shire of Murchison ('the Shire') for the year ended 30 June 2025. We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to the responsibilities in overseeing the financial reporting process. This report includes an analysis of the audit outcomes, key audit risk areas, our conclusion, and other recommendations for your attention. We welcome any comments you may have or any additional areas in which you seek comfort or assurance from the audit process.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "MJ", with a horizontal line extending to the right.

MARCIA JOHNSON CA
Director
Armada Audit & Assurance Pty Ltd



SHIRE OF MURCHISON

Audit Completion Summary

30 June 2025

Audit Risk Rating

Significant

A judgmental assessment of inherent risk as significant relates to those risks which require special audit consideration (in terms of the nature, timing or extent of testing) because of the nature of the risk, the likely magnitude of the potential misstatements (including the possibility that the risk may give rise to multiple misstatements) and the likelihood of the risk occurring.

High

A judgmental assessment of inherent risk as high relates to a risk that requires additional audit consideration beyond what would be required for a normal risk, but which does not rise to the level of a significant risk.

Normal

A judgmental assessment of inherent risk as normal is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring. We do not, as a matter of course, discuss normal risks with those charged with governance unless we seek their confirmation on the judgment that has been applied.

N

Any expected modifications to the audit report

Reference: No modifications are expected to our audit report. Refer to section 1 of our report

Y

Were significant audit adjustments required

No – refer to section 2 of our report

Y

Are unadjusted differences considered immaterial

None – There are no unadjusted audit differences reported.

Y

Account balances and transactions audited in accordance with our strategy

Yes – Refer to section 4 of our report

Y

Audit risks and exposures appropriately addressed

Yes – Refer to section 4 of our report

N

Any significant audit risks requiring comment from Council

Reference: None noted

N

Any instances of fraud or error relating to operation noted

Reference: None noted refer to section 7 of our report

Y

Any significant or moderate priority internal control deficiencies identified

Reference: Refer to section 6 of our report.

N

Any material uncertainties, conditions or events identified affecting going concern noted

Reference: None noted refer to section 7 of our report.

N

Any instance of non-compliance with laws and regulations

Reference: None noted refer to section 7 of our report

Y

Outstanding Matters at the date of this report

Reference – Refer to section 1 of this report

Sufficient level of preparedness for audit

Y

Management of the Shire provided the financial statements for audit on 28 September 2025. This was certified by the Chief Executive Officer – William James Boehm. The financial statements were of good quality, with 4 versions required to finalise.

Y

All information required supplied in a timely manner

Most of the information was provided with in the required timeframe

1. CONCLUSION

We have substantially completed our audit of the year ended 30 June 2025 financial statements of the Shire of Murchison.

At the conclusion of the audit we are expected recommend to the Office of the Auditor General to issue an unmodified opinion.

Outstanding matters at the date of this report include:

- Receipt of signed management representation letter and
- Signed financial statements

2. ADJUSTMENTS

Unadjusted misstatements

During the course of the audit no immaterial differences were not corrected.

Adjusted misstatements

During the course of the audit the following adjustments were corrected:

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Grants, subsidies and contributions	\$6,564,856	\$6,453,945	(\$110,911)	Y
Other revenue	\$1,031,810	\$1,142,721	\$110,911	Y
Reclassification of Roadhouse, Workers Compensation Reimbursements, and Diesel Fuel Rebate from Grant Income to Other Revenue				
Cash and cash equivalents	\$10,538,378	11,234,288	\$695,910	Y
Trade and other payables	\$2,010,160	\$2,706,069	(\$695,910)	Y
Adjustment to correct unrecorded liabilities				
Trade and Other Receivables	\$1,348,924	924,629	(\$424,295)	Y
Other Revenue	\$2,010,160	\$2,706,069	\$385,723	Y
Trade and Other Payables	\$2,706,069	\$2,667,497	\$38,572	Y
Adjustment to correct the revenue recognised for road contributions by CSIRO				

3. MATERIALITY

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users of the financial report. The determination of materiality is a matter of professional judgement and is affected by our perception of the financial information needs of users of the financial report. Having considered the nature of the entity, the industry and economic environment in which the entity operates and the relative volatility of alternative benchmarks, we have determined overall planning materiality based on the Shire's total expenditure for the year.

The overall materiality was not required to be reassessed during the audit. Management will represent to us in writing that all uncorrected misstatements that they are aware of have been brought to our attention.

4. AUDIT RISK AREA

The area below are audit risk areas that we identified based on our understanding of your business, discussions with management as well as any additional risks that arose during the audit. This is not a complete list of all audit risks considered or all audit procedures performed.

Rating	Details of Risk / Issue	Audit Approach	Result
	Audit findings reported in the previous audit consisted of significant, moderate, and minor rated issues relating to financial control and information technology control weakness.	We followed-up on the issues reported to determine whether the matters have been resolved and if not, the matters would be re-reported.	We identified 2 issues from prior year which were not resolved, and these have been included in the current year report.
	Information Technology Risk	We assessed whether the Shire has adequate IT controls in place to ensure that the integrity of data is protected and that access to financial areas are restricted to ensure adequate segregation of duties and follow up on control weaknesses previously reported.	Based on our review the Shire has adequate IT controls in place to ensure that the integrity of data is protected and that access to financial areas are restricted to ensure adequate segregation of duties.
	<p>We have identified the following areas that we consider require additional focus:</p> <ul style="list-style-type: none"> + Related party disclosures + Revenue recognition + Unauthorised expenditure + Unrecorded liabilities and expenses + Contingent liabilities + Joint arrangements 	<p>We have reviewed the accounting treatment and disclosure processes during our audit.</p> <p>We have checked the disclosures in the annual financial report and can confirm that they are appropriate and complies with the requirements of the applicable Australian Accounting Standards.</p>	We have performed our audit procedures on the relevant risk areas identified and concur with management's assessment of the accounting standards and the related disclosures in the financial statements.
	<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> + Provision for annual and long service leave + Useful lives of assets + Impairment of assets 	We reviewed the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. Including the reasonableness of assumptions and corroborating representations.	We have performed our audit procedures on the relevant risk areas identified and concur with management's assessment of the accounting standards and the related disclosures in the financial statements.

5. QUALITATIVE ASPECTS OF ACCOUNTING PRACTISES

Financial Report Disclosures

The disclosures in the financial report are neutral, consistent, and clear. Certain financial report disclosures are particularly sensitive because of their significance to financial report users. The most sensitive disclosures affecting the financial statements were:

- Provision for long service leave
- Valuation of Non-Current Assets
- Useful lives of non-current assets
- Contingent liabilities
- Joint ventures
- Capital commitments

These disclosures are in accordance with the relevant Australian Accounting Standards.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Provision for long service leave
- Valuation of Non-Current Assets
- Useful lives of non-current assets

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

6. ASSESSMENT OF INTERNAL CONTROLS

Deficiencies in internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit.

All issues identified during the course of our fieldwork are categorised as per below:

Level 1	Significant Deficiencies	Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
Level 2	Moderate Deficiencies	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
Level 3	Minor Deficiencies.	Those findings that are not of primary concern but still warrant action being taken.

During our audit for the year ended 30 June 2025, we evaluated the effectiveness of controls on three levels – design, implementation and operating effectiveness. As part of this evaluation, we gained a detailed understanding of the policies and procedures over the following business cycles:

- Purchases & payments.
- Payroll and Employee Benefits and;
- Bank and cash
- Revenue (Design and Implementation Only)

We are pleased to inform management and those charged with governance that, based on our observations and testing, there were no significant control deficiencies were identified during the final audit period. All issues identified were categorised as moderate, as detailed below. As a result, we were able to place reliance on certain key controls for our audit. Whilst we consider the effectiveness of management's internal controls relevant to the Shire's preparation and fair presentation of the financial report when determining the nature timing and extent of our audit our audit procedures are not designed to provide an opinion or any assurance on the effectiveness of the Shire's internal control.

MANAGEMENT LETTER POINTS – REFER TO MANAGEMENT LETTER ATTACHMENT

	FINDING	RATING
INTERIM AUDIT ISSUES		
1	Revenue recognition	Moderate
2	Information, Technology and Communication (ITC) Plans and Policies	Moderate
3	Supplier Master File	Moderate
4	Purchase order not signed to evidence approval	Moderate
5	Financial Management Review and Risk Review	Moderate
FINAL AUDIT ISSUES		
6	Purchase order approved after invoice date	Minor

7. OTHER REPORTING REQUIREMENTS

AREA	RESPONSE
Fraud	<p>Our audit procedures include discussion with management and those charged with governance as to the existence of any known or suspected material fraud. There was no known or suspected material fraud from these discussions. Those charged with governance must contact the OAG Representative, Indika Dias on (08) 6557 7543 if they are aware of any known or suspected fraud.</p> <p>We are not aware of any known or suspected material fraud, nor has it been brought to our attention by management. We obtained in writing, representations regarding the existence of fraud, policies and procedures in place to prevent and detect fraud, noting no instances of fraud of which management are aware.</p>
Errors, irregularities and illegal acts	<p>We have noted no errors or irregularities that would cause the financial report to contain a material misstatement. As part of our normal statutory audit no apparent illegal acts have come to our attention.</p>
Compliance with laws & regulations	<p>We are not aware of any known or suspected non-compliance with laws or regulations applicable to the Shire that may be material to the financial report. We will also receive representations from management confirming that the Shire is in compliance with all laws and regulations that impact the organisation.</p>
Appropriateness of accounting policies	<p>We considered management's assessment of the effects of any accounting policy changes on the Shire's financial statements for the current financial year as well as their assessment of any potential effects arising from those standards applicable for the first time in subsequent financial periods.</p> <p>We consider that the accounting policies adopted in the financial statements are appropriately applied and disclosed. We noted no transactions entered into by the Shire during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognised in the financial statements in a different period than when the transaction occurred.</p>
Management consultation with other independent accountants or experts	<p>If management consulted with other accountants about auditing and accounting matters, we are to inform Council of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p> <p>To our knowledge, management has consulted with an external accounting firm in relation to the preparation of the financial statements.</p>
Management representations	<p>We have requested certain representations from management that are included in the draft management representation letter.</p>

Independence	●	We confirm that, as at the date of this report, the Firm and the members of the Audit Team continue to meet the independence requirements of Australian Auditing Standards and the ethical requirements of the <i>Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)</i> (the Code).
Difficulties encountered in performing the audit	●	The audit was performed as planned.
Going Concern	●	<p>Events or conditions identified that may cast significant doubt on the Shire's ability to continue as a going concern include:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. <p>Auditor Response: No material uncertainties noted regarding going concern.</p>
Related Parties	●	<p>Significant matters arising during the audit in connection with the Shire's related parties include, where applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; or • Non-compliance with laws and regulations. <p>Auditor Response: We are not aware of any related party transactions that are not adequately accounted for by management.</p>
Certification Status	●	Roads to Recovery and LRCI Phase 4 acquittals were audited by Armada.

SHIRE OF MURCHISON
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

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The Shire of Murchison conducts the operations of a local government with the following community vision:

Working together to preserve the unique character of the Shire, supporting diverse and sustainable lifestyle and economic opportunities

Principal place of business:
Murchison Settlement
Carnarvon-Mullewa Road
Western Australia

**SHIRE OF MURCHISON
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

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

Statement by CEO

The accompanying financial report of the Shire of Murchison has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2025 and the financial position as at 30 June 2025.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the 27th day of November 2025



CEO

William James Boehm



SHIRE OF MURCHISON
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 Actual \$	2025 Budget \$	2024 Actual \$
Revenue				
Rates	2(a),23	714,054	799,547	722,646
Grants, subsidies and contributions	2(a)	6,453,944	8,582,301	5,264,949
Fees and charges	2(a)	688,213	595,473	572,665
Interest revenue	2(a)	133,994	144,639	144,639
Other revenue	2(a)	756,999	394,846	286,474
		8,747,204	10,516,806	6,991,373
Expenses				
Employee costs	2(b)	(1,648,797)	(1,490,400)	(1,366,495)
Materials and contracts		(5,678,863)	(10,390,264)	(4,167,168)
Depreciation		(6,372,145)	(5,647,126)	(5,735,641)
Finance costs	2(b)	(38,627)	(57,896)	(36,231)
Insurance		(190,279)	(238,703)	(197,357)
Other expenditure	2(b)	(180,613)	(186,207)	(140,775)
		(14,109,324)	(18,010,596)	(11,643,667)
		(5,362,120)	(7,493,790)	(4,652,294)
Capital grants, subsidies and contributions	2(a)	7,683,306	6,711,444	7,864,111
Profit on asset disposals		6,500	-	71,504
Fair value adjustments to financial assets at fair value through profit or loss	4	(888)	-	419
		7,688,918	6,711,444	7,936,034
Net result for the period		2,326,798	(782,346)	3,283,740
Total comprehensive income for the period		2,326,798	(782,346)	3,283,740

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



SHIRE OF MURCHISON
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

	Note	2025 \$	2024 \$
CURRENT ASSETS			
Cash and cash equivalents	3	11,234,288	8,523,979
Trade and other receivables	5	924,629	3,461,071
Inventories	6	191,897	220,515
Other assets	7	1,553,501	120,489
TOTAL CURRENT ASSETS		13,904,315	12,326,054
NON-CURRENT ASSETS			
Other financial assets	4	19,904	20,792
Property, plant and equipment	8	15,458,416	13,176,284
Infrastructure	9	96,650,715	96,340,734
TOTAL NON-CURRENT ASSETS		112,129,035	109,537,810
TOTAL ASSETS		126,033,350	121,863,864
CURRENT LIABILITIES			
Trade and other payables	11	2,667,498	1,490,892
Other liabilities	12	3,060,525	2,161,932
Borrowings	13	200,415	197,445
Employee related provisions	14	210,632	196,861
TOTAL CURRENT LIABILITIES		6,139,070	4,047,130
NON-CURRENT LIABILITIES			
Borrowings	13	1,145,213	1,341,307
Employee related provisions	14	42,400	95,558
TOTAL NON-CURRENT LIABILITIES		1,187,613	1,436,865
TOTAL LIABILITIES		7,326,683	5,483,995
NET ASSETS		118,706,667	116,379,869
EQUITY			
Retained surplus		31,432,366	28,735,504
Reserve accounts	26	7,859,233	8,229,297
Revaluation surplus	15	79,415,068	79,415,068
TOTAL EQUITY		118,706,667	116,379,869

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



SHIRE OF MURCHISON
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025

	Note	Retained surplus \$	Reserve accounts \$	Revaluation surplus \$	Total equity \$
Balance as at 1 July 2023		24,005,077	9,675,984	79,415,068	113,096,129
Comprehensive income for the period					
Net result for the period		3,283,740	-	-	3,283,740
Other comprehensive income for the period	15	-	-	-	-
Total comprehensive income for the period		3,283,740	-	-	3,283,740
Transfers from reserve accounts	26	5,919,356	(5,919,356)	-	-
Transfers to reserve accounts	26	(4,472,669)	4,472,669	-	-
Balance as at 30 June 2024		28,735,504	8,229,297	79,415,068	116,379,869
Comprehensive income for the period					
Net result for the period		2,326,798	-	-	2,326,798
Other comprehensive income for the period	15	-	-	-	-
Total comprehensive income for the period		2,326,798	-	-	2,326,798
Transfers from reserve accounts	26	4,332,788	(4,332,788)	-	-
Transfers to reserve accounts	26	(3,962,724)	3,962,724	-	-
Balance as at 30 June 2025		31,432,366	7,859,233	79,415,068	118,706,667

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



SHIRE OF MURCHISON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 Actual \$	2024 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		635,537	715,498
Grants, subsidies and contributions		9,171,180	1,936,591
Fees and charges		712,314	571,527
Interest revenue		133,994	144,639
Other revenue		756,999	286,474
		<u>11,410,024</u>	<u>3,654,729</u>
Payments			
Employee costs		(1,672,377)	(1,386,007)
Materials and contracts		(5,891,519)	(3,683,334)
Finance costs		(38,627)	(36,231)
Insurance paid		(190,279)	(197,357)
Goods and services tax paid		(156,952)	(239,125)
Other expenditure		(180,978)	(139,578)
		<u>(8,130,732)</u>	<u>(5,681,632)</u>
Net cash provided by (used in) operating activities	16(b)	<u>3,279,292</u>	<u>(2,026,903)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(3,424,501)	(1,243,966)
Payments for construction of infrastructure	9(a)	(5,539,757)	(9,354,887)
Proceeds from capital grants, subsidies and contributions		8,581,899	10,613,712
Proceeds from sale of property, plant & equipment		6,500	183,134
Net cash provided by (used in) investing activities		<u>(375,859)</u>	<u>197,993</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	25(a)	(193,124)	(189,638)
Net cash (used in) financing activities		<u>(193,124)</u>	<u>(189,638)</u>
Net increase (decrease) in cash held		<u>2,710,309</u>	<u>(2,018,548)</u>
Cash at beginning of year		8,523,979	10,542,527
Cash and cash equivalents at the end of the year	16(a)	<u><u>11,234,288</u></u>	<u><u>8,523,979</u></u>

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

**SHIRE OF MURCHISON
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2025**

	Note	2025 Actual \$	2025 Budget \$	2024 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	23	714,054	799,547	722,646
Grants, subsidies and contributions		6,453,944	8,582,301	5,264,949
Fees and charges		688,213	595,473	572,665
Interest revenue		133,994	144,639	144,639
Other revenue		756,999	394,846	286,474
Profit on asset disposals		6,500	-	71,504
Fair value adjustments to financial assets at fair value through profit or loss	4	-	-	419
		8,753,704	10,516,806	7,063,296
Expenditure from operating activities				
Employee costs		(1,648,797)	(1,490,400)	(1,366,495)
Materials and contracts		(5,678,863)	(10,390,264)	(4,167,168)
Depreciation		(6,372,145)	(5,647,126)	(5,735,641)
Finance costs		(38,627)	(57,896)	(36,231)
Insurance		(190,279)	(238,703)	(197,357)
Other expenditure		(180,613)	(186,207)	(140,775)
Fair value adjustments to financial assets at fair value through profit or loss	4	(888)	-	-
		(14,110,212)	(18,010,596)	(11,643,667)
Non-cash amounts excluded from operating activities	24(a)	6,327,146	5,647,126	5,649,621
Amount attributable to operating activities		970,638	(1,846,664)	1,069,250
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		7,683,306	6,711,444	7,864,111
Proceeds from disposal of assets		6,500	-	183,134
		7,689,806	6,711,444	8,047,245
Outflows from investing activities				
Acquisition of property, plant and equipment	8(a)	(3,424,501)	(263,000)	(1,243,966)
Acquisition of infrastructure	9(a)	(5,539,757)	(8,436,625)	(9,354,887)
		(8,964,258)	(8,699,625)	(10,598,853)
Amount attributable to investing activities		(1,274,452)	(1,988,181)	(2,551,608)
FINANCING ACTIVITIES				
Inflows from financing activities				
Transfers from reserve accounts	26	4,332,788	4,932,788	5,919,356
		4,332,788	4,932,788	5,919,356
Outflows from financing activities				
Repayment of borrowings	25(a)	(193,124)	(192,531)	(189,638)
Transfers to reserve accounts	26	(3,962,724)	(2,600,786)	(4,472,669)
		(4,155,848)	(2,793,317)	(4,662,307)
Amount attributable to financing activities		176,940	2,139,471	1,257,049
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	24(b)	443,933	1,768,357	669,242
Amount attributable to operating activities		970,638	(1,846,664)	1,069,250
Amount attributable to investing activities		(1,274,452)	(1,988,181)	(2,551,608)
Amount attributable to financing activities		176,940	2,139,471	1,257,049
Surplus or deficit after imposition of general rates	24(b)	317,059	72,983	443,933

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

**SHIRE OF MURCHISON
FOR THE YEAR ENDED 30 JUNE 2025
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**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

1. BASIS OF PREPARATION

The financial report of the Shire of Murchison which is a Class 4 local government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the Local Government Act 1995 read with the Local Government (Financial Management) Regulations 1996 prescribe that the financial report be prepared in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Local Government Act 1995, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board except for disclosure requirements of:

- AASB 7 Financial Instruments Disclosures
- AASB 16 Leases paragraph 58
- AASB 101 Presentation of Financial Statements paragraph 61
- AASB 107 Statement of Cash Flows paragraphs 43 and 45
- AASB 116 Property, Plant and Equipment paragraph 79
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
- AASB 140 Investment Property paragraph 75(f)
- AASB 1052 Disaggregated Disclosures paragraph 11
- AASB 1054 Australian Additional Disclosures paragraph 16

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for 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 *Local Government (Financial Management) Regulations 1996* provide that:

- land and buildings classified as property, plant and equipment; or
 - infrastructure; or
 - vested improvements that the local government controls ;
- and measured at reportable value, are only required to be revalued every five years. Revaluing these non-financial assets every five years is a departure from AASB 116 *Property, Plant and Equipment*, which would have required the Shire to assess at each reporting date whether the carrying amount of the above mentioned non-financial assets materially differs from their fair value and, if so, revalue the class of non-financial assets.

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

Critical accounting estimates and judgements

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 amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

As with all estimates, the use of different assumptions could lead to material changes in the amounts reported in the financial report. and impact can be found in the relevant note:

- Fair value measurement of assets carried at reportable value including:
 - Property, plant and equipment - Note 8
 - Infrastructure - Note 9
- Expected credit losses on financial assets - Note 5
- Estimated useful life of intangible assets - Note 10
- Measurement of employee benefits - Note 14

Fair value hierarchy information can be found in Note 22

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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 27 of the financial report.

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-1 Amendments to Australian Accounting Standards
 - Classification of Liabilities as Current or Non-current
- AASB 2022-5 Amendments to Australian Accounting Standards
 - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards
 - Non-current Liabilities with Covenants
- AASB 2023-3 Amendments to Australian Accounting Standards
 - Disclosure of Non-current Liabilities with Covenants: Tier 2
- AASB 2024-1 Amendments to Australian Accounting Standards
 - Supplier Finance Arrangements: Tier 2 Disclosures
- AASB 2023-1 Amendments to Australian Accounting Standards
 - Supplier Finance Arrangements

These amendments are not expected to have any material impact on the financial report on initial application.

- AASB 2022-10 Amendments to Australian Accounting Standards
 - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

These amendment may result in changes to the fair value of certain non-financial assets on revaluation. The impact has not been quantified as it is not considered practicable to determine the amount of the difference in fair value attributable to the change in the standard.

New accounting standards for application in future years

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

- AASB 2014-10 Amendments to Australian Accounting Standards
 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2024-4b Amendments to Australian Accounting Standards
 - Effective Date of Amendments to AASB 10 and AASB 128 [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-9 Amendments to Australian Accounting Standards
 - Insurance Contracts in the Public Sector
- AASB 2023-5 Amendments to Australian Accounting Standards
 - Lack of Exchangeability
- AASB 18 (FP) Presentation and Disclosure in Financial Statements
 - (Appendix D) [for for-profit entities]
- AASB 18 (NFP/super) Presentation and Disclosure in Financial Statements
 - (Appendix D) [for not-for-profit and superannuation entities]
- AASB 2024-2 Amendments to Australian Accounting Standards
 - Classification and Measurement of Financial Instruments
- AASB 2024-3 Amendments to Australian Accounting Standards
 - Annual Improvements Volume 11

These amendments are not expected to have any material impact on the financial report on initial application.

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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	Timing of revenue recognition
Rates	General Rates.	Over time.	Payment dates adopted by Council during the year.	None.	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.	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.	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.	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.	On payment and issue of the licence, registration or approval.
Other inspections	Regulatory Food, Health and Safety.	Single point in time.	Full payment prior to inspection.	None.	Revenue recognised after inspection event occurs.
Property hire and entry	Use of halls and facilities.	Single point in time.	In full in advance.	Refund if event cancelled within 7	On entry or at conclusion of hire.
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works.	Single point in time.	Payment in full in advance.	None.	Output method based on provision of service or completion of works.
Commissions	Commissions on licencing and ticket sales.	Over time.	Payment in full on sale.	None.	When assets are controlled.
Reimbursements	Insurance claims.	Single point in time.	Payment in arrears for claimable event.	None.	When claim is agreed.

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

Revenue recognition

Rate revenue was recognised from the rate record as soon as practicable after the Shire resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2025

Nature	Contracts with customers	Capital grant/contributions	Statutory requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	-	-	714,054	-	714,054
Grants, subsidies and contributions	6,453,944	-	-	-	6,453,944
Fees and charges	688,213	-	-	-	688,213
Interest revenue	-	-	6,166	127,828	133,994
Other revenue	756,999	-	-	-	756,999
Capital grants, subsidies and contributions	-	7,683,306	-	-	7,683,306
Total	7,899,156	7,683,306	720,220	127,828	16,430,510

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

For the year ended 30 June 2024

Nature	Contracts with customers	Capital grant/contributions	Statutory requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	-	-	722,646	-	722,646
Grants, subsidies and contributions	5,264,949	-	-	-	5,264,949
Fees and charges	572,665	-	-	-	572,665
Interest revenue	-	-	3,735	140,904	144,639
Other revenue	286,474	-	-	-	286,474
Capital grants, subsidies and contributions	-	7,864,111	-	-	7,864,111
Total	6,124,088	7,864,111	726,381	140,904	14,855,484

Note	2025 Actual \$	2024 Actual \$
Interest revenue		
Interest on reserve account	126,188	139,080
Rate instalment and penalty interest	6,166	3,735
Other interest revenue	1,640	1,824
	133,994	144,639
The 2025 original budget estimate in relation to: Trade and other receivables overdue interest was \$0.		
Fees and charges relating to rates receivable		
Charges on instalment plan	2,720	1,716
The 2025 original budget estimate in relation to: Charges on instalment plan was \$1,700.		
(b) Expenses		
Auditors remuneration		
- Audit of the Annual Financial Report	48,030	45,000
- Other services – grant acquittals	6,500	4,500
	54,530	49,500
Employee Costs		
Employee benefit costs	1,561,471	1,261,885
Other employee costs	87,326	104,610
	1,648,797	1,366,495
Finance costs		
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	37,642	36,231
ATO Penalty Interest	985	-
	38,627	36,231
Other expenditure		
Impairment losses (writeback) on rates and statutory receivables	24,466	(2,235)
Impairment losses (writeback) on trade receivables	(365)	1,197
Sundry expenses	156,512	141,813
	180,613	140,775

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

3. CASH AND CASH EQUIVALENTS

	Note	2025	2024
		\$	\$
Cash at bank and on hand		3,375,049	5,333,635
Term deposits		7,859,239	3,582,292
Bank overdraft		-	(391,948)
Total cash and cash equivalents		11,234,288	8,523,979
Held as			
- Unrestricted cash and cash equivalents		4,542,065	2,588,043
- Restricted cash and cash equivalents*	16	6,692,223	5,935,936
		11,234,288	8,523,979

*Restricted reserve accounts excludes the Grant Commission reserve balance of \$2,738,556 (2024: \$4,334,804) at 30 June 2025 as there is no statutory requirement to restrict these funds. \$2,736,535 (2024: \$4,332,788) was received for the Financial Assistance grant on 24 June 2025 (2024: 30 June 2024) and transferred to the Grant Commission reserve. (2024: these funds were subsequently transferred from the Grant Commission reserve on 1 July 2024).

MATERIAL 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.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, 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.

4. OTHER FINANCIAL ASSETS

	Note	2025	2024
		\$	\$
Non-current assets			
Financial assets at fair value through profit or loss		19,904	20,792
		19,904	20,792
Financial assets at fair value through profit or loss			
Units in Local Government House Trust - opening balance		20,792	20,373
Movement attributable to fair value increment (decrement)			
Local Government House Trust		(888)	419
Units in Local Government House Trust - closing balance		19,904	20,792

Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

MATERIAL ACCOUNTING POLICIES

Financial assets at fair value through profit or loss

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

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

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

5. TRADE AND OTHER RECEIVABLES

	Note	2025	2024
		\$	\$
Current			
Rates and statutory receivables		69,703	22,125
Trade receivables		729,232	3,446,103
GST receivable		156,952	-
Allowance for credit losses of rates and statutory receivables		(30,426)	(5,960)
Allowance for credit losses of trade receivables		(832)	(1,197)
		924,629	3,461,071

Disclosure of opening and closing balances related to contracts with customers

Information about receivables 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:

	Note	30 June 2025 Actual	30 June 2024 Actual	1 July 2023 Actual
		\$	\$	\$
Trade and other receivables from contracts with customers		729,232	3,446,103	87,289
Contract assets	7	1,488,979	120,489	1,752,976
Allowance for credit losses of trade receivables	5	(832)	(1,197)	-
Total trade and other receivables from contracts with customers		2,217,379	3,565,395	1,840,265

MATERIAL ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations or for the construction of recognisable non financial assets as part of the ordinary course of business.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire 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 MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

6. INVENTORIES

	Note	2025	2024
Current		\$	\$
Fuel and materials		191,897	220,515
		191,897	220,515
The following movements in inventories occurred during the year:			
Balance at beginning of year		220,515	230,472
Inventories expensed during the year		(1,108,341)	(1,048,037)
Additions to inventory		1,079,723	1,038,080
Balance at end of year		191,897	220,515

MATERIAL 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 MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

7. OTHER ASSETS

Other assets - current

Accrued income

Contract assets

2025	2024
\$	\$
64,522	-
1,488,979	120,489
1,553,501	120,489

MATERIAL ACCOUNTING POLICIES

Other current assets

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

Contract assets

Contract assets primarily relate to the Shire's right to . consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at Note 2(b).

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in balances

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

	<u>Total property</u>			<u>Plant and equipment</u>		
	<u>Note</u>	<u>Buildings and improvements not subject to operating lease</u>	<u>Work in progress</u>	<u>Total property</u>	<u>Furniture and equipment</u>	<u>Plant and equipment</u>
		\$	\$	\$	\$	\$
Balance at 1 July 2023		9,771,581	-	9,771,581	61,061	3,340,208
Additions		633,811	-	633,811	40,845	569,310
Disposals		-	-	-		(111,630)
Depreciation		(629,530)	-	(629,530)	(12,113)	(487,259)
Balance at 30 June 2024		9,775,862	-	9,775,862	89,793	3,310,629
Comprises:						
Gross balance amount at 30 June 2024		14,577,622	-	14,577,622	123,839	5,572,566
Accumulated depreciation at 30 June 2024		(4,801,760)	-	(4,801,760)	(34,046)	(2,261,937)
Balance at 30 June 2024	8(b)	9,775,862	-	9,775,862	89,793	3,310,629
Additions		3,365,383	29,060	3,394,443	-	30,058
Depreciation		(659,732)	-	(659,732)	(18,436)	(464,201)
Balance at 30 June 2025		12,481,513	29,060	12,510,573	71,357	2,876,486
Comprises:						
Gross balance amount at 30 June 2025		17,943,006	29,060	17,972,066	123,840	5,517,624
Accumulated depreciation at 30 June 2025		(5,461,493)	-	(5,461,493)	(52,483)	(2,641,138)
Balance at 30 June 2025	8(b)	12,481,513	29,060	12,510,573	71,357	2,876,486

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying amount measurements

Asset class	Note	Carrying amount 2025 \$	Carrying amount 2024 \$	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
(i) Fair value - as determined at the last valuation date								
Land and buildings								
Buildings and improvements				3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2022	Improvements to land using residual values and remaining useful life assessments inputs.
Total buildings	8(a)	12,481,513	9,775,862					

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. The valuation techniques applied to property subject to lease was the same as that applied to property not subject to lease.

(ii) Cost								
Furniture and equipment					Cost	Cost		Purchase cost
Plant and equipment					Cost	Cost		Purchase cost
Work in progress					Cost	Cost		Purchase cost

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

9. INFRASTRUCTURE

(a) Movements in balances

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

	Infrastructure - roads	Infrastructure - bridges	Total infrastructure
	\$	\$	\$
Balance at 1 July 2023	89,846,055	1,746,531	91,592,586
Additions	9,354,887	-	9,354,887
Depreciation	(4,548,511)	(58,228)	(4,606,739)
Balance at 30 June 2024	94,652,431	1,688,303	96,340,734
Comprises:			
Gross balance at 30 June 2024	144,073,140	4,658,230	148,731,370
Accumulated depreciation at 30 June 2024	(49,420,709)	(2,969,927)	(52,390,636)
Balance at 30 June 2024	94,652,431	1,688,303	96,340,734
Additions	5,539,757	-	5,539,757
Depreciation	(5,171,548)	(58,228)	(5,229,776)
Balance at 30 June 2025	95,020,640	1,630,075	96,650,715
Comprises:			
Gross balance at 30 June 2025	149,612,897	4,658,230	154,271,127
Accumulated depreciation at 30 June 2025	(54,592,257)	(3,028,155)	(57,620,412)
Balance at 30 June 2025	95,020,640	1,630,075	96,650,715

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

9. INFRASTRUCTURE (Continued)

(b) Carrying amount measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
(i) Fair value - as determined at the last valuation date					
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition residual value and remaining useful life assessments.
Infrastructure - bridges	3	Cost approach using depreciated replacement cost	Management Valuation	June 2022	Construction costs and current condition residual value and remaining useful life assessments.

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

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

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

10. FIXED ASSETS

(a) Depreciation

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 and improvements	7 to 90 years
Furniture and equipment	3 to 25 years
Plant and equipment	5 to 20 years
Sealed roads and streets	
formation	not depreciated
pavement	12 years
seal	10 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	45 years
Footpaths - slab	10 years
Culverts	60 years
Signs	20 years
Stock grids	80 years
Floodways	21 years
Water supply pipping and drainage systems	75 years
Bridges	80 years

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

10. FIXED ASSETS (Continued)

MATERIAL ACCOUNTING POLICIES

Initial recognition

An item of property, plant and equipment or infrastructure that qualifies for recognition as an asset is measured at its cost.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the 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. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition.

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 *Local Government (Financial Management) Regulation 17A(5)*. These assets are expensed immediately.

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

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, are recognised at cost and disclosed as being at reportable value.

Measurement after recognition

Plant and equipment including furniture and equipment and right-of-use assets (other than vested improvements) are measured using the cost model as required under *Local Government (Financial Management) Regulation 17A(2)*. Assets held under the cost model are carried at cost less accumulated depreciation and any impairment losses being their reportable value.

Reportable value

In accordance with *Local Government (Financial Management) Regulation 17A(2)*, the carrying amount of non-financial assets that are land and buildings classified as property, plant and equipment, investment properties, infrastructure or vested improvements that the local government controls.

Reportable value is for the purpose of *Local Government (Financial Management) Regulation 17A(4)* is the fair value of the asset at its last valuation date minus (to the extent applicable) the accumulated depreciation and any accumulated impairment losses in respect of the non-financial asset subsequent to its last valuation date.

Revaluation

Land and buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls and measured at reportable value, are only required to be revalued 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 land vested in the Shire.

Whilst the regulatory framework only requires a revaluation to occur every five years, it also provides for the Shire to revalue earlier if it chooses to do so.

For land, buildings and infrastructure, increases in the carrying amount arising on revaluation of asset classes 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.

Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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.

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; or
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Impairment

In accordance with *Local Government (Financial Management) Regulations 17A(4C)*, the Shire is not required to comply with *AASB 136 Impairment of Assets* to determine the recoverable amount of its non-financial assets that are land or buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls in circumstances where there has been an impairment indication of a general decrease in asset values.

In other circumstances where it has been assessed that one or more of these non-financial assets are impaired, the 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 or losses on disposal

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.

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

11. TRADE AND OTHER PAYABLES

Current

	2025	2024
	\$	\$
Sundry creditors	1,207,457	394,291
Prepaid rates	5,909	36,848
Accrued payroll liabilities	74,735	60,402
ATO liabilities	33,686	32,212
Bonds and deposits held	520,559	514,989
Accrued expenses	653,671	141,793
GST payable	171,481	310,357
	2,667,498	1,490,892

MATERIAL ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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 any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Statutory liabilities

Statutory liabilities, are amounts owed to regulatory authorities due to statutory obligations such as FBT and PAYG. GST payable is offset against GST receivable and any net GST payable is included as a statutory liability.

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 usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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 income for the prepaid rates that have not been refunded.

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

12. OTHER LIABILITIES

	2025	2024
	\$	\$
Current		
Capital grant/contributions liabilities	3,060,525	2,161,932
	<u>3,060,525</u>	<u>2,161,932</u>
Reconciliation of changes in capital grant/contribution liabilities		
Opening balance	2,161,932	1,044,818
Additions	3,060,525	2,161,932
Revenue from capital grant/contributions held as a liability at the start of the period	(2,161,932)	(1,044,818)
	<u>3,060,525</u>	<u>2,161,932</u>
Expected satisfaction of capital grant/contribution liabilities		
Less than 1 year	3,060,525	2,161,932
	<u>3,060,525</u>	<u>2,161,932</u>

MATERIAL ACCOUNTING POLICIES

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

13. BORROWINGS

	Note	2025			2024		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Long term borrowings		200,415	1,145,213	1,345,628	197,445	1,341,307	1,538,752
Total secured borrowings	25(a)	200,415	1,145,213	1,345,628	197,445	1,341,307	1,538,752

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Murchison.

The Shire of Murchison has complied with the financial covenants of its borrowing facilities during the 2025 and 2024 years.

MATERIAL ACCOUNTING POLICIES

Borrowing costs

The Shire has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 22(i)) due to the unobservable inputs, including own credit risk.

Details of individual borrowings required by regulations are provided at Note 25(a).

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

14. EMPLOYEE RELATED PROVISIONS

Employee related provisions

	2025	2024
	\$	\$
Current provisions		
Employee benefit provisions		
Annual leave	114,518	130,056
Long service leave	68,640	41,127
	183,158	171,183
Employee related other provisions		
Employment on-costs	27,474	25,678
	27,474	25,678
Total current employee related provisions	210,632	196,861
Non-current provisions		
Employee benefit provisions		
Long service leave	38,107	84,332
	38,107	84,332
Employee related other provisions		
Employment on-costs	4,293	11,226
	4,293	11,226
Total non-current employee related provisions	42,400	95,558
Total employee related provisions	253,032	292,419

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

MATERIAL ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions 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 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.

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

15. REVALUATION SURPLUS

	2025 Opening balance	Total Movement on revaluation	2025 Closing balance	2024 Opening balance	Total Movement on revaluation	2024 Closing balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Buildings and improvements	7,861,593	-	7,861,593	7,861,593	-	7,861,593
Revaluation surplus - Infrastructure - roads	71,553,475	-	71,553,475	71,553,475	-	71,553,475
	79,415,068	-	79,415,068	79,415,068	-	79,415,068

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	Note	2025 Actual \$	2024 Actual \$
Cash and cash equivalents	3	11,234,288	8,523,979
Restrictions			
The following classes of financial 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	3	6,692,223	5,935,936
		6,692,223	5,935,936
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts*	26	5,120,677	3,894,493
Capital grant assets	7	(1,488,979)	(120,489)
Capital grant liabilities	12	3,060,525	2,161,932
Total restricted financial assets		6,692,223	5,935,936

*Restricted reserve accounts excludes the Grant Commission reserve balance of \$2,738,556 (2024: \$4,334,804) at 30 June 2025 as there is no statutory requirement to restrict these funds. \$2,736,535 (2024: \$4,332,788) was received for the Financial Assistance grant on 24 June 2025 (2024: 30 June 2024) and transferred to the Grant Commission reserve. (2024: these funds were subsequently transferred from the Grant Commission reserve on 1 July 2024).

(b) Reconciliation of net result to net cash provided by operating activities

Net result		2,326,798	3,283,740
Non-cash items:			
Adjustments to fair value of financial assets at fair value through profit or loss		888	(419)
Depreciation/amortisation		6,372,145	5,735,641
(Profit)/loss on sale of asset		(6,500)	(71,504)
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		2,536,442	(3,075,529)
(Increase)/decrease in other assets		(1,433,012)	1,632,487
(Increase)/decrease in inventories		28,618	9,957
Increase/(decrease) in trade and other payables		1,176,606	(30,581)
Increase/(decrease) in employee related provisions		(39,387)	(14,097)
Increase/(decrease) in other liabilities		898,593	1,117,114
Capital grants, subsidies and contributions		(8,581,899)	(10,613,712)
Net cash provided by/(used in) operating activities		3,279,292	(2,026,903)

(d) Undrawn borrowing facilities

Credit standby arrangements

Bank overdraft limit	100,000	2,500,000
Bank overdraft at balance date	-	-
Credit card limit	5,000	5,000
Credit card balance at balance date	(426)	(2,074)
Total amount of credit unused	104,574	2,502,926

Loan facilities

Loan facilities - current	200,415	197,445
Loan facilities - non-current	1,145,213	1,341,307
Total facilities in use at balance date	1,345,628	1,538,752

Unused loan facilities at balance date

NIL

NIL

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

17. CONTINGENT LIABILITIES

The Shire of Murchison was in compliance with the Contaminated Sites Act 2003 section 11 listed sites to be possible sources of contamination

- Murchison settlement tip; and
- Murchison works depot

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and degree with the Department of Water and Environmental Regulation (DWER), the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potential contaminated sites.

The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach.

18. CAPITAL COMMITMENTS

	2025	2024
	\$	\$
Contracted for:		
- capital expenditure projects	2,073,652	1,746,441
	2,073,652	1,746,441
Payable:		
- not later than one year	2,073,652	1,746,441

The capital expenditure projects outstanding at the end of the current reporting period represent construction of roads, power supply upgrade within the settlement and a water treatment project. The prior year commitments were for construction of a pool and splash pad, water supply and an ablution facility.

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

19. RELATED PARTY TRANSACTIONS

(a) Council member remuneration

Fees, expenses and allowances to be paid or reimbursed to council members.

Note	2025 Actual \$	2025 Budget \$	2024 Actual \$
President's annual allowance	18,032	18,032	16,032
President's meeting attendance fees	15,429	15,429	14,835
President's annual allowance for ICT expenses	2,400	2,400	2,215
President's travel and accommodation expenses	4,324	3,250	1,991
	40,185	39,111	35,073
Deputy President's annual allowance	4,508	4,508	4,008
Deputy President's meeting attendance fees	10,286	10,286	9,890
Deputy President's annual allowance for ICT expenses	2,400	2,400	2,215
Deputy President's travel and accommodation expenses	2,483	3,250	2,020
	19,677	20,444	18,133
All other council member's meeting attendance fees	41,144	41,144	39,560
All other council member's annual allowance for ICT expenses	9,600	9,600	8,860
All other council member's travel and accommodation expenses	7,947	13,000	7,354
	58,691	63,744	55,774
19(b)	118,553	123,299	108,980

(b) Key management personnel (KMP) compensation

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

Short-term employee benefits	618,802	447,598
Post-employment benefits	84,043	63,699
Employee - other long-term benefits	56,963	56,240
Council member costs	118,553	108,980
19(a)	878,361	676,517

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements 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).

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

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

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

In addition to KMP compensation above the following transactions occurred with related parties:

	2025 Actual \$	2024 Actual \$
Purchase of goods and services	2,365,449	2,736,698
Amounts payable to related parties:		
Trade and other payables	-	100,665

(d) Related parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

In 2023, a company controlled by a related party of a council member, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the Shire's procurement process.

The contract involved roadworks in the Shire, and amounted to \$1,944,470 in the current year (2024: \$2,460,581).

In 2024, a company controlled by a related party of a close family member of a council member, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the Shire's procurement process.

The contract involved plumbing works, and amounted to \$339,281 in the current year. (2024: \$175,907)

In 2023, a company controlled by a related party of a council member, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the Shire's procurement process.

The contract involved roadworks in the Shire, and amounted to \$67,760 in the current year (2024: \$100,210).

In 2025, a company controlled by a related part of a council member, was awarded a contract on terms and conditions that prevail in arm's length transactions to complete earthworks, and amounted to \$12,518 in the current year (2024: \$0).

Outside of normal citizen type transactions with the Shire, there were no other related party transactions involving key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

iii. Entities subject to significant influence by the Shire

There were no such entities requiring disclosure during the previous year.

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

20. JOINT ARRANGEMENTS

Share of joint operations

The Shire of Murchison has participated in a joint arrangement with the Department of Housing for the construction of eight units in the Murchison Settlement. The provision of housing aims to provide accommodation for Shire employees. The Shire of Murchison has a 15.69% interest in one unit and 0% in the remaining seven units. All revenue and expense as well as liabilities of the joint arrangement are recognised in the relevant financial statements of council.

	2025 Actual	2024 Actual
	\$	\$
Buildings	96,273	96,273
Less: Accumulated depreciation	(33,602)	(29,751)
Total assets	62,671	66,522
Total equity	62,671	66,522
Statement of comprehensive income		
Employee costs	(17,107)	(15,245)
Materials and contracts	(40,826)	(46,482)
Insurance	(12,606)	(15,910)
Depreciation	(3,851)	(3,850)
Profit/(loss) for the period	(74,390)	(81,487)
Other comprehensive income	-	-
Total comprehensive income for the period	(74,390)	(81,487)
Statement of cash flows		
Employee costs	(17,107)	(15,245)
Materials and contracts	(40,826)	(46,482)
Insurance	(12,606)	(15,910)
Net cash provided by (used in) operating activities	(70,539)	(77,637)

MATERIAL ACCOUNTING POLICIES

Joint operations

A joint operation is a joint arrangement where the Shire has joint control with two or more parties to the joint arrangement. All parties to joint arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

Assets, liabilities, revenues and expenses relating to the Shire's interest in the joint operation are accounted for in accordance with the relevant Australian Accounting Standards.

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

21. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

22. OTHER MATERIAL 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 report 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) Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost 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).

i) Fair value hierarchy

AASB 13 *Fair Value Measurement* 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.

j) Impairment of assets

In accordance with Australian Accounting Standards the Shire's 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 except for non-financial assets that are:

- land and buildings classified as property, plant and equipment;
- infrastructure; or
- vested improvements that the local government controls, in circumstances where there has been an impairment indication of a general decrease in asset values.

These non-financial assets are assessed in accordance with the regulatory framework detailed in Note 10.

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 *Property, Plant and Equipment*) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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23. RATING INFORMATION

(a) General rates

RATE TYPE				2024/25 Actual rateable value*	2024/25 Actual rate revenue	2024/25 Actual interim rates	2024/25 Actual total revenue	2024/25 Budget rate revenue	2024/25 Budget interim rate	2024/25 Budget total revenue	2023/24 Actual total revenue
Rate description	Basis of valuation	Rate in \$	Number of properties	\$	\$	\$	\$	\$	\$	\$	\$
UV Pastoral	Unimproved valuation	0.09325	22	1,242,477	115,861	-	115,861	115,866	-	115,866	108,822
UV Mining	Unimproved valuation	0.18550	14	1,999,364	370,882	-	370,882	374,491	-	374,491	329,953
UV Prospecting and exploration	Unimproved valuation	0.18550	59	1,545,461	286,683	(85,472)	201,211	286,690	-	286,690	260,671
Total general rates			95	4,787,302	773,426	(85,472)	687,954	777,047	-	777,047	699,446
Minimum payment											
Minimum payment		\$									
UV Pastoral	Unimproved valuation	900	6	21,299	5,400	-	5,400	5,400	-	5,400	4,800
UV Mining	Unimproved valuation	900	5	21,160	4,500	-	4,500	900	-	900	4,000
UV Prospecting and exploration	Unimproved valuation	900	18	32,385	16,200	-	16,200	16,200	-	16,200	14,400
Total minimum payments			29	74,844	26,100	-	26,100	22,500	-	22,500	23,200
Total general rates and minimum payments			124	4,862,146	799,526	(85,472)	714,054	799,547	-	799,547	722,646
Total rates							714,054			799,547	722,646
(a) Rates related information											
Rates instalment plan charges							2,720			1,700	1,716
Rates overdue interest							6,166			3,735	3,735

*Rateable Value at time of raising of rate.

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

24. DETERMINATION OF SURPLUS OR DEFICIT

Note	2024/25 (30 June 2025 carried forward)	2024/25 Budget (30 June 2025 carried forward)	2024/25 (1 July 2024 carried forward)	2023/24 (30 June 2024 carried forward)
	\$	\$	\$	\$
(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 Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	(6,500)	-	(71,504)	(71,504)
Less: Movement in liabilities associated with restricted cash	13,771	-	(49,568)	(49,568)
Less: Fair value adjustments to financial assets at fair value through profit or loss	888	-	(419)	(419)
Add: Depreciation	6,372,145	5,647,126	5,735,641	5,735,641
Non-cash movements in non-current assets and liabilities:				
Employee benefit provisions	(53,158)	-	35,471	35,471
Non-cash amounts excluded from operating activities	6,327,146	5,647,126	5,649,621	5,649,621
(b) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity 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: Reserve accounts	(7,859,233)	(5,880,473)	(8,229,297)	(8,229,297)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	200,415	192,527	197,445	197,445
- Employee benefit provisions	210,632	246,429	196,861	196,861
Total adjustments to net current assets	(7,448,186)	(5,441,517)	(7,834,991)	(7,834,991)
Net current assets used in the Statement of financial activity				
Total current assets	13,904,315	8,866,997	12,326,054	12,326,054
Less: Total current liabilities	(6,139,070)	(3,352,501)	(4,047,130)	(4,047,130)
Less: Total adjustments to net current assets	(7,448,186)	(5,441,517)	(7,834,991)	(7,834,991)
Surplus or deficit after imposition of general rates	317,059	72,979	443,933	443,933

SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

25. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual						Budget					
		Principal at 1	New loans	Principal	Actual Interest	Actual Interest	Principal at 30	New loans	Principal	Actual Interest	Actual Interest	Principal at	Principal at 1
		July 2023	during 2023-24	repayments	expense during	repayments	June 2024	during 2024-25	repayments	expense during	repayments	30 June 2025	July 2024
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Roadworks in 2020-21		1,728,390	-	(189,033)	36,231	(36,836)	1,538,752	-	(192,531)	37,642	(38,235)	1,345,628	1,533,838
Total		1,728,390	-	(189,033)	36,231	(36,836)	1,538,752	-	(192,531)	37,642	(38,235)	1,345,628	1,533,838

All loan repayments were financed by general purpose revenue.

Borrowing finance cost payments

Purpose	Loan number	Institution	Interest rate	Date final payment is due	Actual for year ending 30 June 2025	Budget for year ending 30 June 2025	Actual for year ending 30 June 2024
Roadworks in 2020-21	2	WATC	1.84%	28/10/2031	\$(37,642)	\$(46,827)	\$(36,231)
Total					\$(37,642)	\$(46,827)	\$(36,231)
Total finance cost payments					\$(37,642)	\$(46,827)	\$(36,231)

* WA Treasury Corporation

(b) New borrowings - 2024/25

There were no new borrowings for the Year Ended 30 June 2025.

(c) Unspent borrowings

The Shire had no unspent borrowings at 30 June 2025.

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

26. RESERVE ACCOUNTS

	2025 Actual opening balance	2025 Actual transfer to	2025 Actual transfer (from)	2025 Actual closing balance	2025 Budget opening balance	2025 Budget transfer to	2025 Budget transfer (from)	2025 Budget closing balance	2024 Actual opening balance	2024 Actual transfer to	2024 Actual transfer (from)	2024 Actual closing balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Leave reserve	166,949	287	-	167,236	166,949	1,958	-	168,907	164,991	1,958	-	166,949
(b) Plant replacement reserve	808,758	1,149	-	809,907	808,758	-	-	808,758	1,251,758	-	(443,000)	808,758
(c) Building reserve	511,858	881	-	512,739	505,854	-	-	505,854	505,853	6,005	-	511,858
(d) Beringarra- Cue road reserve	1,552,455	122,478	-	1,674,933	1,552,455	110,867	-	1,663,322	1,441,587	110,868	-	1,552,455
(e) CSIRO Beringarra-Pindar road reserve	180,329	310	-	180,639	180,329	2,114	-	182,443	178,214	2,115	-	180,329
(f) Flood damage repairs reserve	5,969	8	-	5,977	5,968	-	-	5,968	5,969	-	-	5,969
(g) Settlement assets reserve	397,111	350,683	-	747,794	397,111	1,539,092	(600,000)	1,336,203	581,775	6,708	(191,372)	397,111
(h) Road asset reserve	258,912	300,367	-	559,279	258,912	288,306	-	547,218	858,912	-	(600,000)	258,912
(i) Grants Commission reserve	4,334,804	2,736,540	(4,332,788)	2,738,556	4,334,804	-	(4,332,788)	2,016	4,685,590	4,334,198	(4,684,984)	4,334,804
(j) Community Economic Development reserve	1,348	2	-	1,350	1,335	14,849	-	16,184	1,335	13	-	1,348
(k) Carnarvon-Mullewa Mining Related	-	-	-	-	-	3,600	-	3,600	-	-	-	-
(l) Asset management reserve	10,804	19	-	10,823	-	-	-	-	-	10,804	-	10,804
(m) Workforce Accommodation Reserve	-	450,000	-	450,000	-	640,000	-	640,000	-	-	-	-
	8,229,297	3,962,724	(4,332,788)	7,859,233	8,212,475	2,600,786	(4,932,788)	5,880,473	9,675,984	4,472,669	(5,919,356)	8,229,297

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

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 account	Purpose of the reserve account
Restricted by council	
(a) Leave reserve	To be used to fund annual and long service leave requirements.
(b) Plant replacement reserve	To be used for the purchase of plant.
(c) Building reserve	To be used for the construction/renovation of administration centre and works depot.
(d) Beringarra- Cue road reserve	To be used to maintain the road in a post Jack Hills mine closure environment by converting the road from bitumen to gravel and performing other associated works as required.
(e) CSIRO Beringarra-Pindar road reserve	To be used to fund additional maintenance work required for CSIRO traffic.
(f) Flood damage repairs reserve	To be used towards DRFWA funded flood damage works.
(g) Settlement assets reserve	To be used to fund and maintain new and upgraded buildings, facilities and infrastructure within the Murchison Settlement.
(h) Road asset reserve	To be used to fund work for the construction and reconstruction of Councils Road Infrastructure.
(i) Grants Commission reserve	To ensure that any Grants Commission funds received are only applied to income and expenses in the financial year in which they apply.
(j) Community Economic Development reserve	To be used to fund actions and activities that support and increase progress in the development of the Shire community and Shire based organisations economically, socially and culturally.
(k) Carnarvon-Mullewa Mining Related	To be used to fund works for the construction and reconstruction of the Carnarvon-Mullewa Road as associated with Mining related traffic.
(l) Asset management reserve	To be used to fund works associated with short and long-term management of Council's Infrastructure Assets.
(m) Workforce Accommodation Reserve	To be used to fund works associated with development of workforce accommodation and related functions.

**SHIRE OF MURCHISON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

27. TRUST FUNDS

The Shire did not have any funds held at balance date over which it has no control.



Auditor General

INDEPENDENT AUDITOR'S REPORT 2025 Shire of Murchison

To the Council of the Shire of Murchison

Opinion

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

- the statement of financial position as at 30 June 2025, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of financial activity for the year then ended
- notes comprising a summary of material accounting policies and other explanatory information.

In my opinion, the financial report :

- is based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2025 and its financial position at the end of that period
- is in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2025, but not the financial report and my auditor's report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

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

The Chief Executive Officer (CEO) of the Shire is responsible for:

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the Shire's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Murchison for the year ended 30 June 2025 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.

Carly Meagher
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
27 November 2025

**murchisonshire**

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Our Ref: 2.1
Your Ref:

Ms Caroline Spencer
Auditor General
Office of the Auditor General
7th Floor, Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Ms Spencer

REPRESENTATION LETTER IN RESPECT OF THE SHIRE OF MURCHISON'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2025

This representation letter is provided in connection with your audit of the Shire of Murchison's annual financial report for the year ended 30 June 2025 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2025 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

1. General

- (a) We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report.
- (d) The prior period comparative information in the financial report has not been restated.
- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

- (g) We have provided your auditors with:
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that your auditors have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and councillors of the Shire from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the Shire involving:
 - (i) management
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statementshave occurred to the knowledge of management of the Shire.
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. Fair value measurements and disclosures

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each revalued physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions and data used by management in determining fair values are appropriate and have been consistently applied. We confirm that the fair value disclosures in the financial report are complete and appropriate.

3. Going concern

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

4. Contingent liabilities

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. Commitments for capital expenditure

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital expenditure contracts carrying over at year end.

6. Contaminated sites

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All provisions or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. Related entities

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to you if any of the Shire's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2025.

8. Related parties

We have disclosed to your auditors the identity of the Shire's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key management personnel and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

9. Key management personnel compensation

We confirm the Shire's key management personnel have not received any other remuneration, consideration or in-kind benefit (except amounts being reimbursements for out-of-pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

10. Subsequent events

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the Shire.

11. Internal control

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

12. Insurance

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

13. Risk management

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

14. Accounting misstatements

There are no uncorrected misstatements in the financial report.

15. Electronic presentation of the audited annual financial report and auditor's report

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the Shire's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

16. Other (unaudited) information in the annual report

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.



Director Corporate Services or Equivalent (Community Manager)

Name: Rebecca Fogarty

27.11.25

Date



Chief Executive Officer

Name: Bill Boehm

27.11.25

Date

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Purchase order approved after invoice date	No			✓	

Key to ratings

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

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Purchase order approved after invoice date****Finding**

We noted one instance where a purchase order dated 12 March 2025 was approved after the corresponding supplier invoice date of 11 March 2025.

Rating: Minor**Implication**

Approving purchase orders after the invoice date undermines the effectiveness of the procurement control process and increases the risk of unauthorised or retrospective commitments being made without proper approval.

Recommendation

Management should ensure that purchase orders are raised and approved prior to the receipt of goods or services and before the invoice date. Regular monitoring and staff training should be undertaken to reinforce compliance with procurement policies and approval procedures

Management comment

The quotation was received on 11.03.25 and processed the next day 12.03.25. This followed discussions between the Works Manager and Contractor who had verbally given the go ahead prior to the purchase order being issued but had not on this occasion conveyed this to Finance Staff via the normal purchase order arrangements prior. The practice also being that quotation was a fixed price with no variations accepted. The contractor submitted the invoice on this basis. The invoice was paid on 17.03.25.

Responsible person: CEO
Completion date: 17.03.25

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Revenue recognition	No		✓		✓
2. Information, Technology and Communication (ITC) Plans and Policies	No		✓		✓
3. Supplier Master File	No		✓		✓
4. Purchase order not signed to evidence approval	No		✓		
5. Financial Management Review and Risk Review	No		✓		

Key to ratings

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

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****1. Revenue recognition****Finding**

We noted that grant revenue has not been recorded in accordance with the Australian Accounting Standards AASB 1058 and AASB 15 as at 31 January 2025. We noted that the Shire recognises all its capital grants as income on receipt in the statement of financial activity, which is presented to the Council every month and applies the accounting standards at year-end.

In accordance with Local Government (Financial Management) Regulations 1996 Part 2 5A, all financial reports of a local government must comply with Australian Accounting Standards, and this includes Monthly Financial Activity Statements.

This finding was first raised in 2023-24.

Rating: Moderate (2024: Moderate)

Implication

When grant income is not recognised in line with the requirements of the revenue accounting standards, there is a risk that the information on grant income and unspent grant liabilities, which are presented in the monthly statement of financial activity to the Council, may not be accurate.

Recommendation

For the monthly statement of financial activity that is presented to the Council, we recommend that management ensure grant income and unspent grant liabilities are presented appropriately and in line with the requirements of the revenue accounting standards.

Management comment

Monthly accounting processes have been reviewed and procedures implemented to account for contract assets and liabilities in accordance with the requirements of AASB 1058 and AASB 15. This is in effect from the April 25 Financial Statements.

Responsible person: Finance Manager

Completion date: June 2025

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****2. Information, Technology and Communication (ITC) Plans and Policies****Finding**

The Shire has not implemented a comprehensive framework of ITC- related policies, nor does it have a comprehensive IT strategic plan in place.

This finding was first raised in 2023-24.

Rating: Moderate (2024: Moderate)

Implication

The Shire's lack of established ITC policies and procedures creates inconsistency and security vulnerabilities. Without an IT strategic plan, resource allocation becomes ad-hoc, hindering efficiency and goal achievement.

Recommendation

To enhance ITC governance, the Shire should develop and implement comprehensive ITC policies covering data security, access control, password management, backup plans, incident response, and system maintenance. Simultaneously, creating an IT strategic plan aligned with business objectives will optimize resource allocation and long-term goal achievement.

Management comment

It is intended that within available resource constraints comprehensive ITC policies are to be developed as part of the overall management operation with a budget allocation required.

Responsible person: Chief Executive Officer
Completion date: June 2025

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****3. Supplier Master File****Finding**

Management advised that changes to supplier information made in the system is reviewed on a regular basis, however there was no document to evidence such as audit trails to corroborate management's statement.

This finding was first raised in 2023-24.

Rating: Moderate (2024: Moderate)

Implication

There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred.

Recommendation

Management should implement improve the control of the independent review of audit trial reports that log changes to supplier information by documenting the evidence that the changes were independently reviewed.

Management comment

We will review processes to ensure appropriate evidence of review of changes to supplier information is maintained.

Responsible person: Finance Manager
Completion date: June 2025

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****4. Purchase order not signed to evidence approval****Finding**

We noted 1 instance out of 18 payment samples where a purchase order was prepared but not signed by the Chief Executive Officer to evidence approval. However, we did note that supplier invoice in relation to the purchase was approved and paid.

Rating: Moderate**Implication**

Ordering of goods and services without evidence of the approved purchase increases the risk of fraud and inappropriate purchases being committed by the Shire.

Recommendation

Review the Shire's processes to ensure all approved purchase orders are signed by the delegated authority prior to ordering goods and services.

Management comment

This was an oversight but the project itself was part of an approved program of SKA Works which the CEO and Works Manager had developed with the contractor engaged to carry out the work.

Responsible person: Chief Executive Officer
Completion date: June 2025

SHIRE OF MURCHISON**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****5. Financial Management Review and Risk Review****Finding**

In accordance with Local Government (Audit) Regulations 1996 para. 17 (2) a risk review is to be performed not less than once in every 3 financial years and in accordance with Local Government (Financial Management) Regulation 1996 para 5(2)(c) a financial management review is to be performed not less than once in every 3 years. We noted that the last reviews performed by the Shire was in May 2022.

Rating: Moderate**Implication**

Non-compliance with Local Government (Audit) Regulations 1996. para 17 and Local Government (Financial Management) Regulation 1996 para 5(2)(c).

Recommendation

We recommend that the Shire performs the reviews to ensure the appropriateness and effectiveness of the financial management systems and procedures in relation to risk management, internal control and legislative compliance is adequate and operating effectively.

Management comment

Financial Management Review and Risk review have been scheduled to be completed by September 2025. The timing of this has been impacted by staffing shortages at the Shire.

Responsible person: Chief Executive Officer
Completion date: June 2025