



Shire of Dardanup

APPENDICES

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 4 December 2019
Commencing at 4.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

This document is available in alternative formats such as:
~ Large Print
~ Electronic Format [disk or emailed]
Upon request.

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: Compliance Manual - Update

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: Annual Meeting – 2018/19 Audit Report

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not meeting its compliance obligations pursuant to the Local Government (Audit) Regulations 1996 and Australian Accounting Standards.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Loss of reputation through non-compliance or mismanagement of funds	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHIRE OF DARDANUP****Report on the Financial Report****Opinion**

We have audited the financial report of the Shire of Dardanup, which comprises the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

In our opinion, the financial report of the Shire of Dardanup is in accordance with the underlying records of the Shire, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations); the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Shire in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.
- Conclude on the appropriateness of Shire's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shire to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

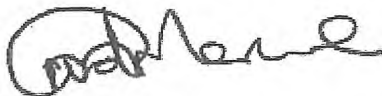
We communicate with Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reporting on Other Legal and Regulatory Requirements

In accordance with the Local Government (audit) Regulations 1996, we report that:

- a) In our opinion, the operating surplus ratio reported in Note 38 to the financial report is below the Department of Local Government, Sport and Cultural Industries standard for the past 3 years and this is a material matter, however it does not indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- b) All information and explanations required were obtained by us.
- c) All audit procedures were satisfactorily completed in conducting our audit.
- d) In my opinion, the asset consumption ratio and asset renewal ratio in included Note 38 in the Financial Report was supported by verifiable information and reasonable assumptions.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth
Date: 28 November 2019

SHIRE OF DARDANUP

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	61

COMMUNITY VISION

Provide effective leadership in encouraging balanced growth and development of the Shire while recognising the diverse needs of the community.

Principal place of business:
Shire of Dardanup Administration Centre
1 Council Drive
Eaton WA 6232

**SHIRE OF DARDANUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Dardanup being the Annual Financial Report and supporting notes and other information for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Dardanup at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 29th day of November 2019



André Schönfeldt
Chief Executive Officer

**STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual Restated \$
Revenue				
Rates	27(a)	13,091,847	13,230,724	12,417,350
Operating grants, subsidies and contributions	2(a)	2,202,844	2,556,611	1,818,777
Fees and charges	2(a)	3,112,535	3,046,478	3,084,383
Interest earnings	2(a)	581,228	461,485	453,070
Other revenue	2(a)	27,855	27,540	21,158
		<u>19,016,309</u>	<u>19,322,838</u>	<u>17,794,738</u>
Expenses				
Employee costs		(9,793,985)	(10,405,885)	(9,408,701)
Materials and contracts		(4,049,538)	(4,454,315)	(3,980,229)
Utility charges		(551,434)	(526,745)	(532,473)
Depreciation on non-current assets	11(c)	(5,042,270)	(4,815,600)	(4,809,520)
Interest expenses	2(b)	(127,293)	(147,890)	(130,615)
Insurance expenses		(253,207)	(268,756)	(263,957)
Other expenditure		(357,532)	(383,200)	(414,935)
		<u>(20,175,259)</u>	<u>(21,002,390)</u>	<u>(19,540,430)</u>
		<u>(1,158,950)</u>	<u>(1,679,552)</u>	<u>(1,745,692)</u>
Non-operating grants, subsidies and contributions	2(a)	1,874,654	2,678,617	4,107,677
Profit on asset disposals	11(a)	15,093	1,165,000	0
(Loss) on asset disposals	11(a)	(33,963)	0	(62,347)
Fair value adjustments to financial assets at fair value through profit or loss	8	70,068	0	0
Asset write off - change in accounting policy		0	0	(101,856)
		<u>1,925,852</u>	<u>3,843,617</u>	<u>3,943,474</u>
Net result for the period		766,902	2,164,065	2,197,782
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	7,619,278
Total other comprehensive income for the period		0	0	7,619,278
Total comprehensive income for the period		766,902	2,164,065	9,817,060

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual	2019 Budget	2018 Actual Restated
		\$	\$	\$
Revenue				
	2(a)			
Governance		29	1,550	1,196
General purpose funding		14,868,866	14,175,298	14,380,792
Law, order, public safety		440,114	389,216	255,471
Health		19,177	15,150	19,176
Education and welfare		13,384	8,000	38,050
Community amenities		1,398,292	1,425,754	1,283,671
Recreation and culture		1,817,846	2,960,145	1,495,626
Transport		148,693	112,394	140,526
Economic services		86,272	90,009	72,065
Other property and services		223,638	145,322	108,165
		<u>19,016,309</u>	<u>19,322,838</u>	<u>17,794,738</u>
Expenses				
	2(b)			
Governance		(1,026,392)	(1,081,087)	(1,099,659)
General purpose funding		(354,842)	(370,229)	(347,168)
Law, order, public safety		(1,465,816)	(1,518,810)	(1,238,928)
Health		(506,130)	(537,987)	(494,287)
Education and welfare		(754,676)	(855,970)	(867,186)
Community amenities		(2,106,048)	(2,555,969)	(2,011,018)
Recreation and culture		(7,220,298)	(7,720,105)	(6,987,847)
Transport		(5,673,625)	(5,371,954)	(5,677,988)
Economic services		(515,026)	(543,617)	(494,901)
Other property and services		(425,115)	(298,772)	(190,833)
		<u>(20,047,966)</u>	<u>(20,854,500)</u>	<u>(19,409,815)</u>
Finance Costs				
	2(b)			
Community amenities		0	(15,379)	0
Recreation and culture		(76,943)	(79,615)	(76,330)
Transport		(27,474)	(28,387)	(25,685)
Economic services		(8,632)	(8,858)	(9,017)
Other property and services		(14,244)	(15,651)	(19,583)
		<u>(127,293)</u>	<u>(147,890)</u>	<u>(130,615)</u>
		<u>(1,158,950)</u>	<u>(1,679,552)</u>	<u>(1,745,692)</u>
Non-operating grants, subsidies and contributions	2(a)	1,874,654	2,678,617	4,107,677
Profit on disposal of assets	11(a)	15,093	1,165,000	0
(Loss) on disposal of assets	11(a)	(33,963)	0	(62,347)
Fair value adjustments to financial assets at fair value through profit or loss	8	70,068	0	0
Asset write off - change in accounting policy		0	0	(101,856)
		<u>1,925,852</u>	<u>3,843,617</u>	<u>3,943,474</u>
Net result for the period		766,902	2,164,065	2,197,782
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	7,619,278
Total other comprehensive income for the period		0	0	7,619,278
Total comprehensive income for the period		766,902	2,164,065	9,817,060

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

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019	2018 Restated *	1 July 2017 Restated *
		\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	3	19,441,957	17,832,573	18,506,475
Trade receivables	5	819,479	777,554	1,493,219
Other loans and receivables	8	0	32,936	
Inventories	6	13,477	14,023	16,659
Other current assets	7	174,332	61,676	
TOTAL CURRENT ASSETS		20,449,245	18,718,762	20,016,353
NON-CURRENT ASSETS				
Trade receivables	5	111,904	108,314	115,246
Financial assets at fair value through profit and loss	8(b)	70,068	0	
Property, plant and equipment	9	32,453,361	33,172,802	33,486,979
Intangible assets	9(c)	1,920,902	1,920,902	1,921,278
Infrastructure	10	143,746,339	143,632,308	132,262,205
TOTAL NON-CURRENT ASSETS		178,302,574	178,834,326	167,785,708
TOTAL ASSETS		198,751,819	197,553,088	187,802,061
CURRENT LIABILITIES				
Trade and other payables	13	2,359,794	1,448,582	1,404,498
Borrowings	15(b)	279,748	362,288	418,802
Employee related provisions	16	1,272,698	1,190,807	968,558
TOTAL CURRENT LIABILITIES		3,912,240	3,001,677	2,791,858
NON-CURRENT LIABILITIES				
Borrowings	15(b)	1,963,116	2,242,864	2,605,152
Employee related provisions	16	228,163	427,149	340,713
TOTAL NON-CURRENT LIABILITIES		2,191,279	2,670,013	2,945,865
TOTAL LIABILITIES		6,103,519	5,671,690	5,737,723
NET ASSETS		192,648,300	191,881,398	182,064,338
EQUITY				
Retained surplus		55,574,607	55,476,726	51,878,272
Reserves - cash backed	4	16,412,005	15,742,984	17,143,656
Revaluation surplus	12	120,661,688	120,661,688	113,042,410
TOTAL EQUITY		192,648,300	191,881,398	182,064,338

* See note 35 for details regarding the restatement as a result of an error

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019**

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		51,766,830	17,143,656	113,569,060	182,479,546
Correction of error	35	408,290	0	0	408,290
Change in accounting policy	33	(296,848)	0	(526,650)	(823,498)
Restated total equity at the beginning of the financial year 1/7/2017		51,878,272	17,143,656	113,042,410	182,064,338
Comprehensive income					
Net result for the period		2,197,782	0	0	2,197,782
Other comprehensive income	12	0	0	7,619,278	7,619,278
Total comprehensive income		2,197,782	0	7,619,278	9,817,060
Transfers from/(to) reserves		1,400,672	(1,400,672)	0	0
Restated balance as at 30 June 2018		55,476,726	15,742,984	120,661,688	191,881,398
Comprehensive income					
Net result for the period		766,902	0	0	766,902
Total comprehensive income		766,902	0	0	766,902
Transfers from/(to) reserves		(669,021)	669,021	0	0
Balance as at 30 June 2019		55,574,607	16,412,005	120,661,688	192,648,300

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual	2019 Budget	2018 Actual Restated
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		13,218,905	13,225,724	12,403,984
Operating grants, subsidies and contributions		2,125,087	2,556,611	2,460,254
Fees and charges		3,949,784	3,046,478	3,016,948
Interest received		581,228	461,485	453,070
Goods and services tax received		1,342,649	0	1,647,550
Other revenue		29,612	27,540	25,996
		<u>21,247,265</u>	<u>19,317,838</u>	<u>20,007,802</u>
Payments				
Employee costs		(9,884,187)	(10,391,885)	(9,114,267)
Materials and contracts		(4,231,384)	(4,468,315)	(4,322,022)
Utility charges		(551,434)	(526,745)	(532,473)
Interest expenses		(132,510)	(147,890)	(136,679)
Insurance paid		(253,207)	(268,756)	(263,957)
Goods and services tax paid		(1,317,199)	0	(1,342,497)
Other expenditure		(357,532)	(383,200)	(414,935)
		<u>(16,727,453)</u>	<u>(16,186,791)</u>	<u>(16,126,830)</u>
Net cash provided by (used in) operating activities	17	<u>4,519,812</u>	<u>3,131,047</u>	<u>3,880,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(861,055)	(2,181,857)	(1,113,538)
Payments for construction of infrastructure		(3,856,249)	(4,927,767)	(7,316,464)
Non-operating grants, subsidies and contributions		1,874,654	2,678,617	4,107,677
Proceeds from self supporting loans		32,936	32,936	64,390
Proceeds from sale of property, plant & equipment		261,575	1,393,942	121,863
Net cash provided by (used in) investment activities		<u>(2,548,139)</u>	<u>(3,004,129)</u>	<u>(4,136,072)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(362,288)	(394,245)	(418,802)
Proceeds from new borrowings		0	750,000	0
Net cash provided by (used in) financing activities		<u>(362,288)</u>	<u>355,755</u>	<u>(418,802)</u>
Net increase (decrease) in cash held		<u>1,609,385</u>	<u>482,673</u>	<u>(673,902)</u>
Cash at beginning of year		17,832,573	13,942,857	18,506,475
Cash and cash equivalents at the end of the year	17	<u><u>19,441,957</u></u>	<u><u>14,425,531</u></u>	<u><u>17,832,573</u></u>

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	28 (b)	303,456	199,000	435,254
		303,456	199,000	435,254
Revenue from operating activities (excluding rates)				
Governance		29	1,550	1,196
General purpose funding		2,128,820	1,293,752	2,308,533
Law, order, public safety		440,114	389,216	255,471
Health		19,177	15,150	19,176
Education and welfare		13,384	8,000	38,050
Community amenities		1,398,292	1,425,754	1,283,671
Recreation and culture		1,817,846	2,960,145	1,495,626
Transport		161,057	112,394	140,526
Economic services		156,340	90,009	72,065
Other property and services		226,367	1,310,322	108,165
		6,361,424	7,606,292	5,722,479
Expenditure from operating activities				
Governance		(1,026,392)	(1,081,087)	(1,099,659)
General purpose funding		(354,842)	(370,229)	(347,168)
Law, order, public safety		(1,465,816)	(1,518,810)	(1,249,455)
Health		(510,333)	(537,987)	(494,287)
Education and welfare		(754,676)	(855,970)	(867,186)
Community amenities		(2,106,048)	(2,571,348)	(2,038,691)
Recreation and culture		(7,299,459)	(7,799,720)	(7,104,768)
Transport		(5,707,573)	(5,400,341)	(5,710,993)
Economic services		(523,658)	(552,475)	(504,340)
Other property and services		(460,427)	(314,423)	(288,086)
		(20,209,222)	(21,002,390)	(19,704,633)
Non-cash amounts excluded from operating activities	28(a)	4,788,496	3,650,600	4,932,299
Amount attributable to operating activities		(8,755,846)	(9,546,498)	(8,614,601)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,874,654	2,678,617	4,107,677
Proceeds from disposal of assets	11(a)	261,575	1,393,942	121,863
Proceeds from self supporting loans	15(b)	32,936	32,936	64,390
Purchase of property, plant and equipment	9(a)	(861,055)	(2,181,857)	(1,113,538)
Purchase and construction of infrastructure	10(a)	(3,856,249)	(4,927,767)	(7,316,464)
Amount attributable to investing activities		(2,548,139)	(3,004,129)	(4,136,072)
FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(362,288)	(394,245)	(418,802)
Proceeds from borrowings	15(c)	0	750,000	0
Transfers to reserves (restricted assets)	4	(4,638,721)	(5,731,789)	(5,256,774)
Transfers from reserves (restricted assets)	4	3,969,700	5,171,234	6,657,446
Amount attributable to financing activities		(1,031,309)	(204,800)	981,870
Surplus/(deficit) before imposition of general rates		(12,335,295)	(12,755,427)	(11,768,803)
Total amount raised from general rates	27(a)	12,740,046	12,881,546	12,072,259
Surplus/(deficit) after imposition of general rates	28(b)	404,751	126,119	303,456

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	0	750	917
General purpose funding	1,410,823	689,647	1,379,967
Law, order, public safety	324,435	292,756	149,539
Health	4	50	731
Education and welfare	13,384	8,000	38,050
Community amenities	14,474	5,642	2,727
Recreation and culture	127,291	1,377,090	60,666
Transport	113,429	80,854	115,334
Economic services	3,475	500	545
Other property and services	195,529	101,322	70,301
	<u>2,202,844</u>	<u>2,556,611</u>	<u>1,818,777</u>
Non-operating grants, subsidies and contributions			
Law, order, public safety	141,415	456,609	0
Education and welfare	0	0	50,000
Recreation and culture	268,875	385,808	1,182,295
Transport	1,464,364	1,836,200	2,875,382
	<u>1,874,654</u>	<u>2,678,617</u>	<u>4,107,677</u>
Total grants, subsidies and contributions	<u>4,077,498</u>	<u>5,235,228</u>	<u>5,926,454</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 26. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	27,855	27,540	21,158
	<u>27,855</u>	<u>27,540</u>	<u>21,158</u>
Fees and Charges			
Governance	28	800	278
General purpose funding	136,768	142,620	130,406
Law, order, public safety	115,679	96,460	105,932
Health	19,173	15,100	18,446
Community amenities	1,273,694	1,310,934	1,280,944
Recreation and culture	1,448,878	1,343,055	1,434,960
Transport	7,409	4,000	4,033
Economic services	82,797	89,509	71,520
Other property and services	28,109	44,000	37,864
	<u>3,112,535</u>	<u>3,046,478</u>	<u>3,084,383</u>

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

Interest earnings

Reserve accounts interest	367,449	230,040	264,803
Other funds	71,195	100,000	48,498
Rates instalment and penalty interest (refer Note 27(d))	142,584	129,375	137,763
Other interest earnings	0	2,070	2,006
	<u>581,228</u>	<u>461,485</u>	<u>453,070</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	12,592	9,162	10,140
- Other services	4,900	13,242	1,600
	17,492	22,404	11,740
Interest expenses (finance costs)			
Borrowings (refer Note 15(b))	127,293	147,890	130,616
	127,293	147,890	130,616

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

3. CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		8,341,957	7,303,415
Term deposits		11,100,000	10,529,158
		19,441,957	17,832,573
Comprises:			
- Unrestricted cash and cash equivalents		3,029,952	2,089,589
- Restricted cash and cash equivalents		16,412,005	15,742,984
		19,441,957	17,832,573
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Information Technology Reserve	4	406,983	275,044
Road Safety Programs Reserve	4	8,357	4,106
Tourism Reserve	4	6,377	6,242
Executive & Compliance Vehicle Reserve	4	364,153	291,095
Employee Relief Reserve	4	226,995	207,110
Employee Leave Entitlements Reserve	4	5,000	0
Refuse Site Environmental Works Reserve	4	82,960	81,202
Meat Inspection Reserve	4	5,219	5,108
Recycling Education Reserve	4	82,334	80,590
Eaton Recreation Centre - Equipment Reserve	4	365,346	308,665
Council Land Development Reserve	4	20,839	5,715
Sale of Land Reserve	4	2,303,943	2,255,133
Accrued Salaries Reserve	4	379,360	328,500
Carried Forward Projects Reserve	4	2,968,520	2,968,544
Strategic Planning Studies Reserve	4	218,947	209,414
Town Planning Consultancy Reserve	4	91,741	84,903
Parks & Reserves Upgrades Reserve	4	549,703	339,392
Election Expenses Reserve	4	23,487	966
Pathways Reserve	4	164,161	112,292
Asset / Rates Revaluation Reserve	4	292,877	228,922
Refuse & Recycling Bin Replacement Reserve	4	54,076	52,930
Emergency Services Reserve	4	10,306	10,088
Small Plant & Equipment Reserve	4	15,261	10,044
Storm Water Reserve	4	101,082	50,000
Fire Control Reserve	4	1,108	1,085
Collie River (Eaton Drive) Bridge Construction Reser	4	1,548,014	1,627,719
Eaton Drive - Access Construction Reserve	4	153,213	163,739
Eaton Drive - Scheme Construction Reserve	4	904,633	920,705
Contribution to Works Reserve	4	601,543	585,778
Unspent Grants Reserve	4	759,980	0
Swimming Pool Inspection Reserve	4	0	26,852
Unspent Specified Area Rate - Bulk Waste Collector	4	79,770	67,617
Unspent Specified Area Rate - Eaton Landscaping	4	67,486	0
Dardanup Community Centre Reserve	4	7,317	7,162
Dardanup Community Centre Design Reserve	4	1,126	1,102
Dardanup Public Library Reserve	4	4,357	4,265
Wells Park Hard Courts Reserve	4	4,090	4,003
Wells Park Clubroom Reserve	4	9,726	9,520
Wells Park Clubroom Design Reserve	4	1,282	1,255
Wells Park Car Park Reserve	4	12,881	12,608
Plant Reserve	0	837,738	768,934
Road Construction and Major Maintenance Reserve	0	500,300	649,497
Building Maintenance Reserve	4	1,620,574	1,363,901
Wanju Developer Contribution Reserve	0	0	0
		15,863,165	14,131,747
Other restricted cash and cash equivalents			
Unspent grants/contributions	26	548,840	1,611,237
Total restricted cash and cash equivalents		16,412,005	15,742,984

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Reallocation to (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Reallocation to (from)	2018 Actual Closing Balance
(a) Information Technology Reserve	275,044	180,953	(49,014)	0	406,983	85,911	175,020	(256,435)	4,496	312,855	122,757	(100,568)	(60,000)	275,044
(b) Road Safety Programs Reserve	4,106	4,251	0	0	8,357	1,708	27	0	1,735	1,691	2,415	0	0	4,106
(c) Tourism Reserve	6,242	135	0	0	6,377	6,280	96	0	6,376	26,013	229	(20,000)	0	6,242
(d) Executive & Compliance Vehicle Reserve	291,095	156,733	(83,675)	0	364,153	206,755	81,791	(189,000)	99,546	319,319	82,814	(111,038)	0	291,095
(e) Employee Relief Reserve	207,110	19,885	0	0	226,995	208,723	18,149	0	226,872	157,110	50,000	0	0	207,110
(f) Employee Leave Entitlements Reserve	0	5,000	0	0	5,000	0	5,080	0	5,080	0	0	0	0	0
(g) Refuse Site Environmental Works Reserve	81,202	1,758	0	0	82,960	81,319	724	(35,000)	47,043	80,493	709	0	0	81,202
(h) Meat Inspection Reserve	5,108	111	0	0	5,219	5,116	81	0	5,197	5,064	44	0	0	5,108
(i) Recycling Education Reserve	80,590	1,744	0	0	82,334	80,706	929	(21,555)	60,800	79,886	704	0	0	80,590
(j) Eaton Recreation Centre - Equipment Reserve	308,665	56,681	0	0	365,346	309,072	55,119	(34,748)	329,443	279,629	42,464	(13,428)	0	308,665
(k) Council Land Development Reserve	5,715	15,124	0	0	20,839	3,668	15,055	(7,500)	11,223	18,478	163	(12,926)	0	5,715
(l) Sale of Land Reserve	2,255,133	48,810	0	0	2,303,943	2,266,508	2,234,258	(58,250)	4,442,516	2,368,045	20,869	(133,781)	0	2,255,133
(m) Accrued Salaries Reserve	328,500	50,860	0	0	379,360	331,872	49,678	(43,750)	337,800	328,500	0	0	0	328,500
(n) Carried Forward Projects Reserve	2,968,544	524,112	(493,032)	(31,104)	2,968,520	1,725,897	18,255	(1,407,749)	336,403	3,284,958	839,552	(1,461,335)	305,369	2,968,544
(o) Strategic Planning Studies Reserve	209,414	9,533	0	0	218,947	154,636	6,940	(44,250)	117,326	153,065	56,349	0	0	209,414
(p) Town Planning Consultancy Reserve	84,903	6,838	0	0	91,741	44,990	5,548	(32,000)	18,538	59,380	25,523	0	0	84,903
(q) Parks & Reserves Upgrades Reserve	339,392	217,346	(7,035)	0	549,703	259,794	217,615	0	477,409	158,360	346,954	(76,491)	(89,431)	339,392
(r) Election Expenses Reserve	966	22,521	0	0	23,487	996	22,871	0	23,867	20,783	20,183	(40,000)	0	966
(s) Pathways Reserve	112,292	152,430	(124,512)	23,951	164,161	96,614	151,832	(151,744)	96,702	57,692	145,508	(90,908)	0	112,292
(t) Asset / Rates Revaluation Reserve	228,922	63,955	0	0	292,877	61,563	60,253	(10,000)	111,816	180,708	60,592	(12,378)	0	228,922
(u) Refuse & Recycling Bin Replacement Reserve	52,930	1,146	0	0	54,076	53,007	836	0	53,843	52,468	462	0	0	52,930
(v) Emergency Services Reserve	10,088	218	0	0	10,306	10,103	159	0	10,262	10,000	88	0	0	10,088
(w) Small Plant & Equipment Reserve	10,044	5,217	0	0	15,261	10,051	5,239	0	15,290	5,000	5,044	0	0	10,044
(x) Storm Water Reserve	50,000	51,082	0	0	101,082	50,000	51,593	0	101,593	0	50,000	0	0	50,000
(y) Fire Control Reserve	1,085	23	0	0	1,108	1,087	17	0	1,104	1,076	9	0	0	1,085
(z) Collie River (Eaton Drive) Bridge Construction	1,627,719	35,230	(114,935)	0	1,548,014	1,638,032	21,459	(4,328)	1,655,163	3,890,096	34,282	(2,296,659)	0	1,627,719
(aa) Eaton Drive - Access Construction Reserve	163,739	3,543	(14,069)	0	153,213	73,654	1,161	(1,568)	73,247	72,906	644	(73,548)	163,737	163,739
(ab) Eaton Drive - Scheme Construction Reserve	920,705	19,927	(35,999)	0	904,633	1,008,344	19,846	(2,104)	1,026,086	1,246,186	10,982	(172,726)	(163,737)	920,705
(ac) Contribution to Works Reserve	585,778	15,765	0	0	601,543	584,368	19,228	0	603,596	477,940	107,838	0	0	585,778
(ad) Unspent Grants Reserve	1,611,237	1,051,485	(1,353,902)	0	1,308,820	950,773	4,183	(677,596)	277,360	1,023,321	1,421,057	(833,141)	0	1,611,237
(ae) Swimming Pool Inspection Reserve	26,852	581	(27,433)	0	0	21,751	183	(10,000)	11,934	26,617	235	0	0	26,852
(af) Unspent Specified Area Rate - Bulk Waste Cc	67,617	12,153	0	0	79,770	60,082	947	0	61,029	59,471	8,146	0	0	67,617
(ag) Unspent Specified Area Rate - Eaton Landscap	0	67,486	0	0	67,486	0	33,815	0	33,815	0	0	0	0	0
(ah) Dardanup Community Centre Reserve	7,162	155	0	0	7,317	3,498	55	0	3,553	3,462	3,700	0	0	7,162
(ai) Dardanup Community Centre Design Reserve	1,102	24	0	0	1,126	492	8	0	500	487	615	0	0	1,102
(aj) Dardanup Public Library Reserve	4,265	92	0	0	4,357	2,285	36	0	2,321	2,262	2,003	0	0	4,265
(ak) Wells Park Hard Courts Reserve	4,003	87	0	0	4,090	1,808	29	0	1,837	1,790	2,213	0	0	4,003
(al) Wells Park Clubroom Reserve	9,520	206	0	0	9,726	4,908	77	0	4,985	4,858	4,662	0	0	9,520
(am) Wells Park Clubroom Design Reserve	1,255	27	0	0	1,282	468	7	0	475	463	792	0	0	1,255
(an) Wells Park Car Park Reserve	12,608	273	0	0	12,881	6,414	101	0	6,515	6,349	6,259	0	0	12,608
(ao) Plant Reserve	768,934	221,643	(152,839)	0	837,738	765,922	217,502	(179,464)	803,960	623,887	205,498	(60,451)	0	768,934
(ap) Road Construction and Major Maintenance Re	649,497	1,364,058	(1,513,255)	0	500,300	432,547	1,352,618	(1,648,803)	136,362	434,509	1,303,829	(1,088,841)	0	649,497
(aq) Building Maintenance Reserve	1,363,901	249,520	0	7,153	1,620,574	1,313,462	245,558	(355,390)	1,203,630	1,308,479	270,587	(59,227)	(155,938)	1,363,901
(ar) Wanju Developer Contribution Reserve	0	0	0	0	0	0	637,811	0	637,811	0	0	0	0	0
	15,742,984	4,638,721	(3,969,700)	0	16,412,005	12,925,184	5,731,789	(5,171,234)	13,485,739	17,143,656	5,256,774	(6,657,446)	0	15,742,984

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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

Name of Reserve	Anticipated date of use	Purpose of the reserve	Purpose of the reserve
(a) Information Technology Reserve	As scheduled in Council's Asset Management Plan.		Established for the acquisition of software and computer equipment.
(b) Road Safety Programs Reserve	As funds become available for suitable projects.		Established for general road safety programs in the Shire.
(c) Tourism Reserve	As funds become available for suitable projects.		Established to fund the development of tourism projects.
(d) Executive & Compliance Vehicle Reserve	As scheduled in Council's Asset Management Plan.		To fund the purchase or replacement of Council's executive and compliance vehicles.
(e) Employee Relief Reserve	As required.		To provide funds for employee related entitlements and relief staff for prolonged employee leave.
(f) Employee Leave Entitlements Reserve	As required.		To provide funds for employee purchased leave entitlements under Policy.
(g) Refuse Site Environmental Works Reserve	As required.		Established to provide funds for environmental works at the Banksia Road Refuse Site.
(h) Meat Inspection Reserve	As required.		To provide for equipment for Meat Inspection Services.
(i) Recycling Education Reserve	As funds become available for suitable projects.		Unspent recycling education funds for use in special education programs.
(j) Eaton Recreation Centre - Equipment Reserve	As scheduled in Council's Asset Management Plan.		Established for the acquisition and replacement of equipment at the Eaton Recreation Centre.
(k) Council Land Development Reserve	As required.		Established for funding the development of Council land for resale.
(l) Sale of Land Reserve	As suitable projects are identified.		Established to hold funds from the sale of Council land.
(m) Accrued Salaries Reserve	As required.		This fund consists of cash backed salaries and wages allocation paid annually into this reserve over a period of 10 financial years to meet the additional cash flow in each eleventh year when 27 pay periods occur (all other years have 26 pay periods).
(n) Carried Forward Projects Reserve	As projects are completed.		Established to hold unspent project funds to be carried forward into future financial years.
(o) Strategic Planning Studies Reserve	As required.		Established for funding strategic studies.
(p) Town Planning Consultancy Reserve	As funds become available for suitable projects.		Established for funding strategic Town Planning Studies.
(q) Parks & Reserves Upgrades Reserve	As scheduled in Council's Asset Management Plan.		Established to fund the development of Parks and Reserves.
(r) Election Expenses Reserve	Council election year.		Established to fund Council elections.
(s) Pathways Reserve	As scheduled in Council's Asset Management Plan.		Established to provide funds for the upgrade and renewal of the Shire's pathway infrastructure.
(t) Asset / Rates Revaluation Reserve	As required.		Established to provide funds for asset and rating revaluations.
(u) Refuse & Recycling Bin Replacement Reserve	As required.		Established to provide funds for replacement of refuse and recycling bins.
(v) Emergency Services Reserve	Funds are not expected to be used within a set period but on a budgetary needs basis.		Established to fund unforeseen over expenditure in the Emergency Services Levy Budget.
(w) Small Plant & Equipment Reserve	As scheduled in Council's Asset Management Plan.		Established to fund the purchase or replacement of Council's small plant and equipment.
(x) Storm Water Reserve	As scheduled in Council's Asset Management Plan.		Established to ensure preservation of Council's transport storm water infrastructure network independent of grants and contributions.
(y) Fire Control Reserve	As funds become available for suitable projects.		For the purchase, construction and development of fire fighting equipment and buildings.
(z) Collie River (Eaton Drive) Bridge Construction	As the necessary funds are raised.		Established for the future construction of a bridge over the Collie River and extend Eaton Drive.
(aa) Eaton Drive - Access Construction Reserve	As the growth in Eaton townsite necessitates development.		Established for the construction of Eaton Drive Access Road from developer contributions.
(ab) Eaton Drive - Scheme Construction Reserve	As the growth in Eaton townsite necessitates development.		Established for the future construction of Eaton Drive from developer contributions.
(ac) Contribution to Works Reserve	Year of budgeted works.		Established to account for contributions and donations received from external sources.
(ad) Unspent Grants Reserve	Year of budgeted works.		Established to identify unexpended grants and special projects funding.
(ae) Swimming Pool Inspection Reserve	On payment of swimming pool inspections every 3 years.		Established to account for unspent Swimming Pool Inspection Levy.
(af) Unspent Specified Area Rate - Bulk Waste Cc	Next financial year.		Established to hold unspent specified area rates for bulk waste collection.
(ag) Unspent Specified Area Rate - Eaton Landscap	Next financial year.		Established to hold unspent specified area rates for Eaton landscaping.
(ah) Dardanup Community Centre Reserve	As required.		Established to hold funds for the future construction of a community centre and outdoor play area.
(ai) Dardanup Community Centre Design Reserve	As required.		Established to hold funds for the design of a future community centre and outdoor play area.
(aj) Dardanup Public Library Reserve	As required.		Established to hold funds for the future extension of Dardanup Public Library.
(ak) Wells Park Hard Courts Reserve	As required.		Established to hold funds for the future upgrade of the hard courts and lighting at Wells Park.
(al) Wells Park Clubroom Reserve	As required.		Established to hold funds for the future extension of the club room facilities at Wells Park.
(am) Wells Park Clubroom Design Reserve	As required.		Established to hold funds for the design and future extension of the club room facilities at Wells Park.
(an) Wells Park Car Park Reserve	As required.		Established to hold funds for the future upgrade and construction of the car parking area at Wells Park.
(ao) Plant Reserve	As scheduled in Council's Asset Management Plan.		To fund the purchase or replacement of Council's vehicles, heavy plant and equipment.
(ap) Road Construction and Major Maintenance Re	Funds are not expected to be used within a set period but on a budgetary needs basis.		Established to provide funds for the upgrade and renewal of the Shire's transport infrastructure.
(aq) Building Maintenance Reserve	As scheduled in Council's Asset Management Plan.		For the purchase, construction and maintenance of Council buildings.
(ar) Wanju Developer Contribution Reserve	As required.		Established to fund Wanju Developer Contribution Plan planning and development costs.

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Fuel tax credits	
Insurance claims	
Pensioner rates rebate	

Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

	2019	2018
	\$	\$
	311,495	324,805
	200,555	124,066
	280,660	306,110
	6,983	5,715
	0	1,757
	19,786	15,101
	<u>819,479</u>	<u>777,554</u>
	111,904	108,314
	<u>111,904</u>	<u>108,314</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 29.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Classification and subsequent measurement

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

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

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

6. INVENTORIES

	2019	2018
	\$	\$
Materials - depot	5,047	2,166
Trading stock - Eaton Recreation Centre	8,430	11,857
	13,477	14,023

The following movements in inventories occurred during the year:

Carrying amount at 1 July	14,023	14,023
Additions to inventory	(546)	
Carrying amount at 30 June	13,477	14,023

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

7. OTHER ASSETS

Other current assets

Prepayments (Prepaid Expenditure)
Accrued Revenue

	2019	2018
	\$	\$
	22,735	5,708
	151,597	55,968
	174,332	61,676

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

8. OTHER FINANCIAL ASSETS

(a) Current assets

Other loans and receivables

Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

(b) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

- Unlisted equity investments

Financial assets at fair value through profit and loss - Local Government House Unit Trust

During the year, the following gains/(losses) were recognised in profit and loss:

Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services

	2019	2018
	\$	\$
Other loans and receivables	0	32,936
Financial assets previously classified as loans and receivables	0	32,936
- Loans receivable - clubs/institutions	0	32,936
Financial assets at fair value through profit and loss	70,068	0
Financial assets at fair value through profit and loss	70,068	0
- Unlisted equity investments	70,068	0
Financial assets at fair value through profit and loss - Local Government House Unit Trust	70,068	0
Fair value gains/(losses) on equity investments at fair value through profit and loss	70,068	0
	70,068	0

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 15(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 29.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 32 for explanations regarding the change in accounting policy.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Motor vehicles	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	6,258,523	6,258,523	23,391,263	23,391,263	29,649,786	603,878	55,942	2,750,442	426,931	33,486,979
Additions	100,000	100,000	581,380	581,380	681,380	155,479	53,334	263,260	61,941	1,215,394
Adjustment to Additions for Change in Accounting Policy						(79,965)	(21,891)			(101,856)
(Disposals)	0	0	0	0	0	(2,208)	0	(182,002)	0	(184,210)
Depreciation (expense)	0	0	(794,745)	(794,745)	(794,745)	(134,795)	(8,980)	(304,985)	0	(1,243,505)
Transfers	7,150	7,150	0	0	7,150				(7,150)	0
Carrying amount at 30 June 2018	6,365,673	6,365,673	23,177,898	23,177,898	29,543,571	542,389	78,405	2,526,715	481,722	33,172,802
Comprises:										
Gross carrying amount at 30 June 2018	6,365,673	6,365,673	39,966,861	39,966,861	46,332,534	1,580,442	184,332	4,597,316	481,722	53,176,346
Accumulated depreciation at 30 June 2018	0	0	(16,788,963)	(16,788,963)	(16,788,963)	(1,038,053)	(105,927)	(2,070,601)	0	(20,003,544)
Carrying amount at 30 June 2018	6,365,673	6,365,673	23,177,898	23,177,898	29,543,571	542,389	78,405	2,526,715	481,722	33,172,802
Additions	0	0	310,908	310,908	310,908	33,131	45,444	381,650	89,922	861,055
(Disposals)	0	0	0	0	0	(2,782)	0	(277,663)	0	(280,445)
Depreciation (expense)	0	0	(806,372)	(806,372)	(806,372)	(132,700)	(12,453)	(348,527)	0	(1,300,052)
Carrying amount at 30 June 2019	6,365,673	6,365,673	22,682,434	22,682,434	29,048,107	440,038	111,396	2,282,175	571,644	32,453,360
Comprises:										
Gross carrying amount at 30 June 2019	6,365,673	6,365,673	40,277,769	40,277,769	46,643,442	1,608,573	229,776	4,533,753	571,644	53,587,188
Accumulated depreciation at 30 June 2019	0	0	(17,595,335)	(17,595,335)	(17,595,335)	(1,168,535)	(118,379)	(2,251,578)	0	(21,133,827)
Carrying amount at 30 June 2019	6,365,673	6,365,673	22,682,434	22,682,434	29,048,107	440,038	111,397	2,282,175	571,644	32,453,361

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	3	Market approach using recent observable market data for similar properties	Independent registered valuer	30 June 2017	Price per m2
Buildings - non-specialised	3	Market approach using recent observable market data for properties	Independent registered valuer	30 June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management valuation	30 June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
Plant and equipment	3	Cost approach using depreciated replacement cost	Management valuation	30 June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
Motor vehicles	3	Cost approach using depreciated replacement cost	Management valuation	30 June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
Intangible assets	3	Market approach using recent Valuer General rating valuations	Management valuation	30 June 2018	Valuer General rating valuations applied to easement land area

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.

9. INTANGIBLE ASSETS

(c)

	2019	2018
	\$	\$
Intangible Assets	1,920,902	1,920,902
Less: accumulated depreciation	0	0
Total Intangible Assets	1,920,902	1,920,902

Intangible Assets are easements on land owned by residents where the Shire has the right to use the land owned by residents for drainage purposes. The easements have an indefinite useful life and are assessed for impairment annually.

Carrying Amount as at 1 July 2017	1,921,278
Additions	
(Disposals)	
Revaluation increments/ (decrements) transferred to revaluation surplus	(376)
Carrying Amount as at 1 July 2018	1,920,902
Additions	0
(Disposals)	0
Revaluation increments/ (decrements) transferred to revaluation surplus	
Carrying Amount as at 1 July 2019	1,920,902

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and ovals	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	92,088,460	6,840,353	16,456,543	4,597,226	12,279,623	132,262,205
Additions	3,734,967	142,082	0	916,956	2,522,459	7,316,464
Revaluation increments / (decrements) transferred to revaluation surplus	(3,012,358)	395,150	1,398,460	543,092	8,295,310	7,619,654
Depreciation (expense)	(2,428,913)	(192,080)	(295,445)	(170,038)	(479,539)	(3,566,015)
Transfers	0	0	0	0	0	0
Carrying amount at 30 June 2018	90,382,156	7,185,505	17,559,558	5,887,236	22,617,853	143,632,308
Comprises:						
Gross carrying amount at 30 June 2018	127,209,804	10,133,662	25,047,817	9,147,164	39,941,059	211,479,506
Accumulated depreciation at 30 June 2018	(36,827,648)	(2,948,157)	(7,488,259)	(3,259,928)	(17,323,206)	(67,847,198)
Accumulated impairment loss at 30 June 2018	0	0	0	0	0	0
Carrying amount at 30 June 2018	90,382,156	7,185,505	17,559,558	5,887,236	22,617,853	143,632,308
Additions	3,191,626	184,040	0	68,198	412,385	3,856,249
Depreciation (expense)	(2,430,122)	(202,673)	(333,136)	(182,943)	(593,344)	(3,742,218)
Carrying amount at 30 June 2019	91,143,660	7,166,872	17,226,422	5,772,491	22,436,894	143,746,339
Comprises:						
Gross carrying amount at 30 June 2019	130,401,431	10,317,702	25,047,817	9,215,361	40,353,444	215,335,755
Accumulated depreciation at 30 June 2019	(39,257,771)	(3,150,830)	(7,821,395)	(3,442,871)	(17,916,549)	(71,589,416)
Carrying amount at 30 June 2019	91,143,660	7,166,872	17,226,422	5,772,490	22,436,895	143,746,339

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	Jun 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	Jun 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management valuation	Jun 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and ovals	3	Cost approach using depreciated replacement cost	Management valuation	Jun 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Independent valuation	Jun 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

Whilst such treatment is inconsistent with the requirements of *AASB 1051, Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	0	0	0	0	0	1,165,000	1,165,000	0	0	0	0	0
Furniture and equipment	2,782	564	0	(2,218)	0	0	0	0	2,208	0	0	(2,208)
Motor vehicles	277,663	261,011	15,093	(31,745)	228,942	228,942	0	0	182,002	121,863	0	(60,139)
	280,445	261,575	15,093	(33,963)	228,942	1,393,942	1,165,000	0	184,210	121,863	0	(62,347)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Health				
Health services vehicle	21,976	17,773	0	(4,203)
Recreation and culture				
ERC furniture and equipment	2,782	564	0	(2,218)
Transport				
Transport truck	43,090	55,455	12,365	0
Transport vehicle	20,565	14,091	0	(6,474)
Other property and services				
Executive services vehicle	45,624	48,352	2,728	0
Community services vehicle	17,480	15,454	0	(2,026)
Engineering services vehicle	19,206	14,863	0	(4,343)
Engineering services vehicle	40,177	39,090	0	(1,087)
Engineering services vehicle	23,324	22,080	0	(1,244)
Engineering services vehicle	29,740	19,682	0	(10,058)
Financial services vehicle	16,481	14,171	0	(2,310)
	280,445	261,575	15,093	(33,963)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Fully Depreciated Assets in Use

The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown below.

	<u>2019</u>	<u>2018</u>
	\$	\$
Buildings - non-specialised	126,157	0
Furniture and equipment	539,786	520,095
Plant and equipment	17,072	17,072
Motor vehicles	628,373	320,297
	<u>1,311,388</u>	<u>857,464</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(c) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	806,372	900,746	794,745
Furniture and equipment	132,700	103,361	134,795
Plant and equipment	12,453	19,653	8,980
Motor vehicles	348,527	105,126	304,985
Infrastructure - Roads	2,430,122	2,038,354	2,428,913
Infrastructure - Footpaths	202,673	155,641	192,080
Infrastructure - Drainage	333,136	324,236	295,445
Infrastructure - Parks and ovals	182,943	219,900	170,038
Infrastructure - Bridges	593,344	948,583	479,539
	5,042,270	4,815,600	4,809,520

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings - non-specialised	50 years
Buildings - specialised	50 years
Furniture and equipment	5 to 10 years
Plant and equipment	5 to 10 years
Motor Vehicles	10 Years
Works in Progress	Nil
Infrastructure Assets	
- Roads - Sealed	30 Years
- Roads - Unsealed (formed)	60 Years
- Roads - Gravel	60 Years
- Infrastructure - Footpaths	50 Years
- Infrastructure - Drainage	75 Years
- Infrastructure - Parks and ovals	20 Years
- Infrastructure - Other	0 Years
- Infrastructure - Water supply	0 Years
- Infrastructure - Bridges	60 Years
- Infrastructure - Parks & Ovals	20 Years

Depreciation (Continued)

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

12. REVALUATION SURPLUS

	2019	2019	2019	Total	2019	1/07/2017	2018	2018	2018	Total	30/06/2018
	Opening	Revaluation	Revaluation	Movement on	Closing	2018	2018	2018	Movement on	Closing	2018
	Balance	Increment	(Decrement)	Revaluation	Balance	Opening	Revaluation	Revaluation	Revaluation	Balance	Closing
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	5,018,352	0	0	0	5,018,352	5,018,352	0	0	0	5,018,352	5,018,352
Revaluation surplus - Buildings - non-specialised	11,814,130	0	0	0	11,814,130	11,814,130	0	0	0	11,814,130	11,814,130
Revaluation surplus - Furniture and equipment	141,852	0	0	0	141,852	141,852	0	0	0	141,852	141,852
Revaluation surplus - Plant and equipment	61,467	0	0	0	61,467	61,467	0	0	0	61,467	61,467
Revaluation surplus - Motor vehicles	308,205	0	0	0	308,205	308,205	0	0	0	308,205	308,205
Revaluation surplus - Intangible assets	1,920,902	0	0	0	1,920,902	1,921,278	0	(376)	(376)	1,920,902	1,920,902
Revaluation surplus - Infrastructure - Roads	57,347,459	0	0	0	57,347,459	60,359,817	0	(3,012,358)	(3,012,358)	57,347,459	57,347,459
Revaluation surplus - Infrastructure - Footpaths	6,425,473	0	0	0	6,425,473	6,030,323	395,150	0	395,150	6,425,473	6,425,473
Revaluation surplus - Infrastructure - Drainage	19,141,929	0	0	0	19,141,929	17,743,469	1,398,460	0	1,398,460	19,141,929	19,141,929
Revaluation surplus - Infrastructure - Parks and ovals	2,216,465	0	0	0	2,216,465	1,673,373	543,092	0	543,092	2,216,465	2,216,465
Revaluation surplus - Infrastructure - Bridges	16,265,455	0	0	0	16,265,455	7,970,145	8,295,310	0	8,295,310	16,265,455	16,265,455
	120,661,689	0	0	0	120,661,689	113,042,411	10,632,012	(3,012,734)	7,619,278	120,661,689	120,661,689

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

13. TRADE AND OTHER PAYABLES

Current

	2019	2018
	\$	\$
Sundry creditors	735,312	748,816
Rates paid in advance	558,936	436,913
Accrued salaries and wages	25,165	24,353
ATO liabilities	160,435	134,354
Accrued interest on long term borrowings	37,523	42,740
Accrued expenses	5,174	61,406
Prepaid revenue	11,382	0
Municipal Bonded Liab	825,867	0
	<u>2,359,794</u>	<u>1,448,582</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

14. SHORT-TERM BORROWINGS

Council has no short-term borrowings whereby restrictions have been imposed on those borrowings.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

15. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	279,748	362,288
Non-current	1,963,116	2,242,864
	2,242,864	2,605,152

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019					30 June 2019					30 June 2018						
				Actual Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Accrued Interest	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2018	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2017	Actual New Loans	Actual Principal repayments	Accrued Interest	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Community amenities																				
Wanju Developer Contribution Plan Loan																				
				0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	
Recreation and culture																				
Loan 59 - Eaton Recreation Centre																				
				442,109	0	78,336	26,542	24,819	363,773	442,109	0	78,336	27,647	363,773	515,970	0	73,861	28,177	29,219	442,109
Loan 63 - Eaton Recreation Centre Extensions																				
				41,655	0	20,215	2,299	2,189	21,440	41,655	0	20,215	2,518	21,440	60,716	0	19,061	3,139	3,344	41,655
Loan 68 - Fitness Equipment																				
				62,190	0	41,120	1,775	1,716	21,070	62,191	0	41,120	2,082	21,071	101,986	0	39,796	2,742	3,040	62,190
Loan 69 - Glen Huon Oval Club Rooms																				
				1,043,266	0	38,158	46,108	39,699	1,005,108	1,043,266	0	38,158	46,809	1,005,108	1,080,000	0	36,734	40,449	41,123	1,043,266
Transport																				
Loan 66 - Depot Land																				
				613,506	0	54,089	27,474	24,425	559,417	613,507	0	54,089	28,387	559,418	665,459	0	51,953	25,685	26,561	613,506
Economic services																				
Loan 61 - Gravel Pit Land, Panizza Road																				
				134,131	0	21,117	8,632	7,981	113,014	134,130	0	21,116	8,858	113,014	153,979	0	19,848	9,017	9,229	134,131
Other property and services																				
Loan 49 - Administration Building																				
				42,965	0	42,965	597	1,332	0	42,964	0	42,964	1,393	0	124,997	0	82,032	4,978	6,498	42,965
Loan 65 - Administration Building Extensions																				
				192,395	0	33,353	13,647	12,949	159,042	192,394	0	33,353	14,258	159,041	223,522	0	31,127	14,605	15,176	192,395
				2,572,217	0	329,353	127,074	115,110	2,242,864	2,572,216	750,000	361,309	147,331	2,960,907	2,926,629	0	354,412	128,792	134,190	2,572,217
Self Supporting Loans																				
Recreation and culture																				
Loan 67 - Eaton Bowling Club																				
				32,935	0	32,936	219	504	0	32,936	0	32,936	559	0	97,325	0	64,390	1,824	2,489	32,935
				32,935	0	32,936	219	504	0	32,936	0	32,936	559	0	97,325	0	64,390	1,824	2,489	32,935
				2,605,152	0	362,288	127,293	115,614	2,242,864	2,605,152	750,000	394,245	147,890	2,960,907	3,023,954	0	418,802	130,616	136,679	2,605,152

Self supporting loans are financed by payments from third parties. These are shown in Note 8 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

15. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	250,000	250,000
Credit card limit	15,000	20,000
Total amount of credit unused	265,000	270,000
Loan facilities		
Loan facilities - current	279,748	362,288
Loan facilities - non-current	1,963,116	2,242,864
Total facilities in use at balance date	2,242,864	2,605,152

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 29.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

16. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Opening balance at 1 July 2018

Current provisions

Non-current provisions

Amounts used

Balance at 30 June 2019

Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Rostered Days Off	Provision for Long Service Leave	Total
	\$	\$	\$	\$
Opening balance at 1 July 2018				
Current provisions	680,765	65,842	444,200	1,190,807
Non-current provisions	0	0	427,149	427,149
	680,765	65,842	871,349	1,617,956
Amounts used	(24,293)	(6,222)	(86,580)	(117,095)
Balance at 30 June 2019	656,472	59,620	784,769	1,500,861
Comprises				
Current	656,472	59,620	556,606	1,272,698
Non-current	0	0	228,163	228,163
	656,472	59,620	784,769	1,500,861

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

	2019	2018
	\$	\$
Less than 12 months after the reporting date	1,272,698	1,190,807
More than 12 months from reporting date	228,163	427,149
	1,500,861	1,617,956

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	19,441,957	14,425,531	17,832,573

**Reconciliation of Net Cash Provided By
Operating Activities to Net Result**

Net result	766,902	2,164,065	2,197,782
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(70,068)	0	0
Depreciation	5,042,270	4,815,600	4,809,520
(Profit)/loss on sale of asset	18,870	(1,165,000)	62,347
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(45,515)	(5,001)	563,595
(Increase)/decrease in other assets	(112,656)	0	0
(Increase)/decrease in inventories	546	2,500	2,636
Increase/(decrease) in payables	911,212	(36,500)	44,084
Increase/(decrease) in provisions	(117,095)	34,000	308,685
Grants contributions for the development of assets	(1,874,654)	(2,678,617)	(4,107,677)
Net cash from operating activities	4,519,812	3,131,047	3,880,972

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	89,209	63,334
General purpose funding	20,173,168	18,592,617
Law, order, public safety	1,361,906	1,316,055
Health	890,958	925,470
Education and welfare	754,907	784,263
Community amenities	719,274	667,743
Recreation and culture	24,798,429	25,428,446
Transport	146,024,052	145,746,248
Economic services	703,411	642,329
Other property and services	3,236,505	3,386,583
	<u>198,751,819</u>	<u>197,553,088</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

19. CONTINGENT LIABILITIES

The Shire of Harvey and Shire of Dardanup Joint Town Planning Scheme No. 1

The Shires of Dardanup and Harvey operate a joint Town Planning Scheme to enable both Local Government Authorities to coordinate land developer contributions to a the bridge spanning the Collie River, linking Eaton and Treendale. Each Council administers the collecting of contributions from land devlopment within their respective boundaries and accumulates their respective collected funds. All contributed funds to the Shire of Dardanup (less allowable administration expenses) are cash backed in Council's Reserve Fund.

The bridge was completed in early 2018 linking the townsites of Eaton and Treendale, with the official opening occuring on the 16 March 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

20. LEASING COMMITMENTS

Council has no capital lease commitments as at 30 June 2019.

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

2019	2018
\$	\$
177,858	334,463
209,541	144,034
0	0
387,399	478,497

SIGNIFICANT ACCOUNTING POLICIES

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****21. RELATED PARTY TRANSACTIONS****Elected Members Remuneration**

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	113,511	108,316	107,000
President's allowance	29,883	25,614	16,000
Deputy President's allowance	7,470	6,403	4,000
Travelling expenses	4,227	11,000	8,355
Telecommunications allowance	22,459	22,050	9,000
Reimbursements	0	1,000	2,658
	177,550	174,383	147,013

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	1,596,935	1,332,450
Post-employment benefits	180,424	153,373
Other long-term benefits	43,286	40,608
Termination benefits	83,835	0
	1,904,480	1,526,431

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

21. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019	2018
	Actual	Actual
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	0	0

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

22. JOINT ARRANGEMENTS

Council has no joint venture arrangements in place as at 30 June 2019.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

23. INVESTMENT IN ASSOCIATES

Council has no investments in associates as at 30 June 2019.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

24. MAJOR LAND TRANSACTIONS

Council did not undertake any Major Land Transactions during the 2018/19 financial year.

25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2018/19 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
General purpose funding							
Prepaid LGGC Financial Assistance	460,621	456,553	(460,621)	456,553	0	(456,553)	0
Prepaid LGGC Local Roads Grant	262,089	270,449	(262,089)	270,449	0	(270,449)	0
Law, order, public safety							
Prepaid Emergency Services Levy Grant	28,568	33,684	(28,568)	33,684	41,504	(33,684)	41,504
Emergency Management Grant	16,265	0	(2,391)	13,874	0	(13,874)	0
AWARE Funding	0	4,000	0	4,000	0	(4,000)	0
Health							
FIMM WA Funding for Mosquito Control	1,516	0	(1,516)	0	0	0	0
Community amenities							
Dept Agriculture & Food Grant - Dry Assist	3,854	0	0	3,854	0	(3,854)	0
Dept Agriculture & Food Grant - Land Cons	2,827	0	0	2,827	0	(2,827)	0
Recreation and culture							
DLGSCI Planning Grant Eaton Bowling Clu	0	50,000	0	50,000	0	0	50,000
Carbon Pricing - Wells Recreation Park	56,335	0	0	56,335	0	0	56,335
Transport							
LGGC Bridge Funding - Bridge 4821 Martin	13,030	0	0	13,030	0	(13,030)	0
Black Spot Funding - Moore Road	77,956	0	(77,956)	0	0	0	0
Roads to Recovery Grant - Depiazzi Road	85,259	0	0	85,259	0	(85,259)	0
Black Spot Funding - Crooked Brook Road	0	100,371	0	100,371	0	(100,371)	0
LGGC Bridge Funding - Bridge 3665A Recr	0	112,000	0	112,000	0	(112,000)	0
LGGC Bridge Funding - Bridge 4821 Martin	0	136,000	0	136,000	0	0	136,000
LGGC Bridge Funding - Bridge 4861 Ironst	0	258,000	0	258,000	0	(258,000)	0
Economic services							
Regional Tourism Grant - Waste Dump Poi	15,000	0	0	15,000	0	0	15,000
Other property and services							
Royalties for Regions Heritage Walk Trail C	0	0	0	0	250,000	0	250,000
Total	1,023,320	1,421,058	(833,141)	1,611,237	291,504	(1,353,901)	548,840

Notes:

- (1) Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor
- (3) Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Gross rental valuations												
Residential	0.09679	3,022	54,854,060	5,309,324	(1,807)	714	5,308,231	5,309,324	230,000	0	5,539,324	4,999,357
Commercial	0.09679	55	13,589,820	1,315,359	3,766	0	1,319,125	1,315,359	0	0	1,315,359	1,256,335
Industrial	0.09679	65	7,516,910	727,562	1,257	0	728,819	727,562	0	0	727,562	675,493
Small Holding	0.09679	355	7,865,780	761,329	5,315	433	767,077	761,329	0	0	761,329	719,893
Unimproved valuations												
Broad Acre Rural	0.006019	484	273,193,000	1,644,349	(1,104)	0	1,643,245	1,644,349	0	0	1,644,349	1,573,834
Mining	0.006019	0	0	0	0	0	0	0	0	0	0	0
Sub-Total		3,981	357,019,570	9,757,923	7,427	1,147	9,766,497	9,757,923	230,000	0	9,987,923	9,224,912
Minimum payment												
Gross rental valuations												
Residential	1,488	1,670	21,490,806	2,484,960	52,451	4,245	2,541,656	2,484,960	0	0	2,484,960	2,445,613
Commercial	1,488	7	61,400	10,416	0	0	10,416	10,416	0	0	10,416	9,968
Industrial	1,488	52	629,150	77,376	0	0	77,376	77,376	0	0	77,376	79,744
Small Holding	1,488	70	603,240	104,160	3,482	0	107,642	104,160	0	0	104,160	106,800
Unimproved valuations												
Broad Acre Rural	1,488	129	19,058,000	191,952	18,447	0	210,399	191,952	0	0	191,952	175,872
Mining	1,488	20	363,097	29,760	(868)	(340)	28,552	29,760	0	0	29,760	30,340
Sub-Total		1,948	42,205,693	2,898,624	73,512	3,905	2,976,040	2,898,624	0	0	2,898,623	2,848,337
		5,929	399,225,263	12,656,547	80,939	5,052	12,742,537	12,656,547	230,000	0	12,886,546	12,073,249
Discounts/concessions (refer Note 27(c))							(2,491)				(5,000)	(990)
Total amount raised from general rate							12,740,046				12,881,546	12,072,259
Specified Area Rate (refer Note 27(b))							351,801				349,178	345,091
Totals							13,091,847				13,230,724	12,417,350

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2018/19 Rateable Value	2018/19 Rate Revenue	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2017/18
					Interim Rate Revenue	Back Rate Revenue	Total Specified Area Rate Revenue	Budget Rate Revenue	Budget Back Rate Revenue	Budget Interim Rate Revenue	Total Budget Revenue	Total Actual Revenue
Bulk Waste Collection	GRV	0.001454	75,085,538	109,178	946	0	110,124	109,178	0	0	109,178	111,403
Eaton Landscaping	GRV	0.002895	82,895,628	240,000	1,677	0	241,677	240,000	0	0	240,000	233,688
				349,178	2,623	0	351,801	349,178	0	0	349,178	345,091

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
			Actual Rate Applied to Costs	Actual Rate Set Aside to Reserve	Actual Reserve Applied to Costs	Budget Rate Applied to Costs	Budget Rate Set Aside to Reserve	Budget Reserve Applied to Costs
Bulk Waste Collection		4,525	98,488	10,690		109,178	0	0
Eaton Landscaping		4,334	22,514	67,486		206,715	33,285	0
			121,002	78,176	0	315,893	33,285	0

27. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2019 Actual	2019 Budget	2018 Actual	Circumstances in which Discount is Granted
Rates Written Off			2,491	5,000	990	Write Offs
			2,491	5,000	990	

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single Full Payment	12/09/2018	0.00	0.00%	11.00%
Option Two				
Instalment Plan Administrative Charge \$39.00				
First Instalment	12/09/2018	0	0.00%	11.00%
Second Instalment	14/11/2018	13.00	5.50%	11.00%
Third Instalment	16/01/2019	13.00	5.50%	11.00%
Fourth Instalment	20/03/2019	13.00	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	73,337	62,100	71,270
Interest on instalment plan	69,247	67,275	66,493
Charges on instalment plan	88,783	89,735	86,411
	231,367	219,110	224,174

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

28. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget	2018/19 Brought Forward
	2018/19 (30 June 2019 Carried Forward)	(30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i>.</p>			
Adjustments to operating activities			
Less: Profit on asset disposals	11(a)	(15,093)	(1,165,000)
Less: Fair value adjustments to financial assets at amortised cost		(70,068)	0
Movement in pensioner deferred rates (non-current)		(3,590)	0
Movement in employee benefit provisions (non-current)		(198,986)	0
Add: Loss on disposal of assets	11(a)	33,963	0
Add: Depreciation on assets	11(c)	5,042,270	4,815,600
Non cash amounts excluded from operating activities		4,788,496	3,650,600
(b) Surplus/(deficit) after imposition of general rates			
<p>The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.</p>			
Adjustments to net current assets			
Less: Reserves - restricted cash	3	(16,412,005)	(13,485,739)
Less: - Financial assets at amortised cost - self supporting loans	8(a)	0	0
Add: Borrowings	15(a)	279,748	718,042
Total adjustments to net current assets		(16,132,257)	(12,767,697)
Net current assets used in the Rate Setting Statement			
Total current assets		20,449,245	15,981,441
Less: Total current liabilities		(3,912,240)	(3,087,625)
Less: Total adjustments to net current assets		(16,132,257)	(12,767,697)
Net current assets used in the Rate Setting Statement		404,751	126,119
		303,456	303,456

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

29. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	2.28%	19,441,957	11,100,000	8,341,957	0
2018					
Cash and cash equivalents	2.14%	17,832,573	10,529,158	7,303,415	0

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	194,420	178,326

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 15(b).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Gross carrying amount	198,573	59,072	25,320	28,530	311,495
01 July 2018					
Rates receivable					
Gross carrying amount	233,539	50,514	21,566	19,186	324,805

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Gross carrying amount	164,264	4,977	7,558	23,756	200,555
01 July 2018					
Sundry Receivables					
Gross carrying amount	95,048	5,138	620	23,260	124,066

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****29. FINANCIAL RISK MANAGEMENT (Continued)****(c) Liquidity risk****Payables and borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 15(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2019</u>					
Payables	2,359,794	0	0	2,359,794	2,359,794
Borrowings	279,748	918,442	1,044,674	2,242,864	2,242,864
	<u>2,639,542</u>	<u>918,442</u>	<u>1,044,674</u>	<u>4,602,658</u>	<u>4,602,658</u>
<u>2018</u>					
Payables	1,448,582	0	0	1,448,582	1,448,582
Borrowings	362,288	1,071,711	1,171,153	2,605,152	2,605,152
	<u>1,810,870</u>	<u>1,071,711</u>	<u>1,171,153</u>	<u>4,053,734</u>	<u>4,053,734</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

30. TRUST FUNDS

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

	1 July 2018	Amounts Received	Amounts Paid	Reallocated to Current Liability	30 June 2019
	\$	\$	\$		\$
Eaton POS	510,824	9,731	(18,875)	0	501,680
Dardanup POS	95,327	1,816	0	0	97,143
Burekup POS	254,276	4,844	0	0	259,120
Tourism WA - Ferguson Valley Project	0	301,801	0	0	301,801
Bunbury Wellington Group of Councils	36,340	4,192	(3,400)	(37,132)	0
Hire Bonds	830	15,200	(13,750)	(2,280)	0
Key Bonds	193	800	(760)	(233)	0
Kerb Bonds	91,733	0	(16,691)	(75,042)	0
Specified Project - Dardanup Central BFB Beq	92,023	1,753	0	(93,776)	0
Specified Project - Wells Recreation Ground B	52,146	993	0	(53,139)	0
Specified Project - Eaton Foreshore Playgroun	25,001	25,947	0	(50,948)	0
Unclaimed Monies	1,651	587	(554)	(1,684)	0
Extractive Industries Bonds	150,296	2,863	0	(153,159)	0
Retention Bonds	350,934	6,661	(4,151)	(353,444)	0
	1,661,574	377,188	(58,181)		1,159,744

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

31. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire is not aware of, or in receipt of, any information or events that may impact or lead to any adjustment in the financial statements after the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

32. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

32. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

- The Shire did not designate any financial assets as at fair value through profit and loss.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Shire did not recognise an additional impairment on the Shire's Trade Receivables.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

33. CHANGE IN ACCOUNTING POLICY

Paragraph 17A (5) of *Local Government (Financial Management) Regulations 1996* came into operation on the 1 July 2018. The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000.

The Shire of Dardanup has retrospectively applied the change in its accounting policy to comply with the regulation and excluded assets with a fair value of under \$5,000 at the time of acquisition from the assets of the Shire.

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018 have been excluded from the assets of the Shire and the 2018 comparatives amended accordingly.

The impacts of the changes in the accounting policy on the prior year comparatives are disclosed below.

Statement of Financial Position (Extract)	30 June 2018	Increase/ (Decrease)	30 June 2018 (Restated)	30 June 2017	Increase/ (Decrease)	01 July 2017 (Restated)
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	34,004,021	(831,219)	33,172,802	34,310,477	(823,498)	33,486,979
Infrastructure						
Investment property						
Net assets	34,004,021	(831,219)	33,172,802	34,310,477	(823,498)	33,486,979
Retained earnings	53,081,004	(304,569)	52,776,435	51,766,830	(296,848)	51,469,982
Revaluation surplus	112,893,029	(526,650)	112,366,379	113,569,060	(526,650)	113,042,410
Total equity	165,974,033	(831,219)	165,142,814	165,335,890	(823,498)	164,512,392

Statement of Comprehensive Income (Extract)	2018	Increase/ (Decrease)	2018 (Restated)
	\$	\$	\$
<i>By Nature or Type</i>			
Asset write off	0	101,856	(101,856)
Depreciation expense	(4,903,188)	(93,668)	(4,809,520)
<i>By program</i>			
Expenses			
Governance	(1,099,659)	0	(1,099,659)
General purpose funding	(347,168)	0	(347,168)
Law, order, public safety	(1,240,618)	(1,690)	(1,238,928)
Health	(494,287)	0	(494,287)
Education and welfare	(867,186)	0	(867,186)
Housing	0	0	0
Community amenities	(2,042,827)	(31,809)	(2,011,018)
Recreation and culture	(7,006,917)	(19,070)	(6,987,847)
Transport	(7,974,092)	(4,104)	(7,969,988)
Economic services	(494,914)	(13)	(494,901)
Other property and services	(227,815)	(36,982)	(190,833)
Asset write off	0	101,856	(101,856)
Net result for the period	(86,497)	8,188	(94,218)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

34. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

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

(b) Leases

The Shire will adopt AASB 16 retrospectively from 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire will apply this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

34. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

(c) Income For Not-For-Profit Entities

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

35. CORRECTION OF ERROR

The construction of the Treendale to Millbridge Bridge (Bridge Number 5370) was completed during the 2017/18 financial year. This note details the bridge expenditure of \$2,700,290 incurred by the Shire of Dardanup which was expensed in previous financial years. The correction of the prior period error is detailed in the note disclosure below.

In the previous financial years, the Shire expensed the construction of \$2,700,290. The Shire has assessed that the bridge should have been capitalised and this note deals with the effect of restating comparatives to record the construction of the bridge as an asset. The independent valuation of the bridge is valued at \$15,400,000 (total bridge valuation) with the Shire's portion of the bridge being 71.4% of the bridge total value, resulting in the value of the Shire's portion of the bridge amounting to \$10,995,600 as at 30 June 2018.

Statement of Financial Position (Extract)	30 June 2018	Increase/ (Decrease)	30 June 2018 (Restated)	30 June 2017	Increase/ (Decrease)	01 July 2017 (Restated)
	\$	\$	\$	\$	\$	\$
Non Current Asset - Infrastructure	132,636,708	10,995,600	143,632,308	131,853,915	408,290	132,262,205
	132,636,708	10,995,600	143,632,308	131,853,915	408,290	132,262,205

Statement of Comprehensive Income (Extract)	2018	Increase/ (Decrease)	2018 (Restated)
	\$	\$	\$
<i>Expenses by Nature or Type</i>			
Materials and contracts	(6,272,229)	2,292,000	(3,980,229)
<i>Expenses by Program</i>			
Governance	(1,099,659)	0	(1,099,659)
General purpose funding	(347,168)	0	(347,168)
Law, order, public safety	(1,238,928)	0	(1,238,928)
Health	(494,287)	0	(494,287)
Education and welfare	(867,186)	0	(867,186)
Community amenities	(2,011,018)	0	(2,011,018)
Recreation and culture	(6,987,847)	0	(6,987,847)
Transport	(7,969,988)	2,292,000	(5,677,988)
Economic services	(494,901)	0	(494,901)
Other property and services	(190,833)	0	(190,833)
Net result for the period	(94,218)	2,292,000	2,197,782
Other Comprehensive Income (Extract)			
Changes in Asset Revaluation Surplus	(676,032)	8,295,310	7,619,278
Total Other Comprehensive Income for the period	(676,032)	8,295,310	7,619,278

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

36. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches.

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model (such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

37. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVES	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of Council and the administration support available to Council for the provision of governance of the District. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific Council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local-laws relating to the fire prevention, animal control and protection of the environment, and other aspects of public safety including emergency services.
HEALTH	To provide services to achieve community and environmental health.	Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.
EDUCATION AND WELFARE	To provide services to children, youth, the elderly and disadvantaged persons.	Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.
HOUSING	To provide and maintain staff housing and elderly residents' housing.	Provision and maintenance of staff housing and elderly residents' housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of refuse site, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which help the social well being of the community.	Maintenance of halls, civic buildings, river banks, recreation centre and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library and other cultural facilities.
TRANSPORT	To promote safe, effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, footpaths, cycle ways, parking facilities, traffic control and depot. Cleaning of streets and maintenance of street trees, street lighting, etc.
ECONOMIC SERVICES	To help promote the shire and its economic wellbeing.	To help promote the shire and its economic wellbeing.
OTHER PROPERTY AND SERVICES	To monitor and control Council's overheads operating accounts.	Private works operations, plant repairs and operations costs, engineering operation costs.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

38. FINANCIAL RATIOS

	2019 Actual	2018 Actual Restated	2017 Actual
Current ratio	1.096	1.065	1.029
Asset consumption ratio	0.655	0.668	0.663
Asset renewal funding ratio	1.273	1.131	1.144
Asset sustainability ratio	0.930	1.632	2.090
Debt service cover ratio	8.499	5.455	7.913
Operating surplus ratio	-0.064	-0.120	-0.057
Own source revenue coverage ratio	0.851	0.811	0.832

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHIRE OF DARDANUP****Report on the Financial Report****Opinion**

We have audited the financial report of the Shire of Dardanup, which comprises the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

In our opinion, the financial report of the Shire of Dardanup is in accordance with the underlying records of the Shire, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Shire in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.
- Conclude on the appropriateness of Shire's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shire to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.


We communicate with Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reporting on Other Legal and Regulatory Requirements

In accordance with the Local Government (audit) Regulations 1996, we report that:

- a) In our opinion, the operating surplus ratio reported in Note 38 to the financial report is below the Department of Local Government, Sport and Cultural Industries standard for the past 3 years and this is a material matter, however it does not indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- b) All information and explanations required were obtained by us.
- c) All audit procedures were satisfactorily completed in conducting our audit.
- d) In my opinion, the asset consumption ratio and asset renewal ratio in included Note 38 in the Financial Report was supported by verifiable information and reasonable assumptions.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth
Date: 28 November 2019

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: 2018/19 Annual Financial Report

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Risk of Council breaching the Local Government Act 1995 – Risk that the audited 2018/19 Annual Financial Report is not received by Council.	Minor (2)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: Risk Management – Update and Risk Dashboard Report.

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

Risk Dashboard Report – December 2019

This Risk Dashboard Report summarises the Shire's risks within the Risk Management Governance Framework. The focus continues to be on embedding and driving continual improvement. It is supported by:

1. Risk Profiles for the 15 themes discussed.
2. Risk Management Policy AP023 and Procedures PR036.

Asset Sustainability Practices		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Operations	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Develop Maintenance Plans</i>	<i>Feb-20</i>	<i>Manager Operations</i>	
<i>Update the Heritage Inventory List to form part of the Town Planning Scheme review</i>	<i>Jun-22</i>	<i>Manager Development Services</i>	

External Theft and Fraud (inc. Cyber Crime)		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Financial Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Revise Transfer Station Security Monitoring</i>	<i>Apr-20</i>	<i>Manager Operations</i>	
<i>Implement an Organisational Password management framework</i>	<i>Sep-20</i>	<i>IT Manager</i>	

Business & Community Disruption		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Information Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Draft I.T. Disaster Recovery run sheets</i>	<i>Mar-20</i>	<i>IT Manager</i>	
<i>Finalise Bushfire Risk Management Plan</i>	<i>Jun-20</i>	<i>Coordinator Emergency & Ranger Services</i>	
<i>Cyber security incident plan</i>	<i>Jun-20</i>	<i>IT Manager</i>	
<i>Include options for generator/back-up power supply for new Admin Building</i>	<i>Jul-20</i>	<i>Director Infrastructure Services</i>	

Management of Facilities, Venues and Events		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Community Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Finalise private property application and approval process</i>	<i>Dec-19</i>	<i>Manager Community Services</i>	
<i>Investigate improved processes for booking of Shire Facilities</i>	<i>Mar-20</i>	<i>Manager Information Services</i>	

Risk Dashboard Report – December 2019

Environment Management		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Operations	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Develop Environmental Strategy</i>	<i>Jun-20</i>	<i>Manager Operations</i>	
<i>Investigate former waste site at L64 Henty Road</i>	<i>Dec-19</i>	<i>Manager Operations</i>	

Supplier and Contract Management		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Operations	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Formalise contractors insurance currency check</i>	<i>Dec-19</i>	<i>Compliance Officer</i>	
<i>Standardise a formal contract management process, this will require cross organisational discussions</i>	<i>Jun-20</i>	<i>Procurement Officer</i>	

Errors, Omissions and Delays		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Governance & HR	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Review Staff Training and Development Plan</i>	<i>Jun-20</i>	<i>Manager Governance & HR</i>	
<i>Develop Planning Approval Performance Report</i>	<i>Mar-20</i>	<i>Manager Development Services</i>	

Risk Dashboard Report – December 2019

<u>Employment Practices</u>		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Governance & HR	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Employee Satisfaction Survey</i>	<i>Dec-19</i>	<i>Manager Governance & HR</i>	

<u>Project/Change Management</u>		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Operations	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Standardise a formal structure for all projects from conception to completion</i>	<i>Mar-20</i>	<i>Director Infrastructure Services</i>	

<u>Engagement Practices</u>		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Community Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Communicate Customer Service Charter</i>	<i>Dec-19</i>	<i>Manager Governance & HR</i>	
<i>Formalise all Terms of Reference for Committees and Advisory Groups</i>	<i>Nov-19</i>	<i>Manager Governance & HR</i>	
<i>Implement a Community Engagement Framework / Policy</i>	<i>Dec-19</i>	<i>CEO</i>	

<u>Safety and Security Practices</u>		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Governance & HR	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Implement site specific inductions for Council Properties</i>	<i>Dec-20</i>	<i>OSH</i>	

Risk Dashboard Report – December 2019

<u>Failure to Fulfil Compliance Requirements (Statutory, Regulatory)</u>		Risk	Control
		Low	Effective
Risk Responsibility		Manager Financial Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Promote new Elected Members training (note: this is monitored by WALGA)</i>	<i>Oct-20</i>	<i>Manager Governance HR</i>	

<u>IT, Communication Systems and Infrastructure</u>		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Information Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Develop software licence register</i>	<i>Mar-20</i>	<i>IT Manager</i>	

<u>Document Management Processes</u>		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Information Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Improve Document security (physical) at Dardanup Administration</i>	<i>Dec-19</i>	<i>Manager Information Services</i>	
<i>Suitability of the Archival Storage Facility</i>	<i>Dec-19</i>	<i>Manager Information Services</i>	
<i>Document Disaster Recovery Plan</i>	<i>Jun-20</i>	<i>Manager Information Services</i>	
<i>Record Keeping Plan</i>	<i>Jun-20</i>	<i>Manager Information Services</i>	
<i>Training and education for staff on adequately storing electronic communication</i>	<i>Dec-20</i>	<i>Manager Information Services</i>	

<u>Misconduct</u>		Risk	Control
		Moderate	Adequate
Risk Responsibility		Manager Financial Services	
Current Treatment Plan (Action)	Due Date	Responsibility	
<i>Reconsider the practicalities of only having one credit card across the organisation</i>	<i>Jun-20</i>	<i>Deputy CEO</i>	

Governance Health & Financial Sustainability Review
William Buck

Report to be provided under Separate Cover
Prior to the meeting

RISK ASSESSMENT TOOL

OVERALL RISK EVENT: Governance Health & Financial Sustainability Review - 2019

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)
12 - Misconduct

5 - Employment Practices
Choose an item.

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	Failure to comply with the requirements of the Act and Regulations could lead to financial penalties being imposed.	Moderate (3)	Possible (3)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to comply with the requirements of the Act and Regulations could lead to legal penalties being imposed	Moderate (3)	Possible (3)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Failure to comply with the requirements of the Act and Regulations could result in the public questioning the Shire procedures.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.