



APPENDICES

PART 3 - Items 12.14-12.17

ORDINARY COUNCIL MEETING

To Be Held

Wednesday, 16 December 2020

Commencing at 5.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

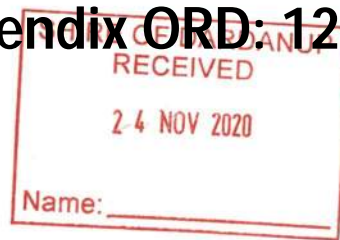
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- ~ Electronic Format [disk or emailed]
Upon request.

RISK ASSESSMENT TOOL									
OVERALL RISK EVENT:		Authorisation to Sign Contract of Sale for Purchase of Lot 601 and Apply Common Seal							
RISK THEME PROFILE:									
4 - Document Management Processes									
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	To not accept the Offer of Sale for the minimal sum of \$1 – would incur significant loss for the Shire.	Insignificant (1)	Rare (1)	Low (1 - 4)	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	Application of the Common Seal as outlined in the Local Government Act	Insignificant (1)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.	
REPUTATIONAL	Failure to accept the offer of sale would incur significant reputational damage.	Insignificant (1)	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.	



Department of Planning,
Lands and Heritage



Land Use Management

Your ref: AGR-R0557492
Our ref: 02172-1970, A11084691
Enquiries: Ph: (08) 6552 4761
Fax: (08) 6552 4417
Valerie.Ke@dplh.wa.gov.au

Chief Executive Officer
Shire of Dardanup
PO Box 7016
EATON WA 6232

Dear Sir/Madam,

OFFER OF SALE: LOT 601 ON DEPOSITED PLAN 412288 BEING RESERVE 39158 - EATON - SHIRE OF DARDANUP

The Minister for Lands (**Minister**) acting under section 74 of the *Land Administration Act 1997* (**LAA**) agrees to the sale of Lot 601 on Deposited Plan 412288 (Land) to you for the purchase price of \$1.10 (including GST), subject to the terms and conditions of sale.

If you wish to purchase this Land, the enclosed Contract of Sale must be signed where indicated. Please refer to the enclosed 'How to sign Contract of Sale' example sheet to assist in signing correctly. In addition, please ensure you also sign and date the section that states 'A copy of the Conditions has been received by the Purchaser/s' as this acknowledges that you have read the attached Conditions of Sale and will abide by them.

You will also need to inform us of your Conveyancer (Settlement Agent/Solicitor) by completing the details on the Contract of Sale.

Please return the original, executed Contract of Sale to the Department of Planning, Lands and Heritage, Locked Bag 2506, Perth WA 6001 before 27 January 2021 and arrange for payment of the fees listed below (Fees Payable):

Item	\$
Document preparation fee	\$1,333.00
Purchase Price	\$ 1.10
TOTAL	\$1,334.10

Please refer to the payment options available at page 2 for method of payment.

On receipt of the signed Contract of Sale and payment of the Fees Payable, the Contract of Sale will then be submitted for signing on behalf of the Minister under delegated authority pursuant to Section 9 of the *Land Administration Act 1997*. The signed Contract will then be forwarded to your nominated Conveyancer, advising details of settlement.

(Appendix ORD: 12.14B)

Please note that by the terms of the Conditions of Sale, you are obliged to pay any GST applicable to this transaction. Please refer to the first page of the Contract of Sale, which mentions the GST, as well as Clause 16 of the Conditions of Sale.

Please note that this offer will remain valid until 28 January 2021, after which it may be subject to a review.

Should you have any enquires about this matter, please do not hesitate to contact me.

Yours sincerely



Sandra Sauzier
Level 6 Assistant Manager
Land Use Management - Lodgement

29 October 2020

Enc

(Appendix ORD: 12.14B)

SCHEDULE 1

- 1.This Contract is subject to the Cancellation of Reserve 39158
- 2.The sale of the land is pursuant to section 74 of the *Land Administration Act 1997*.



Department of Planning,
Lands and Heritage

DEPARTMENT OF PLANNING, LANDS AND HERITAGE (Department) CONTRACT OF SALE

The Purchaser offers to purchase the Land for an estate in fee simple at the Purchase Price and on the other terms set out in the particulars below and subject to the conditions set out below.

PARTICULARS

Description of Land

DISTRICT/TOWNSITE	LOT/LOC No.	CLT	VOLUME	FOLIO
EATON	Lot 601 on Deposited Plan 412288	CLT	3170	696

Street Address (If applicable)

NUMBER AND STREET	TOWN/CITY	POSTCODE
1 Council Drive	Eaton	6232

Purchaser's Details

FULL NAME (including ABN if applicable)

* Shire of Dardanup

ADDRESS:

* PO Box 7016 EATON WA 6232

If more than one purchaser: ☐ joint tenants ☐ tenants in common (in equal shares unless otherwise stated).

Vendor's Agent (If not the Department)

Purchase Price

\$ 1.00

GST

\$ 0.10

GST

Total

\$ 1.10

payable is: (Please tick appropriate box)

- ☐ calculated under the Margin Scheme (if this box is selected the Purchaser and the Vendor agree that for the purposes of the GST Act, the supply of the Land is made under the Margin Scheme);
- ☒ calculated at 10% of the Purchase Price; or
- ☐ not applicable.

Deposit

\$ N/A

Purchaser's Conveyancer

* NAME

* ADDRESS

* TELEPHONE NO.

FACSIMILE NO.

CONDITIONS

1. Acceptance of this offer will be sufficiently communicated to the Purchaser if verbal or written notification is given by the Department to the Purchaser that the acceptance has been signed by, or on behalf of, the Vendor.
2. The Department of Planning, Lands and Heritage Conditions for the Sale of Crown Land (the "Conditions") annexed to this Contract shall be incorporated into and form part this Contract to the extent that the Conditions are not varied by or inconsistent with the express conditions below.
3. For the purposes of clause 15.1(a)(i) of the Conditions the party to whom notices for the Vendor should be given is: Manager South West and Great Southern, Land Use management - South and the fax number is: (08) 6552 4417.
4. At the date of this contract, the Department is the Department of Planning, Lands and Heritage of level 2, 140 William Street, Perth WA 6000.

For express conditions varying the Conditions please see Schedule 1 attached to this Contract.

.....
The Common Seal of the Shire of Dardanup was hereunto affixed by resolution of the Council in the presence of:

Signature

Signature

Print full name

Print full name

Position

Position

Date: ____/____/____

Date: ____/____/____

The Minister for Lands acting for and on behalf of the State of Western Australia accepts the above offer in accordance with the Conditions.

SIGNED by an authorised officer for and on behalf of the Minister for Lands by delegated authority under section 9 of the *Land Administration Act 1997*.

(Signature)

(Witness Signature)

Officer Name

Witness Name

____/____/____
Date

(Classification level, Position title
Must be level 6 or above and Full Title)
(Division)
Department of Planning, Lands and Heritage

Position title
(Division)
Department of Planning, Lands and Heritage

A copy of the Conditions has been received by the Purchaser/s.

Date ____/____/____

Date ____/____/____

Date ____/____/____

RISK ASSESSMENT TOOL								
OVERALL RISK EVENT:		Failing to monitor the financial performance can increase the risk of a negative impact on the Shire's financial position. Non-compliance with legislative requirement could result in a qualified audit.						
RISK THEME PROFILE:								
3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)								
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	Not monitoring ongoing financial performance would increase the risk of a negative impact on the financial position.	Moderate (3)	Unlikely (2)	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	Non-compliance with the legislative requirements that results in a qualified audit.	Minor (2)	Unlikely (2)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Non-compliance that results in a qualified audit can lead stakeholders to question the Council's ability to manage finances effectively.	Insignificant (1)	Unlikely (2)	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.



Monthly Financial Report

For the Period

1 July 2020 to 30 November 2020

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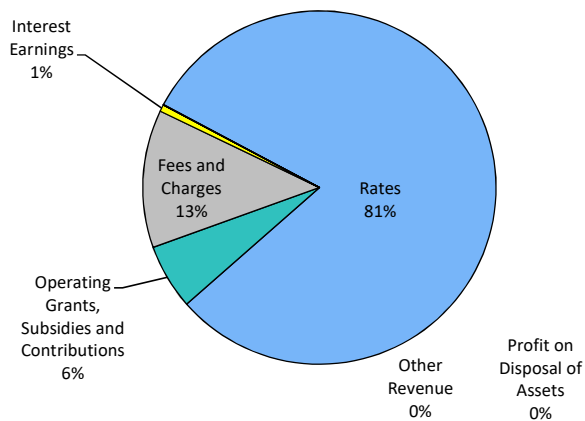
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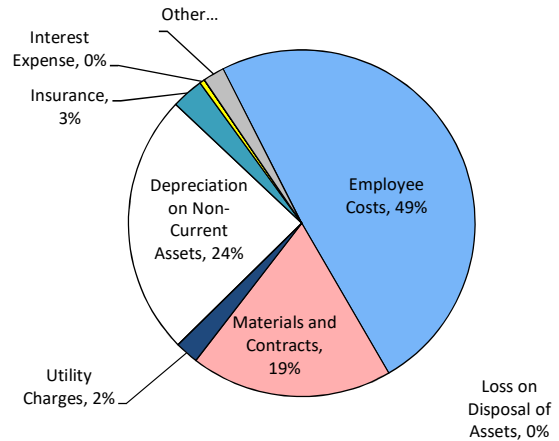
Monthly Financial Report For the Period Ended 30 November 2020

SUMMARY GRAPHS

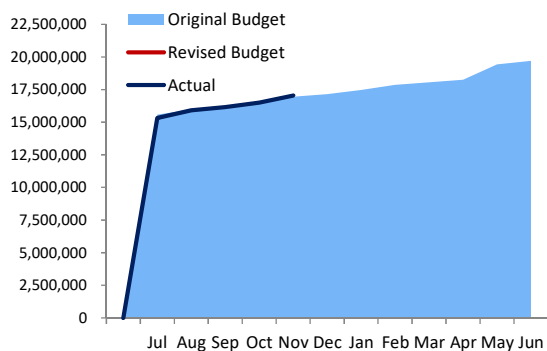
OPERATING REVENUE - ACTUAL YTD



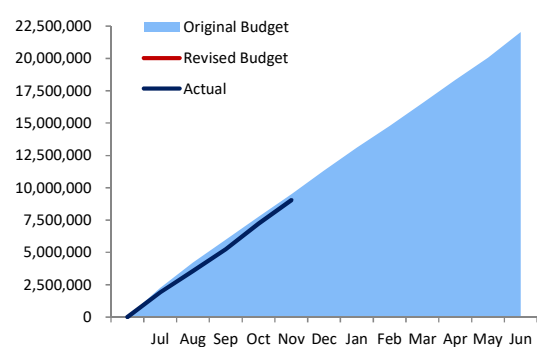
OPERATING EXPENSES - ACTUAL YTD



Total Operating Revenue - Budget - v - Actual

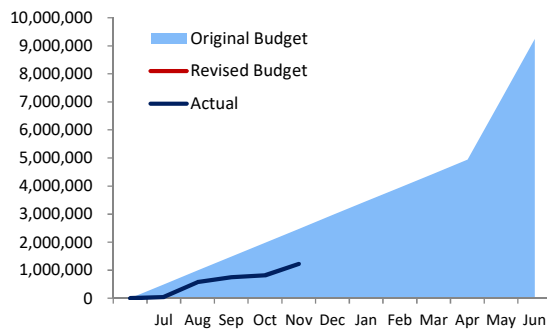


Total Operating Expenses - Budget - v - Actual



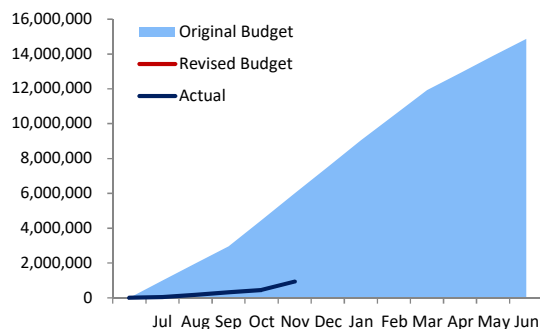
CAPITAL REVENUE

Capital Revenue - Budget - v - Actual



CAPITAL EXPENSES

Capital Expenses - Budget - v - Actual



This information is to be read in conjunction with the accompanying Financial Statements and Notes

(Appendix ORD: 12.15B)



Statement of Financial Activity by Program For the Period Ended 30 November 2020 (Covering 5 months or 42% of the year)

	Sch	2020/21 Adopted Budget \$	2020/21 Revised Budget \$	2020/21 Y-T-D Revised Budget \$	2020/21 Y-T-D Actual \$	Variance Y-T-D Actual to Revised Budget \$	Variance Y-T-D Actual to Revised Budget %	2020/21 Forecast \$	2019/20 Last Year Actual \$
OPERATING ACTIVITIES									
Revenue									
Governance	4	28,800	28,800	11,990	2,991	(8,999)	(75.1%)	28,800	5,720
General Purpose Funding	3	15,659,482	15,659,482	14,153,403	13,984,120	(169,283)	(1.2%)	15,373,707	15,495,427
Law, Order, Public Safety	5	474,905	674,345	523,909	530,376	6,467	1.2%	674,345	596,148
Health	7	2,150	2,150	890	3,624	2,734	307.2%	2,150	27,713
Education and Welfare	8	6,000	6,000	5,415	9,298	3,883	71.7%	6,000	7,205
Community Amenities	10	1,484,654	1,484,654	1,407,425	1,444,400	36,975	2.6%	1,484,654	1,526,710
Recreation and Culture	11	1,374,782	1,395,764	660,747	809,717	148,970	22.5% ▲	1,395,764	2,404,911
Transport	12	396,841	435,548	248,145	129,360	(118,785)	(47.9%) ▼	435,548	173,095
Economic Services	13	97,348	152,348	70,748	79,001	8,253	11.7%	152,348	94,232
Other Property and Services	14	173,800	173,800	72,400	54,913	(17,487)	(24.2%)	173,800	1,387,070
Total Operating Revenue		19,698,762	20,012,891	17,155,072	17,047,798	(107,274)	(0.6%)	19,727,116	21,718,231
Operating Expenses									
Governance	4	(1,210,103)	(1,210,103)	(554,563)	(431,893)	122,670	22.1% ▲	(1,210,103)	(1,186,604)
General Purpose Funding	3	(511,688)	(511,688)	(165,762)	(151,697)	14,065	8.5%	(511,688)	(331,323)
Law, Order, Public Safety	5	(1,619,329)	(1,818,769)	(795,814)	(695,286)	100,528	12.6% ▲	(1,818,769)	(1,710,879)
Health	7	(540,920)	(540,920)	(239,259)	(219,395)	19,864	8.3%	(540,920)	(547,380)
Education and Welfare	8	(784,183)	(784,183)	(363,470)	(349,591)	13,879	3.8%	(834,183)	(750,714)
Community Amenities	10	(2,845,397)	(2,845,397)	(1,152,155)	(1,007,980)	144,175	12.5% ▲	(2,845,397)	(2,641,373)
Recreation & Culture	11	(7,597,856)	(7,656,563)	(3,278,206)	(3,193,911)	84,295	2.6%	(7,656,313)	(7,739,832)
Transport	12	(6,218,251)	(6,218,251)	(2,619,602)	(2,683,656)	(64,054)	(2.4%)	(6,218,251)	(5,878,151)
Economic Services	13	(513,473)	(568,473)	(263,602)	(203,861)	59,741	22.7% ▲	(568,473)	(469,137)
Other Property and Services	14	(233,368)	(233,368)	(201,163)	(104,293)	96,870	48.2% ▲	(233,368)	(237,410)
Total Operating Expenditure		(22,074,568)	(22,387,715)	(9,633,596)	(9,041,564)	592,032	6.1%	(22,437,466)	(21,492,803)
Net Operating Activities		(2,375,806)	(2,374,824)	7,521,476	8,006,234	484,758	(6.4%)	(2,710,349)	225,428

(continued next page)



Statement of Financial Activity by Program
For the Period Ended 30 November 2020
(Covering 5 months or 42% of the year)

	2020/21 Adopted Budget \$	2020/21 Revised Budget \$	2020/21 Y-T-D Revised Budget \$	2020/21 Y-T-D Actual \$	Variance Y-T-D Actual to Revised Budget \$	Variance Y-T-D Actual to Revised Budget %	2020/21 Forecast \$	2019/20 Last Year Actual \$
Net Operating Activities (from previous page)	(2,375,806)	(2,374,824)	7,521,476	8,006,234	484,758	6.4%	(2,710,349)	225,428
ADJUSTMENTS OF NON CASH ITEMS								
(Profit)/Loss on Asset Disposals	0	0	0	0	0	0.0%	0	(1,048,762)
Accruals	0	0	0	0	0	0.0%	0	41,521
Fair value adjustment to financial assets	0	0	0	0	0	0.0%	0	(1,153)
Movement in contract liabilities associated with restricted cash	(2,310,010)	(2,310,010)	0	0	0	0.0%	(2,310,010)	2,411,684
Contra Repayment of Prefunded Infrastructure	0	0	0	0	0	0.0%	0	0
Depreciation on Assets	5,289,647	5,289,647	2,203,990	2,204,015	25	0.0%	5,289,647	5,253,788
Adjusted Net Operating Activities	A 603,831	604,813	9,725,466	10,210,249	484,783	5.0%	269,288	6,882,507
INVESTING ACTIVITIES								
Revenue								
Non-operating grants, subsidies & contributions	9,243,071	10,949,946	3,077,035	1,221,268	(1,855,767)	(60.3%) ▼	10,949,946	2,242,144
Proceeds from Disposal of Assets	257,969	257,969	107,480	0	(107,480)	(100.0%) ▼	257,969	1,333,892
Total Capital Revenue	9,501,040	11,207,915	3,184,515	1,221,268	(1,963,247)	(61.6%)	11,207,915	3,576,036
Expenditure								
Land & Buildings	(5,430,586)	(6,360,586)	(2,406,895)	(108,259)	2,298,636	95.5% ▲	(6,660,586)	(212,472)
Infrastructure Assets - Road / Bridges / Paths	(7,717,902)	(8,455,108)	(3,333,013)	(643,285)	2,689,728	80.7% ▲	(8,455,109)	(3,072,051)
Infrastructure Assets - Parks & Gardens	(677,156)	(925,293)	(385,515)	(182,876)	202,640	52.6% ▲	(925,293)	(426,819)
Vehicles	(940,438)	(940,438)	(391,845)	0	391,845	100.0% ▲	(940,438)	(325,321)
Furniture & Fittings	(112,993)	(112,993)	(47,065)	0	47,065	100.0% ▲	(112,993)	(130,794)
Total Capital Expenditure	(14,879,075)	(16,794,418)	(6,564,333)	(934,420)	5,629,913	85.8%	(17,094,419)	(4,167,458)
Net Capital Activities	B (5,378,035)	(5,586,503)	(3,379,818)	286,849	3,666,667	108.5%	(5,886,504)	(591,422)
FINANCING ACTIVITIES								
Revenue								
Proceeds from New Loans	750,000	750,000	0	0	0	0.0%	750,000	0
Self Supporting Loans - Principal Recoups	0	0	0	0	0	0.0%	0	0
Transfers from Reserves	8,659,832	8,835,832	491,595	838,565	346,970	70.6% ▼	9,185,832	3,827,660
Total Financing Revenue	9,409,832	9,585,832	491,595	838,565	346,970	(70.6%)	9,935,832	3,827,660
Expenditure								
Repayment of Loans	(250,116)	(250,116)	(130,534)	(123,403)	7,131	5.5%	(250,116)	(279,748)
Principal element of finance lease payments	(119,658)	(119,658)	(55,262)	(100,827)	(45,565)	(82.5%) ▼	(119,658)	(148,176)
Transfers to Reserves	(4,428,917)	(4,428,917)	0	(190,013)	(190,013)	(100.0%) ▼	(4,374,207)	(9,621,071)
Total Financing Expenditure	(4,798,691)	(4,798,691)	(185,796)	(414,243)	(228,447)	(123.0%)	(4,743,981)	(10,048,995)
Net Financing Activities	C 4,611,141	4,787,141	305,799	424,322	118,523	(38.8%)	5,191,851	(6,221,335)
FUNDING SOURCES								
Surplus/(Deficit) July 1 B/Fwd	382,052	382,052	382,052	474,501	92,449	24.2% ▲	474,501	404,751
CLOSING FUNDS (A+B+C+D)	218,988	187,502	7,033,499	11,395,921	4,362,422	(62.0%)	49,135	474,501

KEY INFORMATION

▲ ▼ Indicates a significant variance between Year-to-Date (YTD) Revised Budget and YTD Actual data as per the adopted materiality threshold.

▲ indicates a positive impact on the surplus/deficit position. ▼ indicates a negative impact on the surplus/deficit position.

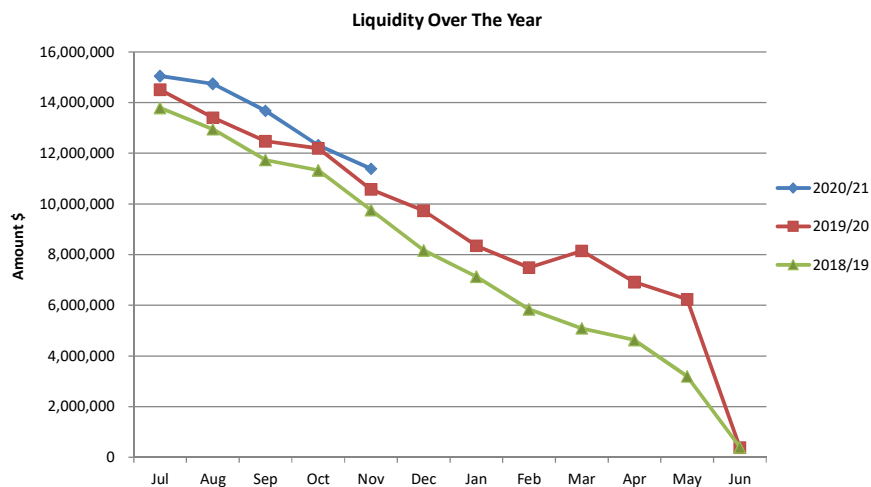
Refer to Note 2 for an explanation of the reasons for the variance.

This statement to be read in conjunction with the accompanying Financial Statements and Notes



**Statement of Financial Activity by Program
For the Period Ended 30 November 2020
NET CURRENT ASSETS**

Note	Year to Date Actual 30-Nov-2020 \$	Same Time Last Year Actual 30-Nov-2019	Last Year Closing 30 June 2020 \$
Represented By:			
CURRENT ASSETS			
Cash and Cash Equivalents	31,085,843	24,539,795	25,645,523
Rates Debtors Outstanding	4,133,087	4,509,048	396,109
Pensioner Rates Rebate	8,825	16,810	5,998
Sundry Debtors	340,591	143,122	781,928
Accrued Revenue	22,865	58,508	42,807
Prepaid Expenses	0	0	7,446
Goods & Services Tax / BAS Refund	91,190	72,323	280,631
Other Receivables	2,772	(133,581)	0
Inventories - Materials	11,917	5,047	11,917
Inventories- Trading Stock - Recreation Centre	7,310	8,430	7,310
Current Assets	35,704,398	29,219,502	27,179,669
LESS CURRENT LIABILITIES			
Payables:			
Sundry Creditors	(581)	(200)	(1,049,612)
Goods & Services Tax / BAS Payable	0	0	
Other Payables	(300,179)	(483,872)	(446,392)
Municipal Bonded Liabilities	(750,723)	(779,440)	(741,314)
Contract Liabilities	(4,862,895)	0	(4,862,896)
Prepaid Revenue - Rates / PPL	(229,718)	(179,539)	(685,142)
Accrued Interest on Debentures	(33,404)	(37,523)	(33,404)
Accrued Salaries & Wages	0	0	(96,114)
Other Accrued Expenses	0	0	(10,768)
Borrowings - Debentures	(126,712)	(131,062)	(250,116)
Provisions:			
Staff Leave Provisions	(1,437,008)	(1,272,697)	(1,437,008)
Current Liabilities	(7,741,222)	(2,884,333)	(9,612,765)
Net Current Assets	27,963,177	26,335,169	17,566,904
Less: Restricted Assets / Reserve Funds	(21,556,863)	(15,889,354)	(22,205,416)
Add: Current - Borrowings	126,712	131,062	250,116
Add: Current - Contract Liabilities held in Reserve accounts	4,862,895		4,719,271
Add: Current - Contract Liabilities - Leases			143,625
CLOSING FUNDS / NET CURRENT ASSETS (per previous page)	11,395,921	10,576,877	474,500



(Appendix ORD: 12.15B)



Statement of Comprehensive Income by Nature or Type For the Period Ended 30 November 2020 (Covering 5 months or 42% of the year)

	2020/21 Adopted Budget \$	2020/21 Revised Budget \$	2020/21 Y-T-D Revised Budget \$	2020/21 Y-T-D Actual \$	Variance Y-T-D Actual to Revised Budget \$	Variance Y-T-D Actual to Revised Budget %	2020/21 Forecast \$	2019/20 Last Year Actual \$
Revenue								
Rates	13,839,284	13,839,284	13,789,034	13,767,798	(21,236)	0.2%	13,813,140	13,716,704
Grants, Subsidies & Contributions	2,680,137	2,879,577	1,172,141	1,018,439	(153,702)	13.1%	2,758,702	3,496,488
Fees and Charges	2,730,279	2,751,261	1,949,495	2,149,648	200,153	(10.3%)	2,751,261	2,866,180
Interest Earnings	420,971	420,971	198,340	105,378	(92,962)	46.9%	282,215	512,789
Other Revenue	28,091	28,091	7,022	6,535	(487)	0.0%	28,091	24,685
	<u>19,698,762</u>	<u>19,919,184</u>	<u>17,116,032</u>	<u>17,047,798</u>	<u>(68,234)</u>	<u>0.4%</u>	<u>19,633,409</u>	<u>20,616,846</u>
Expenses								
Employee Costs	(10,505,383)	(10,505,383)	(4,445,955)	(4,441,366)	4,589	0.1%	(10,505,383)	(10,592,989)
Materials and Contracts	(4,881,097)	(5,139,244)	(2,230,741)	(1,702,963)	527,778	23.7%	(5,139,244)	(4,175,275)
Utility Charges	(552,620)	(552,620)	(230,132)	(198,098)	32,034	13.9%	(552,620)	(574,897)
Depreciation on Non-current Assets	(5,289,647)	(5,289,647)	(2,203,990)	(2,204,015)	(25)	(0.0%)	(5,289,647)	(5,253,788)
Interest Expense	(97,965)	(97,965)	(44,004)	(44,150)	(146)	(0.3%)	(97,965)	(117,813)
Insurance	(310,774)	(310,774)	(236,460)	(270,591)	(34,131)	(14.4%)	(310,774)	(316,060)
Other	(403,066)	(458,066)	(228,154)	(180,381)	47,773	20.9%	(507,816)	(333,679)
	<u>(22,040,552)</u>	<u>(22,353,700)</u>	<u>(9,619,436)</u>	<u>(9,041,564)</u>	<u>577,872</u>	<u>6.0%</u>	<u>(22,403,450)</u>	<u>(21,364,501)</u>
Operational Surplus / (Deficit)	(2,341,790)	(2,434,516)	7,496,596	8,006,234	509,638	(6.8%)	(2,770,041)	(747,655)
Grants & Contributions for the Development of Assets	9,243,072	10,949,946	3,077,035	1,221,268	(1,855,767)	(60.3%)	10,949,946	2,647,334
Profit on Asset Disposals	0	0	0	0	0	0.0%	0	1,048,762
Loss on Asset Disposals	0	0	0	0	0	0.0%	0	0
Fair Value Adjustment to Financial Assets	0	0	0	0	0	0.0%	0	0
	<u>9,243,072</u>	<u>10,949,946</u>	<u>3,077,035</u>	<u>1,221,268</u>	<u>(1,855,767)</u>	<u>60.3%</u>	<u>10,949,946</u>	<u>3,696,096</u>
NET RESULT	6,901,282	8,515,430	10,573,631	9,227,503	(1,346,128)	12.7%	8,179,905	2,948,441
Other Comprehensive Income								
Changes on Revaluation of Non-Current Assets	0	0	0	0	0	0.0%	0	0
TOTAL COMPREHENSIVE INCOME	6,901,282	8,515,430	10,573,631	9,227,503	(1,346,128)	12.7%	8,179,905	2,948,441



**Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020**

1. PROGRAMS / ACTIVITIES

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision and for each of its broad activities/programs.

COMMUNITY VISION

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services	Rates, general purpose government grants and interest revenue.
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.
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.
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.	Tourism and area promotion, building control, provision of rural services including weed control and vermin control, standpipes.
OTHER PROPERTY & SERVICES	To monitor and control Council's overheads operating accounts.	Private works operations, plant repairs and operations costs, engineering operation costs.



**Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020**

2. EXPLANATION OF MATERIAL VARIANCES IN THE STATEMENT OF FINANCIAL ACTIVITY BY PROGRAM

The material variances adopted by the Shire of Dardanup for reporting in the 2020/21 year is 5% or \$25,000, whichever is the greater.
All variances are between Year-to-Date Actual and Year-to-Date Revised Budget values.

OPERATING ACTIVITIES		Revenue		2020/21		2020/21		Variance to		Variance to		Material Variance - Explanation
				Y-T-D		Actual		Y-T-D		Y-T-D		
		\$		\$		\$		Revised Budget		Revised Budget		

Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020

2. EXPLANATION OF MATERIAL VARIANCES IN THE STATEMENT OF FINANCIAL ACTIVITY BY PROGRAM (continued)

	2020/21 Y-T-D Revised Budget \$	2020/21 Y-T-D Actual \$	Variance to Y-T-D Revised Budget \$	Variance to Y-T-D Revised Budget %	Timing / Permanent	Material Variance - Explanation
Adjusted Net Operating Activities (from previous pa	9,725,466	10,210,249	484,783	5.0%		
INVESTING ACTIVITIES						
Revenue						
Non-operating grants, subsidies & contributions	3,077,035	1,221,268	(1,855,767)	(60.3%)	▼ Timing	Grants and contributions not yet claimed for 2020/21 capital projects - \$371,000 fire brigade stations, \$81,000 Eaton jetty upgrade, \$208,000 skate park, \$290,000 MRWA and RFR road project & black spot program, \$740,000 Eaton Drive (JTPS funds), \$80,000 tourism signage & Gnomesville toilets, \$104,000 heritage walk trail.
Proceeds from Disposal of Assets	107,480	0	(107,480)	(100.0%)	▼ Timing	No vehicles traded as at the reporting date
Total Capital Revenue	3,184,515	1,221,268	(1,963,247)	(61.6%)		
Expenditure						
Land & Buildings	(2,406,895)	(108,259)	2,298,636	95.5%	▲ Timing	No significant construction to date on 2020/21 building projects - BFB stations, Eaton skate park, Eaton Bowling Club, Eaton administration/library building, Eaton Oval clubrooms.
Infrastructure Assets - Road / Bridges / Paths	(3,333,013)	(643,285)	2,689,728	80.7%	▲ Timing	Minor works completed to date on road upgrade and renewal projects apart from Pile Road upgrade.
Infrastructure Assets - Parks & Gardens	(385,515)	(182,876)	202,640	52.6%	▲ Timing	No significant works to date on 2021 parks and reserve projects apart from Eaton boat ramp upgrade.
Vehicles	(391,845)	0	391,845	100.0%	▲ Timing	No vehicles purchased to date.
Plant & Equipment	0	0	0	0.0%		
Furniture & Fittings	(47,065)	0	47,065	100.0%	Permanent	\$28,000 recreation centre gym equipment re-allocated to operating expense - individual items are below \$5,000 threshold value for recognition as assets. \$22,000 office furniture & equipment not yet acquired.
Total Capital Expenditure	(6,564,333)	(934,420)	5,629,913	(85.8%)		
Net Capital Activities	(3,379,818)	286,849	3,666,667	(108.5%)		
FINANCING ACTIVITIES						
Revenue						
Transfers from Reserves	491,595	838,565	346,970	70.6%	▲ Timing	Transfer of prepaid LGGC grants at start of year - budget was for even spread over the year.
Total Financing Revenue	491,595	838,565	346,970	70.6%		
Expenditure						
Repayment of Loans	(130,534)	(123,403)	7,131	5.5%		
Transfers to Reserves	0	(190,013)	(190,013)	(100.0%)	▼ Timing	Interest received on Reserve investments, developer contributions to works received from new subdivision approvals (offset by corresponding revenue).
Total Financing Expenditure	(185,796)	(414,243)	(228,447)	123.0%		
Net Financing Activities	305,799	424,322	118,523	38.8%		
FUNDING SOURCES						
Surplus/(Deficit) July 1 B/Fwd	382,052	474,501	92,449	24.2%	▲ Permanent	Improved financial position after draft financial statements for 2019/20 completed. Surplus amount is subject to audit confirmation.
CLOSING FUNDS (A+B+C+D)	7,033,499	11,395,921	4,362,422	62.0%		



**Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020**

3. TRUST FUNDS

Funds held at reporting date over which the Shire has no control and which are not included in the financial statements are as follows:

NAME	BALANCE 1 JULY	RECEIPTS	INTEREST	PAYMENTS	ADJUSTMENTS (TRANSFERS)	CLOSING BALANCE
	\$	\$	\$	\$	\$	\$
Tourism WA for Ferguson Valley Project	172,736.03	0.00	0.00	(78,737.50)	0.00	93,998.53
Public Open Space	786,192.56	16,500.00	0.00	0.00	0.00	802,692.56
Accrued Interest	0.00	0.00	216.64	0.00	0.00	216.64
Plus: Outstanding Creditors	0.00	0.00	0.00	0.00	0.00	0.00
Less: Outstanding Debtors	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	958,928.59	16,500.00	216.64	(78,737.50)	0.00	896,907.73

4. MUNICIPAL LIABILITIES

Funds held at reporting date for bonds and deposits not required to be held in the Trust Fund and classified as restricted to recognise that they are owed to developers/hirers and others. These are now classified as Municipal Liabilities as follows:

	BALANCE 1 JULY	RECEIPTS	INTEREST	PAYMENTS	ADJUSTMENTS (TRANSFERS)	CLOSING BALANCE
	\$	\$	\$	\$	\$	\$
Retention Bonds						
Ardross Estate Pty Ltd	45,590.02	0.00	0.00	0.00	0.00	45,590.02
Parkridge Group	51,384.53	0.00	0.00	0.00	0.00	51,384.53
South West Waste	10,777.36	0.00	0.00	0.00	0.00	10,777.36
Henty Brooke Estate	9,699.37	0.00	0.00	0.00	0.00	9,699.37
D Maher	8,186.85	0.00	0.00	0.00	0.00	8,186.85
Clifton Partners	347.34	0.00	0.00	0.00	0.00	347.34
Cristopher West Consultants	9,998.04	0.00	0.00	0.00	0.00	9,998.04
Burra98 Unit Trust	11,214.04	0.00	0.00	0.00	0.00	11,214.04
NTC Pty Ltd	779.33	0.00	0.00	0.00	0.00	779.33
Dale Thompson	2,078.72	0.00	0.00	0.00	0.00	2,078.72
Barry Garvey	3,540.62	0.00	0.00	0.00	0.00	3,540.62
Civil Tech	32,158.31	0.00	0.00	0.00	0.00	32,158.31
Westgate Property Group	18,375.50	0.00	0.00	0.00	0.00	18,375.50
Cleary Estate	3,132.42	0.00	0.00	0.00	0.00	3,132.42
Little Meadow Pty Ltd	15,631.53	0.00	0.00	0.00	0.00	15,631.53
Winterfall Nominees Pty Ltd	4,111.16	0.00	0.00	0.00	0.00	4,111.16
Thomas Fields Pty Ltd	30,868.39	0.00	0.00	0.00	0.00	30,868.39
Holland Loop Pty Ltd	17,644.12	0.00	0.00	0.00	0.00	17,644.12
Terrence J Coman	8,384.63	0.00	0.00	0.00	0.00	8,384.63
Garvey Road Pty Ltd	36,393.21	0.00	0.00	0.00	0.00	36,393.21
Burekup Developments Pty Ltd	4,700.36	0.00	0.00	0.00	0.00	4,700.36
Ardross Group of Companies		9,705.66	0.00	(9,705.66)	0.00	0.00
Total - Retention Bonds	324,995.85	9,705.66	0.00	(9,705.66)	0.00	324,995.85
Extractive Industry Rehabilitation Bonds						
L G Davidson	1,290.20	0.00	0.00	0.00	0.00	1,290.20
M Denholm	845.24	0.00	0.00	0.00	0.00	845.24
S Catalano	1,340.36	0.00	0.00	0.00	0.00	1,340.36
Bunbury Agricultural Society	2,387.88	0.00	0.00	0.00	0.00	2,387.88
D Buser	1,282.84	0.00	0.00	0.00	0.00	1,282.84
Valli & Co	2,600.14	0.00	0.00	0.00	0.00	2,600.14
Charles Hull Contracting	7,603.41	0.00	0.00	0.00	0.00	7,603.41
J & P Group	135,809.01	0.00	0.00	0.00	0.00	135,809.01
Total - Extractive Industries Bonds	153,159.08	0.00	0.00	0.00	0.00	153,159.08
Specified Projects						
Dardanup Central Bushfire Station Refurbishment - Red Cross - A Poad Bequest	93,776.15	0.00	0.00	0.00	0.00	93,776.15
Wells Recreation Ground Refurbishment/Expansion - Red Cross - A Poad Bequest	53,139.81	0.00	0.00	0.00	0.00	53,139.81
Total - Specified Projects	146,915.96	0.00	0.00	0.00	0.00	146,915.96
Sundry Deposits						
Unclaimed Monies	1,683.92	0.00	0.00	0.00	0.00	1,683.92
Bunbury Wellington Group of Councils	37,164.30	3,500.00	0.00	0.00	0.00	40,664.30
Cristal - Paint the Shire REAd project	5,030.01	0.00	0.00	0.00	0.00	5,030.01
Total - Sundry Deposits	43,878.23	3,500.00	0.00	0.00	0.00	47,378.23
Key Bonds	272.68	120.00	0.00	(40.00)	0.00	352.68
Hire Bonds	2,330.00	1,950.00	0.00	(1,400.00)	0.00	2,880.00
Kerb Bonds	75,041.91	0.00	0.00	0.00	0.00	75,041.91
TOTAL	746,593.71	15,275.66	0.00	(11,145.66)	0.00	750,723.71

(Appendix ORD: 12.15B)



Notes to the Statement of Financial Activity For the Period Ended 30 November 2020

5. RESERVES - CASH BACKED

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

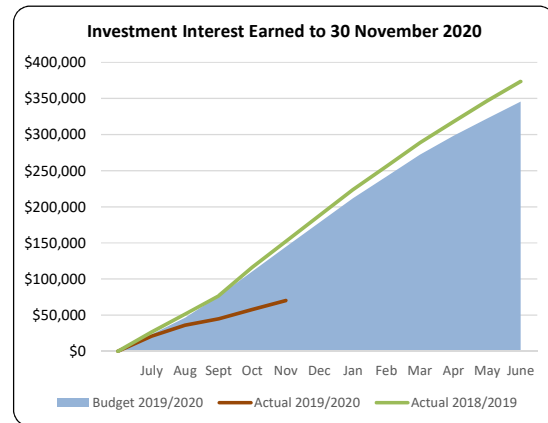
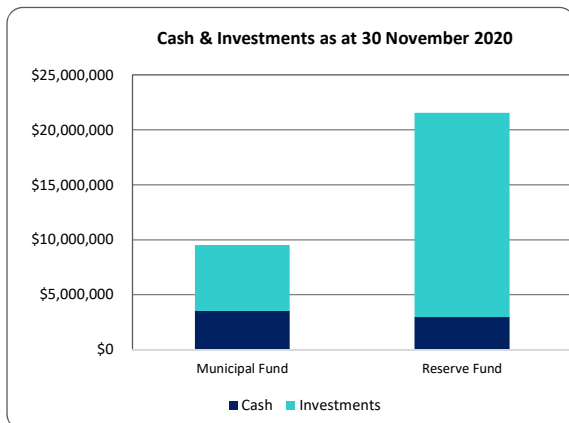
NAME	BALANCE 1 JULY	RECEIPTS	INTEREST	PAYMENTS	ADJUSTMENTS (TRANSFERS)	CLOSING BALANCE
	\$	\$	\$	\$	\$	\$
<i>Council Restricted</i>						
Executive & Compliance Vehicles Reserve	243,184.02	0.00	0.00	0.00	0.00	243,184.02
Plant & Engineering Equipment Reserve	924,036.04	0.00	0.00	0.00	0.00	924,036.04
Eaton Recreation Centre - Equipment Reserve	280,102.25	0.00	0.00	0.00	0.00	280,102.25
Building Maintenance Reserve	1,783,239.12	0.00	0.00	0.00	0.00	1,783,239.12
Employee Relief Reserve	234,383.81	0.00	0.00	0.00	0.00	234,383.81
Employee Leave Entitlements Reserve	21,186.62	0.00	0.00	0.00	0.00	21,186.62
Refuse Site Environmental Works Reserve	83,833.42	0.00	0.00	0.00	0.00	83,833.42
Information Technology Reserve	504,179.04	0.00	0.00	0.00	0.00	504,179.04
Roadwork Construction & Major Maintenance Reserve	587,710.55	0.00	0.00	0.00	0.00	587,710.55
Accrued Salaries Reserve	433,352.06	0.00	0.00	0.00	0.00	433,352.06
Tourism Reserve	11,718.35	0.00	0.00	0.00	0.00	11,718.35
Recycling Education Reserve	61,264.57	0.00	0.00	0.00	0.00	61,264.57
Road Safety Programs Reserve	26,644.63	0.00	0.00	0.00	0.00	26,644.63
Council Land Development Reserve	21,057.89	0.00	0.00	0.00	0.00	21,057.89
Carried Forward Projects Reserve	3,291,189.81	0.00	0.00	0.00	0.00	3,291,189.81
Election Expenses Reserve	7,017.23	0.00	0.00	0.00	0.00	7,017.23
Town Planning Consultancy Reserve	97,705.92	0.00	0.00	0.00	0.00	97,705.92
Parks & Reserves Upgrades Reserve	676,804.61	0.00	0.00	0.00	0.00	676,804.61
Strategic Planning Studies Reserve	128,885.07	0.00	0.00	0.00	0.00	128,885.07
Pathways Reserve	315,889.37	0.00	0.00	0.00	0.00	315,889.37
Asset / Rates Revaluation Reserve	328,666.34	0.00	0.00	0.00	0.00	328,666.34
Refuse & Recycling Bin Replacement Reserve	54,644.89	0.00	0.00	0.00	0.00	54,644.89
Sale of Land Reserve	4,566,488.23	0.00	0.00	0.00	0.00	4,566,488.23
Storm Water Reserve	157,848.01	0.00	0.00	0.00	0.00	157,848.01
	14,841,031.85	0.00	0.00	0.00	0.00	14,841,031.85
<i>Statute Restricted</i>						
Contribution to Works Reserve	670,642.44	67,257.55	0.00	0.00	0.00	737,899.99
Eaton Drive - Access Construction Reserve	154,824.78	23,811.74	0.00	0.00	0.00	178,636.52
Eaton Drive - Scheme Construction Reserve	914,153.40	18,291.54	0.00	0.00	0.00	932,444.94
Fire Control Reserve	11,535.50	0.00	0.00	0.00	0.00	11,535.50
Collie River (Eaton Drive) Bridge Construction Reserve	1,564,304.17	8,555.60	0.00	0.00	0.00	1,572,859.77
Unspent Grants Reserve	3,795,446.83	0.00	0.00	838,564.75	0.00	2,956,882.08
Swimming Pool Inspection Reserve	4,488.00	0.00	0.00	0.00	0.00	4,488.00
Unspent Specified Area Rate - Bulk Waste Collection Reserve	80,609.91	0.00	0.00	0.00	0.00	80,609.91
Unspent Specified Area Rate - Eaton Landscaping Reserve	127,172.20	0.00	0.00	0.00	0.00	127,172.20
Wanju Developer Contribution Plan Unspent Loan Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Dardanup Expansion Developer Contribution Plan Reserve	41,206.57	0.00	0.00	0.00	0.00	41,206.57
	7,364,383.80	117,916.43	0.00	838,564.75	0.00	6,643,735.48
Interest	0.00	0.00	83,161.14	0.00	0.00	83,161.14
Less: Outstanding Debtors	0.00	(11,065.00)	0.00	0.00	0.00	(11,065.00)
TOTAL	22,205,415.65	106,851.43	83,161.14	838,564.75	0.00	21,556,863.47



Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020

6. STATEMENT OF INVESTMENTS

BANK	TYPE	AMOUNT	RATE	DAYS	COMMENCEMENT	MATURITY	ESTIMATED INTEREST	INTEREST CREDITED 2020-2021
MUNICIPAL FUND								
CBA	Municipal Fund Bank Account	\$ 3,524,689.99	0.05%				\$146.86	\$3,198.34
NAB	Term Deposit	\$ 1,000,000.00	0.67%	273	9/2020	6/2021	\$5,011.23	
WBC	Term Deposit	\$ 1,000,000.00	0.69%	123	10/2020	2/2021	\$2,325.21	
WBC	Term Deposit	\$ 1,000,000.00	0.68%	212	10/2020	5/2021	\$3,949.59	
ANZ	Term Deposit	\$ 2,000,000.00	0.75%	94	10/2020	1/2021	\$3,863.01	
ANZ	Term Deposit	\$ 1,000,000.00	0.76%	183	10/2020	4/2021	\$3,810.41	
	Interest received on matured deposits							\$2,268.52
		<u>\$ 9,524,689.99</u>					<u>\$19,106.31</u>	<u>\$5,466.86</u>
TRUST FUND								
CBA	Trust Fund Bank Account	\$ 896,907.73	0.05%				\$37.37	\$175.84
		<u>\$ 896,907.73</u>					<u>\$37.37</u>	<u>\$175.84</u>
RESERVE FUND								
CBA	Reserve Bank Account	\$ 2,956,567.58	0.05%				\$123.19	\$1,527.11
AMP	Term Deposit	\$ 1,100,000.00	0.80%	365	8/2020	8/2021	\$8,800.00	
NAB	Term Deposit	\$ 1,500,295.89	0.80%	356	8/2020	8/2021	\$11,706.42	
NAB	Term Deposit	\$ 1,000,000.00	0.62%	273	9/2020	6/2021	\$4,637.26	
NAB	Term Deposit	\$ 1,000,000.00	0.72%	365	9/2020	9/2020	\$7,200.00	
NAB	Term Deposit	\$ 1,000,000.00	0.62%	181	9/2020	3/2021	\$3,074.52	
WBC	Tailored Term Deposit	\$ 4,000,000.00	0.80%	365	8/2020	8/2021	\$32,000.00	\$8,065.75
WBC	Term Deposit	\$ 1,000,000.00	0.70%	184	8/2020	2/2021	\$3,528.77	
WBC	Term Deposit	\$ 1,000,000.00	0.68%	243	10/2020	6/2021	\$4,527.12	
WBC	Term Deposit	\$ 1,000,000.00	0.69%	123	10/2020	2/2021	\$2,325.21	
ANZ	Term Deposit	\$ 3,000,000.00	0.82%	367	10/2020	10/2021	\$24,734.79	
ANZ	Term Deposit	\$ 3,000,000.00	0.76%	183	10/2020	4/2021	\$11,431.23	
	Interest received on matured deposits							\$73,734.26
		<u>\$ 21,556,863.47</u>					<u>\$114,088.51</u>	<u>\$83,327.12</u>
Total Interest Received								<u>\$88,969.82</u>





Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020

6. STATEMENT OF INVESTMENTS (continued)

Total Funds Invested

Total Funds Invested as at Reporting Date -

Municipal Fund Investment Portfolio	\$ 6,000,000.00
Trust Fund Investment Portfolio	\$ -
Reserve Fund Investment Portfolio	\$ 18,600,295.89
	<u>\$ 24,600,295.89</u>

Investment Policy - Portfolio Risk Exposure

Council's investment policy provides a framework to manage the risks associated with financial investments.

Portfolio - Terms of Maturity

Limits are placed on the term to maturity thereby reducing the impact of any significant change in interest rate markets and to provide liquidity.

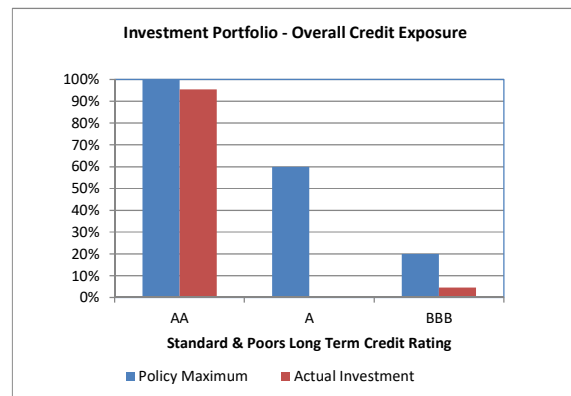
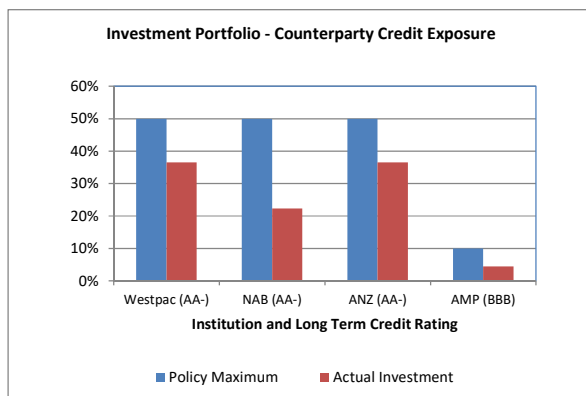
Counterparty Credit Exposure

Exposure to an individual authorised deposit-taking institution (ADI) counterparty will be restricted by their credit rating so that single entity exposure is limited.

Overall Credit Exposure

To control the credit quality on the entire portfolio, limits are placed on the percentage exposed to any particular credit rating category.

The following charts demonstrate the current portfolio diversity and risk compliance with the policy framework.





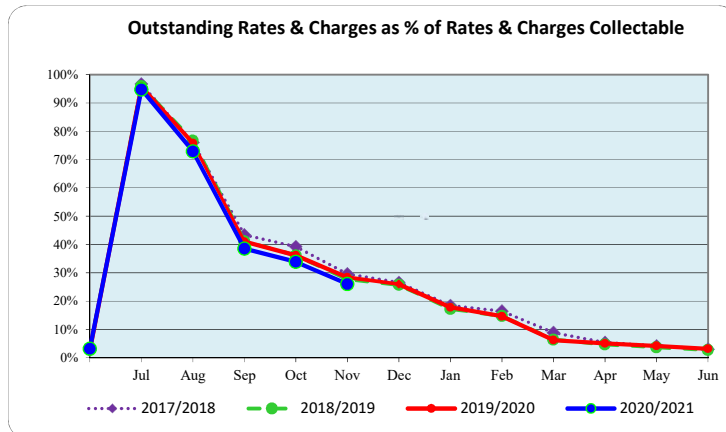
Notes to the Statement of Financial Activity For the Period Ended 30 November 2020

7. Accounts Receivable as at 30 November 2020

Rates and Charges Outstanding

2020/21 annual rates were raised on 16 July 2020 and were due for payment by 10 September 2020.

As at the reporting date, total outstanding rates and charges (including pensioner deferred rates) is \$4,251,094. This equates to 26.01% of rates and charges collectable and is at an improved ratio to recent years. It is the objective of management to achieve less than 4% of rates and charges outstanding by 30 June.



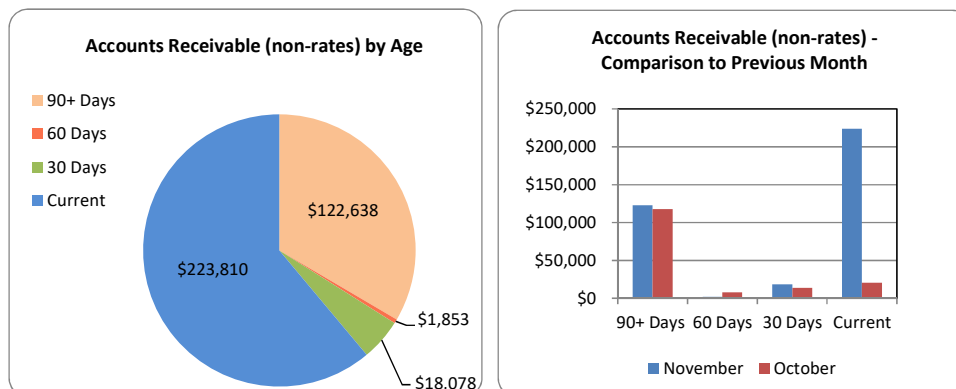
Sundry Debtors Outstanding (non-rates)

As at the reporting date, the total outstanding Sundry Debtors amount to \$366,379

\$220,000 of the current debt is for a road project grant and is expected to be paid by 31 December.

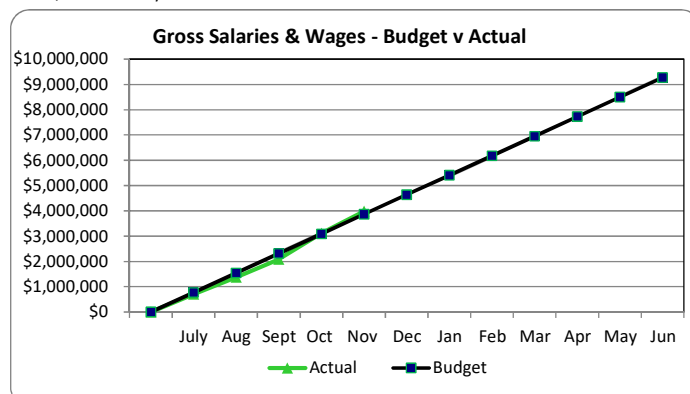
\$80,159 of the 90 days debt relates to State Government contribution to Eaton Recreation centre for school shared use of facilities. The Education Department has raised enquiries about some of the details and officers are working to resolve these as soon as possible.

Other debts outstanding in excess of 90 days are currently under review and it is likely a significant portion of these will be written off due to being uneconomical to recover.



8. Salaries and Wages to 30 November 2020

At the reporting date, total salaries and wages expenditure is \$3,983,501 (43%) of the annual budget of \$9,273,727 for the 2020/21 financial year.





Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020

9. RATING INFORMATION

RATE TYPE	Rate in \$	Number of properties	Rateable value \$	2020/21 Budget rate revenue \$	2020/21 Budget interim rates \$	2020/21 Budget back rates \$	2020/21 Budget total revenue \$	2020/21 Actual total revenue \$	2019/20 Actual total revenue \$	2019/20 Budget total revenue \$
Differential general rate or general rate										
Gross rental valuations										
General Rates - GRV: Residential	0.100662	3,152	56,779,220	5,746,655	0	0	5,746,655	5,715,510	5,620,662	5,620,662
General Rates - GRV: Commercial	0.100662	59	14,495,740	1,428,025	0	0	1,428,025	1,459,170	1,369,549	1,369,549
General Rates - GRV: Industrial	0.100662	68	7,586,727	763,695	0	0	763,695	763,695	757,975	757,975
General Rates - GRV: Small Holding	0.100662	336	7,599,124	765,545	0	0	765,545	764,943	806,389	806,389
General Rates - GRV: Interim and Back Rates	0.100662	0	0	0	91,144	0	91,144	17,294	91,938	124,249
Unimproved valuations										
General Rates - UV: Broad Acre Rural	0.006259	491	274,608,000	1,718,765	0	0	1,718,765	1,718,315	1,709,026	1,709,026
General Rates - UV: Mining	0.006259	0	0	0	0	0	0	0	0	0
General Rates - UV: Interim and Back Rates	0.006259	0	0	0	0	0	0	0	0	0
Sub-Totals		4,106	361,068,811	10,422,685	91,144	0	10,513,829	10,438,927	10,355,539	10,387,850
Minimum payment										
Gross rental valuations										
General Rates - GRV: Residential	1,547.50	1,651	21,331,732	2,554,923	0	0	2,554,923	2,554,923	2,571,945	2,571,945
General Rates - GRV: Commercial	1,547.50	7	61,400	10,833	0	0	10,833	10,833	10,833	10,833
General Rates - GRV: Industrial	1,547.50	47	590,450	72,733	0	0	72,733	72,732	80,470	80,470
General Rates - GRV: Small Holding	1,547.50	85	682,270	131,538	0	0	131,538	131,538	111,420	111,420
General Rates - GRV: Interim and Back Rates	1,547.50	0	0	0	0	0	0	0	0	0
Unimproved valuations										
General Rates - UV: Broad Acre Rural	1,547.50	119	17,457,460	184,153	0	0	184,153	184,152	208,913	208,913
General Rates - UV: Mining	1,547.50	18	399,256	27,855	0	0	27,855	27,855	30,950	30,950
General Rates - UV: Interim and Back Rates	1,547.50	0	0	0	0	0	0	0	0	0
Sub-Totals		1,927	40,522,568	2,982,035	0	0	2,982,035	2,982,033	3,014,531	3,014,531
Discounts/concessions/write-off		6,033	401,591,379	13,404,720	91,144	0	13,495,864	13,420,960	13,370,070	13,402,381
Total amount raised from general rates							(5,000)	(2,581)	(1,016)	(5,000)
Specified area rates							13,490,864	13,418,379	13,369,054	13,397,381
Total rates							350,000	349,419	347,651	344,800
							13,840,864	13,767,798	13,716,705	13,742,181



Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020

10. INFORMATION ON BORROWINGS

Debtenture Repayments

Particulars	Loan No.	Principal Opening Balance 01 July 2020	New Loans 2020/21		Principal Repayments 2020/21		Interest Repayments 2020/21		Principal Outstanding 30 June 2021	
			Actual \$	Adopted Budget \$	Actual \$	Adopted Budget \$	Actual \$	Adopted Budget \$	Actual \$	Adopted Budget \$
Community Amenities										
Wanju/Waterloo Industrial Park	New	0	0	750,000	0	0	0	0	0	750,000
Developer Contribution Plans										
Recreation and Culture										
Eaton Recreation Centre	59	280,690	0		(43,410)	(88,117)	(8,238)	(16,870)	237,280	192,573
Glen Huon Oval Club Rooms	69	965,470	0	0	(20,391)	(41,174)	(18,537)	(43,234)	945,079	924,296
Transport										
Depot Land	66	503,104	0	0	(29,019)	(58,628)	(10,238)	(23,169)	474,085	444,476
Economic Services										
Gravel Pit Land - Panizza Road	61	90,549	0	0	(11,765)	(23,901)	(2,803)	(5,805)	78,784	66,648
Other Property and Services										
Administration Building Extensions	65	123,303	0	0	(18,817)	(38,296)	(4,334)	(8,887)	104,486	85,007
		1,963,116	0	750,000	(123,403)	(250,116)	(44,150)	(97,965)	1,839,713	2,463,000

All debtenture repayments are financed by general purpose revenue.



**Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020**

11. BUDGET AMENDMENTS

Amendments to the original budget since budget adoption. Surplus/(Deficit)

GL/JOB Code	Description	Council Resolution	Classification	Non Cash Adjustment	Increase in Available Cash	Decrease in Available Cash	Revised Budget Running Balance
				\$	\$	\$	\$
Budget Adoption							
Permanent Changes							
0521502	Opening surplus adjustment		Opening Surplus				218,987
	DFES Mitigation Activity Fund grant to reduce bushfire risk	29/07/20 - 212-20	Operating Revenue	92,449			311,436
				189,440			500,876
0511503	Bushfire Risk Management Plan - treatments to mitigate bushfire	29/07/20 - 212-20	Operating Expense			(189,440)	311,436
J11221	Pratt Road Reserve maintenance - erosion repairs	26/08/20 - 231-20	Operating Expense			(38,707)	272,729
1221507	Disaster Recovery Grant	26/08/20 - 231-20	Operating Revenue	38,707			311,436
0522501	LGS capital grant to replace Dardanup Central BFB station	30/09/20 - 261-20	Non-operating Revenue	450,000			761,436
0522503	Donation of bequeathed estate for Dardanup Central BFB	30/09/20 - 261-20	Non-operating Revenue	90,000			851,436
J05022	Building construction - Dardanup Central BFB station	30/09/20 - 261-20	Asset Acquisition			(540,000)	311,436
1318004	Economic Development - Designated Area Migration Agreement	30/09/20 - 267-20	Operating Expense		55,000	(55,000)	256,436
1328501	Contributions to Designated Area Migration Agreement	30/09/20 - 267-20	Operating Revenue				311,436
J12306	Renewal - Bridge 3678 - Pile Road	30/09/20 - 274-20	Asset Acquisition			(250,000)	61,436
J12303	Renewal - Bridge 3658 - Ferguson Road	30/09/20 - 274-20	Asset Acquisition			(276,000)	(214,564)
J12310	Renewal - Bridge 4821 - Martin Pelusey Road	30/09/20 - 274-20	Asset Acquisition			(136,000)	(350,564)
1221504	Grant revenue Transport - Special Projects	30/09/20 - 274-20	Non-operating Revenue	526,000			175,436
0341003	Transfer from Reserve - Unspent Grants	30/09/20 - 274-20	Reserve Transfer	136,000			311,436
J12909	Ferguson Road Survey and Design	30/09/20 - 275-20	Asset Acquisition			(52,500)	258,936
J12907	Project preliminaries expenditure - reduced budget	30/09/20 - 275-20	Asset Acquisition				276,436
1221503	Grant revenue - Regional Road Group	30/09/20 - 275-20	Non-operating Revenue	17,500			311,436
0523502	Grant revenue - Animal Welfare Plan	28/10/20 - 288-20	Operating Revenue	35,000			321,436
0513503	Grant expenditure - animal control	28/10/20 - 288-20	Operating Expense	10,000			311,436
1124003	Fees & Charges Rec Centre - Admissions	25/11/20 - 312-20	Operating Revenue	20,000		(10,000)	331,436
1114013	Advertising - Rec Centre	25/11/20 - 312-20	Operating Expense			(20,000)	311,436
1123003	Fees & Charges - Lease of Reserves (Lot 101 Martin Pelusey Rd)	25/11/20 - 313-20	Operating Revenue	982			312,418
0522503	Capital Contributions - Fire Prevention (Poad bequest)	25/11/20 - 320-20	Non-operating Revenue			(30,000)	282,418
1121501	Grant revenue - CSRRF for skate park pump track	25/11/20 - 315-20	Non-operating Revenue	20,000			302,418
1141001	Transfer from Reserve - Building Maint. - skate park pump track	25/11/20 - 315-20	Reserve Transfer	40,000			342,418
J11644	Pump Track (Eaton Skate park)	25/11/20 - 315-20	Asset Acquisition			(60,000)	282,418
1221504	Grant revenue Transport - Special projects	25/11/20 - 325-20	Non-operating Revenue	834			283,252

(continued next page)



**Notes to the Statement of Financial Activity
For the Period Ended 30 November 2020**

11. BUDGET AMENDMENTS (continued)

Amendments to the original budget since budget adoption. Surplus/(Deficit)

GL/JOB Code	Description	Council Resolution	Classification	Non Cash Adjustment	Increase in Available Cash	Decrease in Available Cash	Revised Budget Running Balance
				\$	\$	\$	\$
J12678	Balance brought forward from previous page						283,252
	2020/21 Grant funded - Local Roads and Community Infrastructure						
	Program (LRCI)	25/11/20 - 325-20	Asset Acquisition				643,252
J12678	Burekup parking bay	25/11/20 - 325-20	Asset Acquisition		360,000	(34,659)	608,593
J12680	Murdoch Crescent / Margaret Circle Pathway	25/11/20 - 325-20	Asset Acquisition			(47,312)	561,281
J12681	Leicester Reserve Wetlands / Watson Reserve Pathway	25/11/20 - 325-20	Asset Acquisition			(120,134)	441,147
J12605	Clarke / Crampton / Shier reserve Pathway	25/11/20 - 325-20	Asset Acquisition			(65,663)	375,484
J12602	Peppermint Way Pathway	25/11/20 - 325-20	Asset Acquisition			(52,438)	323,046
J11629	Collie River Heritage Trail	25/11/20 - 325-20	Asset Acquisition			(40,000)	283,046
J123501	Grant revenue - LRCI - Sporting Buildings (Eaton Skate Park)	25/11/20 - 325-20	Non-operating Revenue	230,000			513,046
J11576	Skateparks - Upgrade	25/11/20 - 325-20	Asset Acquisition			(230,000)	283,046
J123501	Grant revenue - LRCI - Parks & Reserves Capital	25/11/20 - 325-20	Non-operating Revenue	245,041			528,087
J11573	Glen Huon Reserve - Development Works	25/11/20 - 325-20	Asset Acquisition			(118,500)	409,587
J11636	Gnomesville Master Plan - pathways and boardwalks	25/11/20 - 325-20	Asset Acquisition			(75,000)	334,587
J11625	Millars Creek Lighting	25/11/20 - 325-20	Asset Acquisition			(54,637)	279,950
J121504	Grant revenue Transport - Special projects	25/11/20 - 325-20	Non-operating Revenue		40,000		319,950
J12602	Peppermint Way Pathway	25/11/20 - 325-20	Asset Acquisition			(40,000)	279,950
1027501	Grant revenue - Other Community Amenities	25/11/20 - 325-20	Non-operating Revenue	100,000			379,950
J10308	Charlotte Street Toilets (and Rail Crossing)	25/11/20 - 325-20	Asset Acquisition			(100,000)	279,950
				2,604,504		(2,635,990)	

RISK ASSESSMENT TOOL								
OVERALL RISK EVENT:		Failing to monitor the financial performance can increase the risk of a negative impact on the Shire's financial position. Non-compliance with legislative requirement could result in a qualified audit.						
RISK THEME PROFILE:		3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)						
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	Not monitoring ongoing financial performance would increase the risk of a negative impact on the financial position.	Moderate (3)	Unlikely (2)	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	Non-compliance with the legislative requirements that results in a qualified audit.	Minor (2)	Unlikely (2)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Non-compliance that results in a qualified audit can lead stakeholders to question the Council's ability to manage finances effectively.	Insignificant (1)	Unlikely (2)	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.



MINUTES

AUDIT & RISK COMMITTEE MEETING

Held

7 December 2020

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.

VISION STATEMENT

“Provide effective leadership in encouraging balanced growth and development of the Shire while recognizing the diverse needs of our communities.”

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COMMITTEE MEMBERSHIP:

- CR. T GARDINER – CHAIRPERSON
- CR M BENNETT – DEPUTY CHAIRPERSON
- CR P ROBINSON
- CR. C BOYCE
- CR. M HUTCHINSON

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:
[2020 - ToR - Audit and Risk Committee Charter](#)

COMMITTEE ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

DISCLAIMER

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

RISK ASSESSMENT

Inherent Risk	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk's impact or likelihood.
Residual Risk	The remaining level of risk following the development and implementation of Council's response.
Strategic Context	These risks are associated with achieving Council's long term objectives.
Operational Context	These risks are associated with the day-to-day activities of the Council.
Project Context	<p>Project risk has two main components:</p> <ul style="list-style-type: none"> • Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives. • Indirect refers to the risks which threaten the delivery of project outcomes.

SHIRE OF DARDANUP

MINUTES OF THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING HELD ON MONDAY, 7 DECEMBER 2020, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 1.00PM.

1	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS
----------	--

The Chairperson, Cr. T G Gardiner declared the meeting open at 1.00pm welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region by recognising the strength, resilience and capacity of Wardandi people in this land.

Affirmation of Civic Duty and Responsibility

Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.

Committee members acknowledge that only the Chief Executive Officer or a member of the Shire of Dardanup staff appointed by the Chief Executive Officer is to have contact with consultants and suppliers that are appointed under contract to undertake the development and implementation of projects.

The exception to this Policy is when there is a meeting of the committee or working group with the consultant and the Chief Executive Officer or the Chief Executive Officer's representative is present.

Members of committees acknowledge that a breach of this Policy may result in a request to Council to have them removed from the committee.

Emergency Procedure

In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, please proceed to the Assembly Area points located to the western side of the front office car park near the skate park and gazebo where we will meet (and complete a roll call).

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED

2.1 Attendance

Voting

Cr Tyrrell Gardiner	-	Chairperson
Cr Michael Bennett	-	Shire President – Deputy Chairperson
Cr Peter Robinson	-	Deputy Shire President
Cr Mark Hutchinson	-	Elected Member

Non-Voting

Mr André Schönfeldt	-	Chief Executive Officer
Mr Phil Anastasakis	-	Deputy Chief Executive Officer
Mr Luke Botica	-	Director Infrastructure
Mrs Donna Bailye	-	PA – Deputy Chief Executive Officer
Mrs Natalie Hopkins	-	Manager Financial Services
Mr Ray Pryce	-	Accountant
Mrs Cindy Barbetti	-	Compliance Officer
Mr Sudi Mishra	-	Manager Information Services
Mr Stephen Eaton	-	IT Manager

Visitors

Marius Van Der Merwe	-	Partner - Butler Settineri
Suraj Karki	-	Assistant Director - Office of Auditor General

2.2 Apologies

Cr Carmel Boyce	-	Elected Member
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3. PRESENTATIONS

None.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Audit & Risk Committee Meeting Held 2 September 2020****OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 22-20 MOVED - Cr P Robinson SECONDED - Cr M Hutchinson

THAT the Minutes of the Audit & Risk Committee Meeting held on 2 September 2020, be confirmed as true and correct subject to no corrections.

CARRIED
4/0

5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

6. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

7. DECLARATION OF INTEREST

"Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences."

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

Discussion:

Chairperson, Cr. T Gardiner asked Councillors if there were any Declarations of Interest to be made.

There were no Declarations of Interest made.

8	REPORTS OF OFFICERS AND COMMITTEES
----------	---

8.1 Title: Annual Meeting – 2019/20 Draft Auditor Report

Reporting Department:	Corporate & Governance
Reporting Officer:	Mr Phil Anastasakis – Deputy Chief Executive Officer
Legislation:	Local Government Act 1995

Overview

This report presents the draft Audit Report for the 2019/20 Annual Financial Statements to the Audit and Risk Committee for consideration and recommendation to Council for adoption.

Background

On the recommendation of its Audit Committee, Council is required to appoint an auditor per s7.3 of the *Local Government Act 1995 (LGA 1995)*. The *LGA 1995* also requires that the Local Government meet annually with the auditor.

From 1 July 2017, the *Local Government Amendment (Auditing) Act 2017* was enacted giving the Auditor General a mandate to audit all Western Australian local governments. *The Local Government Amendment (Auditing) Act 2017* is an Act to amend the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General and for related purposes. The change in legislation effectively required all local government audits to come under the control of the Office of the Auditor General (OAG).

Council's five year audit contract with Butler Settineri (Audit) Pty Ltd ceased at the end of the 2018/19 financial year. In March 2020, Council received confirmation that the Office of the Auditor General (OAG) would be responsible for the 2019/20 annual audit of the Shire of Dardanup Annual Financial Report. This responsibility also extends to subsequent years after the 2019/20 financial audit. Following confirmation from OAG of the 2019/20 financial audit, as is standard practice, the OAG outsourced the 2019/20 financial year audit to Council's previous auditors, Butler Settineri (Audit) Pty Ltd. This ensured a smooth transition towards the new OAG process, noting that the OAG have still maintained an active role during this year's audit.

As part of the new OAG process, an audit entrance meeting was scheduled on 8 April 2020 which provided an overview to the Audit and Risk Committee and Council staff on how the audit was to be undertaken. There may be the opportunity in future years for this audit entrance meeting to be conducted only with the CEO and finance staff, avoiding the need for the Audit and Risk Committee to convene for this one short item.

During the 2019/20 financial year, Council staff liaised directly with Butler Settineri, who in turn, communicated directly with the OAG throughout the process. The interim audit was conducted remotely from 25 to 28 May, at the height of COVID-19, whilst the majority of Council's finance staff were working from home. Fortunately the final audit was conducted onsite at the Eaton Administration Centre from 21 to 24 September, whereby three (3) Butler Settineri auditor staff were in attendance. It should be noted that both the interim and final audits have effectively doubled, from two days per audit to four days per audit, an indication of the increased objective and scope under the OAG practices.

The Audit and Risk Committee meeting provides the opportunity for the Audit and Risk Committee members to meet with the partner of Butler Settineri (Audit) Pty Ltd, Mr Marius van der Merwe, and the OAG Assistant Director of Financial Audit, Mr Suraj Karki, and consider the annual audit report.

Legal Implications**Local Government Act 1995***s7.2. Audit*

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

7.3. Appointment of auditors

- (1) *Subject to subsection (1A), a local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.*

** Absolute majority required.*

7.9. Audit to be conducted

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*

- (a) *the mayor or president; and*
- (b) *the CEO of the local government; and*
- (c) *the Minister.*

- (2) *Without limiting the generality of subsection (1), where the auditor considers that —*

- (a) *there is any error or deficiency in an account or financial report submitted for audit; or*
- (b) *any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or*
- (c) *there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,*

details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

7.12AB. Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AD. Reporting on a financial audit

- (1) *The auditor must prepare and sign a report on a financial audit.*

- (2) *The auditor must give the report to —*

- (a) *the mayor, president or chairperson of the local government; and*
- (b) *the CEO of the local government; and*
- (c) *the Minister.*

7.12A. Duties of local government with respect to audits

- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*

- (3) *A local government must —*

- (~~a~~aa) *examine an audit report received by the local government; and*
- (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
- (b) *ensure that appropriate action is taken in respect of those matters.*

Local Government (Audit) Regulations 1996**9. Performance of audit**

- (3) *An auditor must carry out the work necessary to form an opinion whether the annual financial report —*

- (a) *is based on proper accounts and records; and*
- (b) *fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*
 - (i) *the Act; and*

- (ii) *the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

Strategic Community Plan

- Strategy 1.3.1 - Implement the Integrated Planning and Reporting Framework including the Long Term Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High)
- Strategy 1.3.2 - Monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee has in previous years met with the Auditor to consider the audit of the Annual Financial Statements and financial position of Council.

Budget Implications

The 2020/21 budget provides an allocation for the conduct of the annual audit.

The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the Officer Recommendation. Please refer to (Appendix AAR: 8.1A) for full assessment document.

Tier 1 – No discernible Inherent Risk has been identified (no Risk Theme or Consequence).	
Risk Event	Annual Meeting – 2019/20 Draft Audit Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<ul style="list-style-type: none"> Legal & Compliance - Not meeting its compliance obligations pursuant to the Local Government (Audit) Regulations 1996 and Australian Accounting Standards. Reputational – Loss of reputation through non-compliance or mismanagement of funds.

Officer Comment

Butler Settineri visited the Council office in September 2020 to conduct the final audit, with three audit staff in attendance. Council staff had prepared the draft annual financial statements, together with all of the working files and audit material provided to the auditors during their visit. Council staff subsequently worked with the auditors to finalise the annual financial statements.

The audit did not identify any areas of concern and the auditors have provided an unqualified Audit Report. The Audit Report (Appendix AUD: 8.1B) advises that the financial report of the Shire of Dardanup gives a true and fair view of the Shire of Dardanup financial position as at 30 June 2020 and of its performance during the year, and complies with Australian Accounting Standards.

7

The Annual Audit Completion Report is provided (Appendix AAR: 8.1C) and will be discussed further at the meeting.

Council Role - Executive.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 23-20 MOVED Cr M Bennett SECONDED - Cr P Robinson

THAT the Audit and Risk Committee recommends that Council accept the Draft Auditor's Report (Appendix AUD: 8.1B) as issued by the Office of the Auditor General (OAG) of the Annual Financial Statements for the 2019/20 financial year.

CARRIED
4/0

8.2 Title: 2019/20 Annual Financial Report

Reporting Department:	Corporate & Governance
Reporting Officer:	Mr Phil Anastasakis – Deputy Chief Executive Officer Mrs Natalie Hopkins – Manager Financial Services
Legislation:	Local Government Act 1995

Overview

This report presents the Annual Financial Report for the 2019/20 financial year to the Audit and Risk Committee and Council for consideration and adoption.

Background

Section 6.4 of the *Local Government Act 1995* requires a Local Government to prepare an Annual Financial Report each financial year. This report has been audited and is provided in (Appendix AAR: 8.2A).

The Annual Financial Report has been prepared in accordance with the *Local Government (Financial Management) Regulations 1996* and includes the following:

- Statement by the Chief Executive Officer;
- Statement of Comprehensive Income (by Nature or Type);
- Statement of Comprehensive Income (by Program);
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Rate Setting Statement;
- Notes to and forming Part of the Financial Statements; and
- Auditor Report.

In accordance with section 5.53 of the *Local Government Act 1995*, the 2019/20 Annual Financial Report forms part of the Annual Report.

The adoption of the Annual Financial Report by Council allows for the adoption of the Annual Report and the holding of the Annual Electors Meeting which is proposed to be held on Wednesday 20 January 2021, commencing at 6.30pm in the Eaton Council Chambers, following the completion of the monthly Council meeting.

Legal Implications

Local Government Act 1995

5.53. *Annual Reports*

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain —*
 - (f) *the financial report for the financial year; and*

6.4. *Financial Report*

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to —*

- (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*
- (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) *the annual financial report of the local government for the preceding financial year.*

Local Government (Financial Management) Regulations 1996

4. AAS, effect of

- (1) *These regulations are in addition to and not in derogation of the requirements of the AAS.*
- (2) *If a provision of the AAS is inconsistent with a provision of these regulations, the provision of these regulations prevails to the extent of the inconsistency.*
- (3) *All words in the Act or these regulations that import revenue or expenditure are to be interpreted to permit compliance with the requirements of the AAS.*

5A. Local governments to comply with AAS

Subject to regulation 4, the annual budget, annual financial report and other financial reports of a local government must comply with the AAS.

R36. Annual financial report, content of (Act s. 6.4(2))

- (1) *The annual financial report is to include —*
 - (a) *a statement setting out all movements of money to and from reserve accounts which has not been included in the income statement but which has been included in the rate setting statement; and*
 - (b) *if the net current assets carried forward from the previous financial year for the purpose of the budget of the financial year to which the report relates is different from the net current assets shown in the audited annual financial report for the previous financial year, the amount of that difference; and*
 - [(c), (d) *deleted*]
 - (e) *in relation to the disposal of a class of assets —*
 - (i) *the net book value of that class of assets; and*
 - (ii) *the sale price of that class of assets; and*
 - (iii) *the profit or loss on the sale of that class of assets; and*
 - (f) *notes or statements containing the information set forth in regulations 37 to 50.*
- (2) *The annual financial report is to include the following —*
 - (a) *the rate setting statement included under regulation 22(1)(d) in the annual budget for the year to which the report relates;*
 - (b) *adjacent to each item in that rate setting statement that states an amount, the end-of-year amount for the item;*
 - (c) *adjacent to each item in the income statement that states an end-of-year amount, the original or amended budget estimate for the item;*
 - (d) *adjacent to each item that states an end-of-year amount required by a provision of these regulations listed in the Table to this subregulation, the original or amended budget estimate for the item.*

R37. *Trust fund, information about in annual financial report*

R38. *Reserve accounts, information about in annual financial report*

R39. *Rates, information about in annual financial report*

- R40. Service charges, information about in annual financial report
- R41. Fees and charges, information about in annual financial report
- R42. Discounts for early payment etc., information about in annual financial report
- R43. Interest charges etc., information about in annual financial report
- R44. Fees etc. to council members, information about in annual financial report
- R45. Trading undertakings, information about in annual financial report
- R46. Major land transactions, information about in annual financial report
- R47. Completed major land transactions, information about in annual financial report
- R48. Borrowings, information about in annual financial report
- R49. Invested money, information about in annual financial report
- R50. Financial ratios to be included in annual financial report
- R51. Annual financial report to be signed etc. by CEO and given to Department

Strategic Community Plan

Strategy 1.3.1 Implement the Integrated Planning and Reporting Framework including the Long Term Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High)

Strategy 1.3.2 Monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents

Each year the Council is required to receive the audited Annual Financial Report.

Budget Implications

The Annual Financial Report is produced internally and the preparation and printing costs are incorporated within the staffing, printing and stationery budgets. The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no asset/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

CP128 – Significant Accounting Policies applies.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.2B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2019/20 Annual Financial Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<ul style="list-style-type: none"> Legal and Compliance - Risk of Council breaching the Local Government Act 1995 – Risk that the audited 2019/20 Annual Financial Report is not received by Council.

Officer Comment

The 2019/20 Annual Financial Report has been produced in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996*, and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

The annual financial statements for the year ended 30 June 2020 have been completed, as has been audited by the Office of the Auditor General (OAG) appointed auditors, Butler Settineri (Audit) Pty Ltd. Council's Auditors have issued an unqualified draft Audit Report (Appendix AAR: 8.2A). The draft Audit Report is also shown on page 65 of the Annual Financial Report and will form part of the Annual Report scheduled to be adopted at the ordinary Council meeting on 16 December 2020.

The financial statements includes additional new Notes and Disclosures relating to Changes in Accounting Policy, Future Policy and Correction of Error summarised below.

- *Changes to Local Government (Financial Management) Regulations 1996*

On 6 November 2020, changes to the *Local Government (Financial Management) Regulations 1996* came into effect, which required local governments to apply the new Regulation amendments to the financial statements for 2019/20 financial year. Whilst the intention of the regulatory change was to reduce cost and the reporting burden on Local Governments by simplifying and removing requirements for the revaluation of certain asset classes and to address recent changes to the Accounting Standards, the timing of the gazetted changes (6 November 2020) has required many Councils, including Dardanup, to revise their draft annual financial statements.

The impact of these changes have required Council to de-recognise the Asset Valuation for Easements under Council's control. In effect, the removal of Easement valuations from Council's asset register amounts to a reduction of non-current assets of \$1.9M, which is offset against the Asset Revaluation Reserve Account for Intangible Assets. The de-recognition of the asset is included in disclosure, *Note 13 Intangible Assets* of the 2019/20 annual financial report.

In addition to the asset valuation adjustment, Council has recognised a liability provision for the leased land at part Lot 81 Banksia Road, Dardanup on which Council's Waste Transfer Station operates. Conditions pertaining to the lease of land require Council to remove infrastructure and rehabilitate the land at the end of the lease period. As a result a provisional sum of \$83,833 has been included at *Note 21 Other Provisions* in the audited annual financial report for the Provision for Rehabilitation on Leased Land. It is anticipated any future rehabilitation works at the site will be funded from Council's *Refuse Site Environmental Works Reserve* account on the expiration of the lease.

It should be noted that both amendments to the financial report do not affect Council's end of year surplus, nor does it impact the financial ratios that Council is required to report on. However, the reduction of Council asset valuation and increase in non-current liability provision does impact the equity in the Statement of Changes in Equity, and the Statement of Financial Position.

Other changes to the *Local Government (Financial Management) Regulations 1996* are summarised below, however, these changes have minimal impact on Council's 2019/20 Annual Financial Report:

- *Land under Roads*
 - The exemption for land under roads has been removed, but it will still be valued at zero.
 - In accordance with *AASB 16 Leases*, land under roads is now considered a concessionary right-of-use asset that is to be valued using the cost model, i.e. zero.
- *Land and buildings classified as Property, Plant and Equipment*
 - Continues to be valued at fair value.
 - Required to be revalued every 5 years, unless the fair value of the asset differs materially from its carrying value.
- *Land and buildings classified as Inventory*
 - Continues to be valued in accordance with *AASB 102 Inventories*.
- *Investment properties*
 - Continues to be valued in accordance with *AASB 140 Investment Property*.
- *Infrastructure*
 - Accounting treatment remains unchanged.
 - Improvements are valued at fair value and depreciated over their remaining useful life.
 - Assets are required to be revalued every 5 years, unless the fair value of the asset differs materially from its carrying value.
- *Vested improvements that the Local Government controls*
 - Required to be valued at fair value.
 - Not intended to be a separate asset class, but to come under Infrastructure.
- *Plant and Equipment*
 - The requirement to revalue has been removed. Local Governments are now required to use the cost model for plant and equipment.
 - If plant and equipment has already been revalued in 2019-20, there is no requirement to reverse the revaluation undertaken, now or in the future.
 - In moving to the cost model, Local Governments do not need to make any adjustments to the current carrying cost or accumulated depreciation. They can continue to depreciate on the existing revalued amount.
 - Commercial leases (e.g. offices, vehicles, machinery, ICT equipment) are right-of-use assets and should be recognised as plant and equipment.
 - New acquisitions above the threshold carrying value of \$5,000 should be brought in at their carrying value and depreciated over their useful life.
 - Art is considered to form part of the plant and equipment assets, so there is no requirement to revalue. Art is considered to have an indefinite life, so should not be depreciated.
- *Crown Land that is vested or under a Management Order, or other land that is not owned by the local government but which is vested in the local government*
 - The requirement to value vested land that is a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance has been removed. Any values brought to account should be reversed against the relevant revaluation reserve.
 - In accordance with *AASB 16 Leases*, Crown or other land vested in the local government is now considered a concessionary right-of-use asset that is to be valued using the cost model.

- Consequently, Crown or other vested land will continue to be valued at zero.
- *Changes to Australian Accounting Standards Board (AASB)*

In addition to Regulation changes, several Australian Accounting Standards came into effect on 1 July 2019 that apply for the first time to Local Governments for the financial year ending 30 June 2020. The new standards include:

AASB 15 Revenue from Contracts with Customers

AASB 16 Leases

AASB 1058 Income of Not-for-Profit Entities

AASB 15 Revenue from Contracts with Customers establishes the accounting principles a Local Government shall apply in relation to the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard requires Council to recognise revenue aligned to the transfer of promised goods or services to customers for an amount that reflects the consideration to which the Local Government is entitled for those goods or services.

Grants with sufficiently specific performance obligations need to be considered when applying *AASB 15*. In effect, if Council receives a conditional grant funding, which is not yet expended, the accounting treatment requires Council to recognise the grant funding as a Contract Liability until the 'grant' has been consumed. In essence, the grant is recognised as revenue when the performance obligations in the contract are satisfied.

AASB 16 Leases supercedes Lease Standard *AASB 117* with the introduction of a single lessee accounting model to the extent there is no longer a distinction between finance and operating leases. The effect of *AASB 16 Leases* now results in both an asset and a liability on the Statement of Financial Position (balance sheet) i.e. a right-of-use asset is created, and a lease liability for the lease repayments which is measured at the present value of the future lease payments using a discount rate that is implicit and within the lease agreement.

AASB 1058 Income of Not-for-Profit Entities has considerable changes for Local Governments, including changes to accounting policies. Local Governments now need to consider how the standard impacts assets received below fair value, Transfers received to acquire or construct non-financial assets, Prepaid rates, Leases entered into at below market rates, and Volunteer services.

The AASB changes have impacted Council's financial resources significantly and are summarised below.

➤ *AASB 15 Revenue from Contracts with Customers*

AASB 15 Revenue from Contracts with Customers has required Council to assess grant and other revenue held at 1 July 2019 on which there is a future contract performance obligation.

Historically, when Council has received a grant, the general approach is for the asset (cash) to be recognised in the accounts when received, and the corresponding credit would have been recorded as revenue, irrespective of whether the performance obligations under the grant agreement have been completed. From 1 July 2019, if Council enters into a contract with a customer resulting in the receipt of a specific purpose grant or contribution in advance, *AASB 15* requires Council to recognise the asset (cash) with the corresponding credit being a financial liability.

The adjustment on 1 July 2019 required Council to recognise a Contract Liability for several grants and developer contributions received in prior years from the start of the financial year. Subsequently specific purpose grant revenue and developer contributions received during the 2019/20 financial year, where the performance obligations under the agreement has not yet been satisfied, are recorded as Contract Liabilities and can be found at Note 17 Contract Liabilities in the Annual Financial Report.

It should be noted unspent grants and developer contributions continue to be transferred to their respective Reserve accounts at year end as part of end of year processes.

➤ **AASB 16 Leases**

An adjustment was made on 1 July 2019 to recognise the Lease Liability of all Council's leases that were previously classified as operating leases. This effectively meant the vast majority of existing leases, which only impacted the Statement of Comprehensive Income prior to 1 July 2019, now required Council to capitalise each lease from the date of adopting the new standard.

The accounting treatment required Council to measure and record the lease liability of all Leases (20) at the present value of the future lease payments (using a discount rate), and recognise a corresponding right-of-use (ROU) asset which is depreciated over the life of the ROU asset (i.e. 'over the life of the lease'). *Note 12 Leases* and *Note 18 Lease Liabilities* form part of the disclosure requirements for this standard.

➤ **AASB 1058 Income of Not-for-Profit Entities**

Similar to AASB 15, *AASB 1058 Income of Not-for-Profit Entities* is about deciding which accounting period various items of revenue belong to. As per prior audited financial statements, Council has continued to recognise rates received in advance as 'Prepaid Rates' and revenue received in advance 'Prepaid Revenue' in the Statement of Financial Position. The disclosure note is listed at *Note 15 Trade and Other Payables* in the Annual Financial Report.

- **Financial Ratios**

Council is in good financial health and this is reflected in its statutory financial ratios that require reporting in the Annual Financial Report. The draft Annual Financial Report incorporates the 2020 financial ratios, noting that each individual ratio is favourably reported at either the same rating as the prior financial year (2019) or an improvement on last year.

It is important to note that statutory financial ratios are not intended to be the only factor to consider in assessing Council's overall performance. Other factors include the range of services offered, the efficiency of services delivered and overall community satisfaction.

- **Current Ratio**

Formulae

$$\frac{(\text{Current Assets MINUS Restricted Assets})}{(\text{Current Liabilities MINUS Liabilities Associated with Restricted Assets})}$$

30 June 20 = 1.270 or 127.0%

Department Standard = Achieving Standard

Department of Local Government Description & Benchmark:

This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions.

The standard is not met if the ratio is lower than 1:1 (less than 100%).

Achieving Standard is met if the ratio is greater than 1:1 (100% or greater).

A ratio less than 1:1 means that a local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments.

This may arise from a budget deficit from the past year, a Council decision to operate an overdraft or a decision to fund leave entitlements from next year's revenues.

Officer Comment

The Current Ratio, as adopted by the Department of Local Government is modified from the standard commercial calculation of the Current Ratio. The Department requires "Restricted Assets" (cash backed reserve funds) to be excluded from the calculation.

The Current Ratio is calculated in the commercial world as follows:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

While the Shire of Dardanup does meet the required Department benchmark, if the standard commercial calculation of the Current Ratio was made, the Shire's Current Ratio as at 30 June 2020 would be calculated at 693.7%, meaning the Shire has a multiple of 6.937 in liquid Current Assets to meet its Current Liabilities.

- **Asset Sustainability Ratio (ASR)**

Formulae

$$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$$

30 June 20 = 0.901 or 90.1%

Department Standard = Standard Improving

Department of Local Government Description & Benchmark:

This ratio indicates whether a local government is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

Achieving Standard is met if the ratio data can be calculated and ratio is 90% (0.90)

Standard Improving is met if the ratio is between 90% and 110% (or 0.90 and 1.10)

Capital / Renewal Expenditure means expenditure to renew or replace existing assets. In other words, it is expenditure on an existing asset to return the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure. As it reinstates existing service potential it may reduce operating and maintenance costs.

Officer Comment

Council's asset management planning process has identified and is rectifying the existing infrastructure renewal backlog. Council has acknowledged this backlog and has committed funding to renew its asset base for a number of years. The ratio result for 30 June 2020 is reflective of this commitment.

- **Debt Service Cover Ratio**

30 June 20 = 14.774

Department Standard = Advanced Standard

Formulae

$$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$$

Department of Local Government Description & Benchmark:

This ratio is the measurement of a local government's ability to repay its debt including lease payments. The higher the ratio is, the easier it is for a local government to obtain a loan.

Achieving Standard is met if the ratio is greater than or equal to 2.

Advanced Standard is met at a higher level if this ratio is greater than 5.

Officer Comment

The Shire's integrated financial management process has led to a significant reduction in the reliance on borrowed funds. Since the commencement of Council's Asset Management & Integrated Financial Planning process in 2005, the reduced reliance on borrowings has been a key demonstrable benefit. Borrowings are planned through Council's Debt Management Plan rather than being used to meet immediate or operational funding requirements.

The benefit of such a process is evident by borrowing related financial ratios. Despite sustained population and fiscal demand upon Council's budget, these ratios demonstrate a sustained improving trend.

Borrowings are planned for future projects; the structured process to borrowing planning ensures these projects are able to be undertaken with affordable and sustainable debt levels.

- **Operating Surplus Ratio**

30 June 20 = 0.012

Department Standard = Achieving Standard

Formulae

$$\frac{\text{Operating Revenue MINUS Operating Expense}}{\text{Own Source Operating Revenue}}$$

Department of Local Government Description & Benchmark:

This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

Achieving Standard is met if the operating surplus ratio is between 0% and 15% (0 and 0.15).

Advanced Standard is met if the operating surplus ratio is greater than 15% (>0.15).

“Operating Revenue” Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.

“Operating Expense” Means the expense that is operating expense for the purposes of the AAS.

“Own Source Operating Revenue” Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

Officer Comment

Meeting this standard is dependent upon achieving an Operating Surplus as defined by the Department. Operating Surplus is ordinarily calculated as Operating Revenue minus Operating Expenditure. The Department requires the exclusion of grants and contribution revenue for the development of assets from the calculation. Council's Operating Surplus as at 30 June 2020 = \$225,428. The 2020 Operating Surplus Ratio has improved from 'Standard Not Met' in 2019 to 'Achieving Standard' for the year ended 30 June 2020.

This ratio demonstrates the ability to service its day to day operational costs, including asset depreciation from its revenue base. If a local government consistently achieves a positive operating surplus ratio and has sound long term financial plans showing that it can continue to do so in the future, having regard to asset management and the community's service level needs, then it is considered financially sustainable.

Due to the inclusion of depreciation expense (a non-cash expense) in this calculation, it will be a challenge to meet this ratio into the future. As the Council's asset base increases, the ratio demonstrates the need to meet annual depreciation expenditure from revenue.

- **Own Source Revenue Coverage Ratio**

30 June 20 = 0.848

Department Standard = Achieving Standard

Formulae

$$\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$$

Department of Local Government Description & Benchmark:

This ratio is the measurement of a local government's ability to cover its costs through its own revenue efforts. Different standards have been established to recognise the varying revenue raising capacities across the sector, where some rural and remote local governments have limited rate bases and revenue raising capacity, whereas others such as major metropolitan and regional local governments have significant rate bases and other own source revenues.

Achieving Standard is met if the ratio is between 40% and 90% (or 0.4 and 0.9)

Advanced Standard is met if the ratio is greater than 90% (or > 0.9)

“Own Source Operating Revenue”

Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

Officer Comment

The ratio measures Council's ability to cover operating expenses from own source revenue (ie revenue, excluding grants). The higher the ratio, the more self-reliant a local government is.

This ratio is maximised by:

- a) Greater reliance upon user pay services;
- b) Reduced Operating Expenditure; and
- c) Ongoing commitment to fund Council's asset base from its own source funds.

- **Asset Consumption Ratio (ACR)**

30 June 20 = 0.642 (64.2%)

Department Standard = Standard Improving

Formulae

$$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$$

Department of Local Government Description & Benchmark:

This ratio measures the extent to which depreciable assets have been consumed, by comparing their written down value to their replacement cost.

Achieving Standard is met if the ratio data can be identified and ratio is 50% or greater (0.50 or >).

Standard Improving is met if the ratio is between 60% and 75% (0.60 and 0.75).

Officer Comment

This ratio essentially measures the depreciated state of Council's asset base. 100% would mean all brand new assets, 0% would mean all the assets have reached the end of their life.

The result of 64.2% indicates that Council Assets are at 64.2% of their useful life.

This ratio is improved by a sustained program of renewing assets.

Council's current asset management planning process is addressing the backlog of infrastructure renewal. Ongoing commitment to funding this process is required to improve performance in this area.

- **Asset Renewal Funding Ratio**

30 June 20 = 1.100 (110.0%)

Department Standard = Standard Improving

Formulae

$$\frac{\text{Net Present Value of Planned Capital Renewals over 10 years}}{\text{Net Present Value of Required Capital Expenditure over 10 years}}$$

This ratio is a measure of the ability of a local government to fund its identified asset renewal / replacement requirements over a period of 10 years.

Department of Local Government Description & Benchmark:

This ratio is a measure of the ability of a local government to fund its projected asset renewal/replacements in the future.

The ratio is calculated from information included in the local government's Long Term Financial Plan and Asset Management Plan; not the Annual Financial Report. For the ratio to be meaningful, a consistent discount rate should generally be applied in NPV calculations.

Achieving Standard is met if the ratio is between 75% and 95% (or 0.75 and 0.95)

Standard Improving is met if the ratio is between 95% and 105% (or 0.95 and 1.05), and

The Asset Sustainability Ratio falls within the range 90% to 110%, and

Asset Consumption Ratio falls within the range 50% to 75%

Officer Comment

The Asset Renewal Funding Ratio should be read in conjunction with Asset Consumption Ratio (ACR) and the Asset Sustainability Ratio (ASR). This ratio measures asset renewal works identified as being required against actual planned asset renewal expenditure. To meet the standard this ratio must be met in addition to the Asset Consumption Ratio (ACR) and the Asset Sustainability Ratio (ASR).

For the year ended 30 June 2020 the Shire of Dardanup has met the 3 required ratio benchmarks.

Council's commitment to its integrated financial planning process and addressing its infrastructure backlog from own sourced funds, has been integral to achieving the benchmark standard.

- *Financial Summary*

As at 30 June 2020 Council's Equity (Total Assets *minus* Total Liabilities) decreased by \$2,458,022 from \$192,648,300 to \$190,190,278. The decrease in Total Equity is partly due to changes in both *Australian Accounting Standards* from 1 July 2019, and recent changes to the *Local Government (Financial Management) Regulations 1996* for the valuation of assets in the financial statements for the period 30 June 2020.

Australian Accounting Standard Board (AASB) changes introduced on 1 July 2019 have required considerable changes to the way Council recognises revenue. Council adopted *AASB 1058 Income of Not-for-Profit Entities* and *AASB 15 Revenue from Contracts with Customers* on 1 July 2019 which has resulted in an adjustment (reduction) to the Retained Surplus as at 30 June 2020. The change in accounting policy required Council to recognise \$2,920,859 in Contract Liabilities.

The Local Government (Financial Management) Regulations were amended in November 2020 which require local governments to reflect the changes in the financial statements for the year ending 30 June 2020.

The removal of \$1,920,902 from Council's asset register relates to the valuation of Council's Easement's which were previously recorded at fair value as per Regulation 16 of the *Local Government (Financial Management) Regulations 1996*. Recent amendments the *LG (FM) Regs 1996* have now removed Regulation 16 which has resulted in an adjustment to Council's asset valuations and a reduction in Council's Equity.

Other changes that have impacted the change in Total Equity include the *Correction of Error* at Note 35 Correction of Error in the Annual Financial Report. This correction is to recognise that Council has a provisional liability to rehabilitate the leased land on which Council's Waste Transfer Station operates.

Council's carry forward surplus at 30 June 2020 is \$474,501. This was against the forecast budgeted carry forward surplus in the 2020/21 budget of \$382,052. The favourable variance of \$92,449 will be included in the mid-year budget review for consideration. The total carry forward surplus amount equates to less than 2% of total budgeted expenditure for 2019/20.

In summary, the Shire of Dardanup is in a sound financial position.

This result is directly attributed to:

1. Comprehensive integrated financial planning model;
2. Commitment to investment in infrastructure asset renewal;
3. Cash backed funding model for future asset obligations;
4. Structured planning for all borrowings; and
5. Tight budgetary monitoring and control.

I would like to take the opportunity to thank all Corporate & Governance staff for their efforts and high service standard during the year under review.

Council is requested to consider and receive the audited Annual Financial Statements for the 2019/20 financial year.

Council Role - Executive.

Voting Requirements - Simple Majority.

ITEM 8.2– FURTHER INFORMATION

Officer Comment:

Following the distribution of the Audit & Risk Committee Meeting Agenda on Friday 4 December 2020, Auditors Butler Settineri have requested the following changes to the Annual Financial Report as provided for in (Appendix AAR: 8.2A).

The minor disclosure changes in the updated Annual Financial Report are summarised as follows:

- | | |
|-----------|--|
| Page 23 – | Note 9(b) Property, Plant & Equipment - Fair Value Measurements. Removal of fair value measurements for Furniture & Equipment and Motor Vehicles. This is due to a change in the Local Government (Financial Management) Regulations 1996. |
| Page 25 – | Note 10(b) Property, Plant & Equipment – Fair Value Measurements. Terminology correction - Replaced 'depreciated replacement cost' with 'current replacement cost'. |
| Page 30 – | Note 13 Intangible Assets. Terminology correction – Replaced 'audited financial statements' with 'financial report'. |
| Page 53 – | Note 33 Financial Risk Management. Layout correction – add in 'debt investments'. Part of line was obscured which resulted in the 'debt investments' being removed. |

Page 56 – Note 34 Events Occurring After the End of the Reporting Period. Terminology correction – replaced ‘by Council’s auditors’ with ‘by the Council’.

The above changes on the relevant pages were presented to the Committee at the start of the meeting.

Discussion:

Mr Phil Anastasakis spoke to the report and also acknowledged the work undertaken by the Manager Financial Services, Mrs Natalie Hopkins and Account, Mr Ray Pryce in producing the 2019/20 Annual Financial Report

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 24-20 MOVED - Cr P Robinson SECONDED - Cr M Bennett

THAT the Audit and Risk Committee recommends that Council receive the Shire of Dardanup 2019/20 audited Annual Financial Statements for the financial year ended 30 June 2020 (Appendix AAR: 8.2A).

CARRIED
4/0

8.3 Title: 2021 Annual Audit Work Plan

Reporting Department:	Corporate & Governance
Reporting Officer:	Mr Phil Anastasakis – Deputy Chief Executive Officer Mrs Cindy Barbetti - Compliance Officer
Legislation:	Local Government Act 1995 Local Government (Audit) Regulations 1996 Local Government (Administration) Regulations 1996

Overview

This report to the Audit and Risk Committee provides members with the Annual Audit Work Plan for 2021 for their consideration and subsequent recommendation to Council.

Background

In accordance with section 7.1A of the *Local Government Act 1995* Council has established an Audit and Risk Committee. The Audit and Risk Committee operates in accordance with all relevant provisions of the Act and the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

Since the emergence of Regulation 17 of the *Local Government (Audit) Regulations 1996*, the operation of the Audit and Risk Committee has been expanded to not only support the local government in effective financial management but also to provide effective corporate governance. This is achieved through the review of systems and procedures in place relating to risk management, internal control and legislative compliance.

In June 2020, the Auditor General released a Better Practice Guide as a beneficial resource that provides valuable insight when further developing the role of a local government audit committee. From the publication of this Guide, the Terms of Reference for the Audit and Risk Committee were reviewed and Council resolved the following at the Ordinary Council meeting held on 30 September 2020 [Res 279-20]:

THAT Council:

1. *Receives and endorses the reviewed Terms of Reference for the Audit & Risk Committee and for this to be herein known as the Audit & Risk Committee Charter.*
2. *Requests that a report on the '2021 Annual Work Plan' be brought back to the next Audit & Risk Committee Meeting, 2 December 2020 for member consideration and Council endorsement.*

In accordance with point 2 above, the 2021 Annual Audit Work Plan is hereby presented to the committee for their consideration.

Legal Implications

Local Government Act 1995

7.1A. *Audit committee*

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required.*

- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Environment - None.

Precedents

This is the first Annual Audit Work Plan to be considered by the Audit and Risk Committee.

Budget Implications

Setting the Annual Audit Work Plan for the Audit and Risk Committee is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.3A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2021 Annual Audit Work Plan.
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not considering the Annual Work Plan would not be in line with the recommendations from the Auditor General’s publication (Better Practice Guide).
	Reputational Council’s reputation could be seen in a negative light for not adhering to the Auditor General’s recommendation.

Officer Comment -

The following Terms of Reference within the Audit and Risk Committee Charter instructs that:

“A forward annual work plan will be agreed by the Committee each year. The forward annual work plan will cover all Committee responsibilities as detailed in this ToR”.

The Charter provides a template to assist and guide the committee on the functions and roles and responsibilities that may be undertaken in a calendar year. Staff have used this template as a guideline and the proposed ‘Annual Work Plan’ for the calendar year January 2021 to December 2021 is presented in (Appendix AAR 8.3B)

Council Role - Legislative.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 25-20 MOVED - Cr T Gardiner SECONDED - Cr M Bennett

THAT the Audit and Risk Committee recommends that Council receive and endorse the 2021 Annual Audit Work Plan.

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	Mar 21	* Apr 21	Jun 21	Sep 21	Dec 21
1. Committee Operation					
Biennial review of the Charter (Terms of Reference). <i>Next Due 2022.</i>	Not Applicable				
Agree on the annual audit work plan; and set priority areas for the coming year.					✓
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.					✓
New members are briefed on their appointment to assist them to meet their Committee responsibilities. <i>Next Due 2021.</i>					✓
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2021.</i>					✓
2. Risk Management					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 14-08-2019 [Res 250-19] <i>Report Next Due: 30-06-2022</i>	Not Applicable				

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	Mar 21	* Apr 21	Jun 21	Sep 21	Dec 21
Receive the biannual dashboard report			✓		✓
3. Legislative Compliance					
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓				
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓			✓	
4. Internal Audit					
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓	
5. Financial Reporting					
Consider and recommend adoption of the Annual Financial Report to Council.					✓
6. External Audit (OAG)					
Audit Entrance Meeting with Audit and Risk Committee, Management and Council Auditors. The option exists for this entrance meeting to be only with the CEO and Finance staff negating the need for an Audit and Risk Committee meeting.		*			
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters.					✓
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					✓
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	✓		✓	✓	✓
7. Regulation 17 Triennial Review (report next Due: March 2021)					
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	✓				

AUDIT AND RISK COMMITTEE – 2021 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	Mar 21	* Apr 21	Jun 21	Sep 21	Dec 21
Set the action plan arising from auditor recommendations from the Regulation 17 review.	✓				
Receive an update on the action plan arising from auditor recommendations from the Regulation 17 review.			✓	✓	✓
8. Financial Management Systems Triennial Review (report next Due: March 2022)					
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	Not Applicable				
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable				
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable				
9. Governance Health & Financial Sustainability Biennial Review (report next Due: March 2022)					
To consider the CEO’s biennial Governance Health and Financial Sustainability Review, and report to the Council the results of that review.	Not Applicable				
Set the action plan arising from the recommendations from the review.	Not Applicable				
Receive an update on the action plan arising from the recommendations from the review.	Not Applicable				
Undertake an independent external assessment of the Committee at least once in every three years. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.	Not Applicable				
10. Information Systems Security Audit (report next Due: June 2021)					
Receive the audit report arising from the 2 yearly Information Systems Security Audit.				✓	
Set the action plan arising from the recommendations from the Information Systems Security Audit.					✓
Receive an update on the action plan arising from the recommendations from the Information Systems Security Audit.					✓

* A minimum of four meetings per annum is required, however an additional meeting may be scheduled for April 2021 that serves as an audit entrance meeting with Council's appointed Auditors, unless this entrance meeting can be conducted with just the CEO and Finance Staff.

CARRIED

4/0

8.4 Title: Bi-Annual Risk Management Dash Board Report

Reporting Department:	Corporate & Governance
Reporting Officer:	Mrs Cindy Barbetti – Compliance Officer
Legislation:	Local Government Act 1995 Local Government (Audit) Regulations 1996

Overview

The purpose of this report is to present the six monthly Risk Dashboard Report to the Audit and Risk Committee for consideration.

Background

In August 2019 Council, through the Audit and Risk Committee, adopted the revised Risk Management Governance Framework (the Framework) for the Council. The Framework has been developed to connect all of the risk management processes and methodologies and to clearly articulate the appetite for risk. This ensures Council's commitment to meeting its compliance obligations pursuant to the *Local Government (Audit) Regulations 1996*, Regulation 17.

In accordance with the reporting requirements of the Framework, the Compliance Officer is required to present the Audit and Risk Committee with a Risk Dashboard Report (Appendix AAR 8.4A) every six months. In addition, the Terms of Reference within the Audit and Risk Committee Charter state the following as a committee objective:

- 5.8 *To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.*

The Risk Dashboard Report has been developed as part of the Framework and in collaboration with a risk consultant from Council's insurer (LGIS), and contains an overall snapshot of the following 15 Risk Theme Profiles:

1. Asset Sustainability Practices.
2. Business and Community Disruptions.
3. Failure to Fulfil Compliance Requirements (Statutory, Regulatory).
4. Document Management Processes.
5. Employment Practices.
6. Engagement Practices.
7. Environment Management.
8. Errors, Omissions and Delays.
9. External Theft and Fraud (includes Cyber Crime).
10. Management of Facilities, Venues and Events.
11. IT, Communication Systems and Infrastructure.
12. Misconduct.
13. Project/Change Management.
14. Safety and Security Practices.
15. Supplier and Contract Management.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. *CEO to review certain systems and procedures*

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.3 - Maintain best practice governance systems and practices. (Service Priority: Moderate)

Strategy 1.3.6 - Establish a Risk Management Governance Framework for the Shire of Dardanup. (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee previously received a Risk Dashboard Report at the June 2020 meeting.

Budget Implications

As part of the Compliance Officer role, regular reporting of the Risk Management Governance Framework is essential. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

Risk Management Governance Framework

- *Administration Policy AP023*
- *Procedure PR036*
- *Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 8.4A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Bi-Annual Risk Management Dashboard Report.
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance</p> <p>Reputational</p> <p>Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>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.</p>

Officer Comment

It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

The Risk Dashboard Report for December 2020 (Appendix AAR 8.4B) summarises the risks of Council and provides the current treatment plans (actions) that have been identified by management to improve certain key control ratings. Typically these control ratings have been identified as inadequate and a treatment plan (action) has been determined to improve the control effectiveness to at least adequate.

The format of the Dashboard enables each treatment plan (action) to be categorised according to the relevant 15 risk theme profiles and provides the following information:

- The overall control rating (how effective the controls in place are operating).
- The overall risk rating (the determined level of risk).
- The overall assigned officer for the theme profile according to the level of risk responsibility:
 - Low – responsibility of Staff Member/Supervisor
 - Moderate – responsibility of Supervisor/Manager
 - High – responsibility of Manager/Director/EMT
 - Extreme – responsibility of EMT/CEO/Council
- The current treatment plan based on the following evaluation of risks:
 - Controls that are rated as inadequate must have a treatment plan to improve the control effectiveness to at least adequate.
 - Where the residual risk rating is high or extreme, treatment plans must be implemented.
- The due date of the treatment.
- The officer responsible for managing the individual treatment plans.

To provide a comparison between reporting periods, table 1 below indicates that there are currently 26 treatments in place, compared with 23 treatments in June 2020. Twelve new treatments have been added, with 9 being completed in the last 6 months. As treatments are cleared or completed they are removed from the Dashboard.

Table 1 – Treatment Plan Summary

June 2020 (last reporting period)			December 2020 (this reporting period)			
					In Progress	
Total	Completed	In Progress	Total	New	Overdue	On Schedule
23	9	14	26	12	2	12

The Risk Dashboard Report also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). From the last reporting period, there remains no change to the overall control ratings or the overall risk ratings. Of the 15 Risk Profile Themes, 13 combined controls remain rated as 'Adequate' and 2 remain rated as 'Effective'.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for 9 June 2021.

Council Role - Legislative.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 26-20 MOVED - Cr M Bennett SECONDED - Cr P Robinson

THAT the Audit and Risk Committee receive the December 2020 Risk Dashboard Report provided in (Appendix AAR 8.4B).

CARRIED
4/0

8.5 Title: Secure Pay Security Breach

<i>Reporting Department:</i>	<i>Corporate & Governance</i>
<i>Reporting Officer:</i>	<i>Mr Stephen Eaton – IT Manager</i>
<i>Legislation:</i>	<i>Local Government Act 1995</i>

Overview

This report provides an overview of a fraudulent transaction breach that occurred in October 2020 which targeted a third-party gateway 'payment' system linked to the website of the Shire of Dardanup.

Background

SecurePay is a gateway that is used for the payment of rates by credit card. Customers access the website of the Shire of Dardanup (<https://www.dardanup.wa.gov.au/council/online-payments/>) and navigate to the 'Pay your Rates' option. As part of the gateway provided, customers are redirected to SecurePay's website to complete the transaction. At this point of the transaction, Council has no control over the SecurePay website.

On 16 October 2020, the Shire of Dardanup IT Manager received a phone call from SecurePay warning that a card washing fraudulent activity had been detected. The activity concerned was an automated bot washing of credit cards, whereby the bot attempts to process a transaction of a low amounts (less than \$2.00) which either results in a decline (stolen credit card details not valid) or accept (stolen credit card details are valid) of the card details.

During the period from 16/10/2020 to 19/10/20, Council was subject to approximately 141,732 transactions (either declined or accepted) through this automated bot washing activity. Under the terms of the merchant agreement, each time a transaction was declined or accepted a transaction fee of \$0.12 is incurred, which had the potential to result in a total loss to Council of \$17,007.84 excluding GST.

Management responded by activating a 'Fraud Guard' product (at no additional cost) which limits the risk of fraudulent activity to the credit card holder and the organisation in terms of accepting fraudulent payments. However, this does not mitigate the risk around automated bot card washing activity and the transaction costs that can be incurred by the organisation. Therefore the decision to disable the online payment services was made and the service was disabled on 19/10/2020 until the risk could be mitigated.

To further mitigate the service from future attacks, SecurePay was requested to implement a re-captcha system on their payment page that requires a human input when making an online payment. This process slows down automated bots to the point where they become un-feasible and therefore prevents automated attacks.

The online rates payment service was re-enabled on 5/11/2020 once the reporting officer completed testing of the SecurePay re-captcha implementation and the Manager Financial Services confirmed reversal of transaction fees had been approved by SecurePay.

An audit of the remaining online payment gateways was initiated by the reporting officer on the 19/10/2020 and the findings are presented in this report.

Legal Implications

Local Government (Financial Management) Regulations 1996
Part 2 s. 5

5. CEO's duties as to financial management

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
 - (a) *for the proper collection of all money owing to the local government; and*
 - (b) *for the safe custody and security of all money collected or held by the local government; and*
 - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
 - (d) *to ensure proper accounting for municipal or trust —*
 - (i) *revenue received or receivable; and*
 - (ii) *expenses paid or payable; and*
 - (iii) *assets and liabilities; and*
 - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
 - (f) *for the maintenance of payroll, stock control and costing records; and*
 - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
 - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
 - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
 - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

Local Government (Audit) Regulations 1996
s. 17

17. CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Environment - None.

Precedents - None.

Budget Implications

While transaction costs were initially incurred, the majority of these were reversed and Council incurred less than \$50 in costs.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

Council Policy - CnG CP126 Cyber Security.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.5) for full assessment document.

Tier 3 – ‘High’ or ‘Extreme’ Inherent Risk.		
Risk Event	SecurePay Fraudulent Transaction	
Inherent Risk Rating (prior to treatment or control)	High (12 - 19)	
Risk Action Plan (treatment or controls proposed)	<p>Customers were advised to contact the Rates Department to pay through alternative measures, either over the phone or in person at the Eaton or Dardanup offices.</p> <p>Re-captcha implemented to prevent automated attacks from re-occurring.</p> <p>Fraud guard implemented to prevent fraudulent activity, plus re-captcha implemented to prevent automated attacks.</p>	
Residual Risk Rating (after treatment or controls)	Low (1 - 4)	
Further Risk Categories Assessed Against (with a low to moderate inherent risk rating)	<p>Financial Impact</p> <p>Reputational</p>	<p>Potential for Council to incur additional transaction fees totalling \$17,000 excluding GST.</p> <p>Risk of Council’s reputation being viewed negatively for having a payment gateway system vulnerable to outside security threats.</p> <p>Plus, not being able to deliver an online payment system during this period could lead to adverse comments from customers.</p>

Officer Comment -

The risk to Council with attempts of this nature is concerning and highlights the vulnerability of payment gateway providers. Maintaining a strong defensive system and recognising the importance of cyber security through policy and procedure is therefore paramount to the ongoing operations of Council.

The Shire of Dardanup utilises three online payment gateways as part of its daily operations.

1. **SecurePay**; Used for processing online rate payments via a direct simple payment page.
2. **IntegraPay**; Used as the online payment processor by Synergy Online for Cat, Dog, Creditor Invoices and Infringements.
3. **DebitSuccess**; Used as the online payment processor of ERC online Active Carrot (Gym) and Creche systems.

Consolidating payment processors within the organisation is impractical as the front-end systems for each have different requirements in their implementation and therefore rely on specific backend

payment processors, as such multiple payment providers will always exist within the organisation in one form or another.

- Audit**

Each of the remaining payment processors were asked the following questions:

- Q1. *What preventions are in place on the payment gateway to prevent automated payments by a bot? i.e. technologies such as re-captcha on the payment gateway to prevent automated card washing.*
- Q2. *What fraud prevention is in place on the gateway to provide fraud protection?*
- Q3. *Is the Shire charged transaction fees for declined transactions?*
- Q4. *What is the process to dispute transaction fees? (i.e. in the event of an automated bot).*

- Audit Findings**

	SECUREPAY	INTEGRAPAY	DEBITSUCCESS
Q1	Re-Captcha enabled.	Re-Captcha offered, however would require IT Vision to update the Synergy Online Application. No direct payment gateway access.	Payments subject to account balance checks before payment is accepted. Not accepted if payment and balance do not match. No direct payment gateway access.
Q2	Fraud Guard Enabled.	Is enabled by default where a number of rules are managed by their Risk and Fraud team (similar to Fraud Guard).	None.
Q3	Yes.	Yes.	Yes.
Q4	Only if an incident.	None.	None.

- Risk of Future Bot Washing Attack**

These findings represent a low risk to the organisation in terms of an automated bot washing attack due to:

1. There is no direct access to these payment gateways for bot washing to occur, with the exception of SecurePay.
2. On services other than SecurePay, some form of validation is required to proceed i.e. valid dog registration, or gym membership login etc.
3. SecurePay risk from bot washing attack has been mitigated through the use of re-captcha technology.

- *Financial Risk due to unforeseen Security Incident.*

An important finding is that two out of the three providers do not offer a resolution process around fees charged for a declined or fraudulent transaction. This represents a financial risk to the organisation if an unknown attack were to occur in the future, as the organisations in the standard merchant agreement is charged for both successful and declined transactions.

While there is not much that can be done to mitigate this risk without re-negotiating service agreements or cancelling services, the likelihood of this risk area occurring is low due to there not being any direct access.

- *Prevention*

To prevent a similar incident from occurring in the future, and for the organisation to become aware of merchant dispute processes around these fees, an online payment provider selection and evaluation guideline should be created as a control.

This control would define a check-list of the minimal service level requirements and contract conditions for the organisation to check before entering into such agreements. While these points may not always be able to be negotiated, at least it raises awareness for the organisation and a risk assessment can then be performed on whether to proceed or not.

Council Role - Legislative.

Voting Requirements - Simple Majority.

OFFICER RECOMMENDED RESOLUTION & AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION

AAR 27-20 MOVED - Cr P Robinson SECONDED - Cr M Bennett

THAT the Audit and Risk Committee recommends that Council:

- 1. Receive the SecurePay Fraudulent Transaction report.**
- 2. Request that the Chief Executive Officer formulate an Administrative Policy and Procedure to ensure that the controls around the selection and evaluation of future online payment providers be created.**

CARRIED
4/0

8.6 Title: 2020-2021 Insurance Provisions

<i>Reporting Department:</i>	<i>Corporate & Governance Services</i>
<i>Reporting Officer:</i>	<i>Mr Phil Anastasakis – Deputy Chief Executive Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>

Overview

This report provides the Audit and Risk Committee with an overview of the current insurance portfolio in place following a recent update from LGIS, together with the service that is provided to Council and the financial implication.

Background

Local Government Insurance Services (LGIS) has been providing insurance services to Council for many years. LGIS was established in the early 1990's by the WA Local Government Sector to establish its own sustainable solution for local governments in the format of an industry based self-insurance scheme. The scheme is entirely owned and controlled by the participating WA Local Government Members and provides a stable cost of cover together with the ability to eliminate volatilities driven by insurance market conditions.

Further to this, LGIS holds a competitive advantage over traditional insurers through the return of surplus funds to participating members when performance results exceed target levels. This surplus results from good claims management and risk mitigation. Such redistribution of funds is not provided by the traditional insurance market who instead distribute profits to shareholders. Currently 100% of local government in Western Australia are insured through LGIS.

Where LGIS is unable to provide insurance protection they seek Non-Scheme protection with mainstream insurers (for example Chubb, Zurich, QBE) whereby LGIS act as the broker and obtain the insurance product on the behalf of all members at a reduced rate.

Legal Implications*Local Government Act 1995*5.49. *Workers' compensation arrangement*

- (2) *WALGA is to establish and manage, for the benefit of itself and any eligible body that chooses to participate, a group self insurance arrangement against liability to pay compensation under the WCIM Act.*

9.58. *Constitution of associations of local government*

- (6) *Without limiting the generality of subsection (3), WALGA may —*
 (b) *with the approval of the affected members, arrange contracts of insurance on behalf of all or any of its members for any purpose.*

Strategic Community Plan

Strategy 1.1.1 - To be equitable, inclusive and transparent in decision making. (Service Priority: High)

Strategy 1.1.3 - Maintain best practice governance systems and practices. (Service Priority: Moderate)

Environment

None

Precedents

The former Audit Committee received a report at the September 2019 meeting detailing the Scheme and Non-Scheme Insurance policies undertaken with Local Government Insurance Services (LGIS).

Budget Implications

The 2020/21 Annual Budget contains a total insurance provision of \$472,279 consisting of \$161,497 for Workers Compensation Insurance and \$310,782 for other Insurances.

Total insurance costs for previous years have been:

2015/16	\$438,926
2016/17	\$409,503
2017/18	\$402,191
2018/19	\$414,503
2019/20	\$468,976

The 2020/2030 Long Term Financial Plan contains further annual provisions for insurance.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

CnG CP009 – Voluntary Works/Tasks – Equipment.

CnG CP034 – Procurement Policy. The suite of LGIS insurances are established in accordance with s.9.58(6)(b) of the Local Government Act 1995 and are provided as part of a mutual, where WALGA Member Local Governments are the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-base service and is not defined as a purchasing activity subject to this Policy. Should Council resolve to seek quotations from alternative insurance suppliers, compliance with this Policy is required.

SDev CP501 – Volunteer Bush Fire Brigade Training Expenditure Reimbursement.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.6A) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	2020/2021 Insurance Provisions
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Categories Assessed Against	Financial Impact	Council not having adequate insurance services in place and suffering a substantial loss.
	Legal and Compliance	Failure to fulfil insurance obligations as per Council Policies: <ul style="list-style-type: none"> • CnG CP009 • CnG CP034 • SDev501
	Reputational	Council’s reputation could be seen in a negative light for not maintaining an adequate insurance provision.

Officer Comment

LGIS provide Council with greater security and certainty which is a benefit derived from the strength and commitment of working together. This commitment enables Council to finance and manage insurance services and risk through a shared vision and alignment of outlook, interest and loyalty.

From 1 July 2020, LGIS expanded its Scheme Protection cover to enable members to receive more protection with the addition of Cyber Liability, Management Liability, Motor Vehicle, Personal Accident and Travel Protection (Appendix AAR 8.6B). Previously these covers were Non-Scheme Protection insurance products which were obtained by LGIS on member’s behalf, with cover being provided by mainstream insurers. This expansion has enabled LGIS to provide protection for all insurance covers except Marine Cargo.

Figure 1 below details the Scheme and Non-Scheme insurance policies through LGIS and provides a price comparison between 2019/20 and 2020/21 financial years and Figure 2 details the credits that have been returned. All figures are GST exclusive.

Figure 1 – Insurance Provision

Class of Cover	Underwriter / Scheme	Interest Insured / Protected	2019/20 Premium	2020/21 Premium
Local Government Special Risks	LGIS Property	Physical loss, destruction or damage to property including machinery breakdown and electronic equipment. <i>Note: Treendale Bridge BR5370 has been removed from the property register for 2020/21 as this is now fully insured by Shire of Harvey as per the Joint Maintenance Agreement. Payment has been made direct to the Shire of Harvey for Shire of Dardanup contribution.</i>	\$173,755	\$147,706
Bush Fire	LGIS Bushfire	Volunteer Bush Fire Brigade Members in respect of medical expenses, loss of salary/wages and death benefits.	\$29,930	\$27,370
Public Liability	LGIS Liability	Public Liability – Death or personal injury, loss or damage to property. Professional Indemnity – protection arising out of civil liability in the conduct of the Member’s Professional Activities undertaken in the business.	\$57,620	\$59,487
Casual Hirers	LGIS Liability	Legal Liability to Third Parties for death,	\$0.00	\$0.00

Class of Cover	Underwriter / Scheme	Interest Insured / Protected	2019/20 Premium	2020/21 Premium
Liability		illness or personal injury and loss or damage to property at hired facility.		
Environmental Impairment Liability	LGIS Liability	For loss or claims arising from Pollution Conditions of Effluent Re-Use Conditions.	\$0.00	\$0.00
Management Liability	LGIS Liability	For individual Councillors and Officers in respect of claims for any alleged wrongful acts arising out of their official duties.	\$9,934	\$11,048
Motor Vehicle	LGIS Property	All Motor Vehicles and Trailers owned, leased, mortgaged under Hire Purchase Agreement, hired in or let out on hire, loaned to or by, or used or operated by the Insured including to the extent the Insured has accepted responsibility to insure.	\$37,625	\$39,525
Commercial Crime and Cyber Liability	LGIS Liability	Direct financial loss sustained by the Member anywhere in the world in connection with a single act or series of related continuous or repeated acts of internal crime, external crime, theft or physical loss or damage.	\$4,463	\$4,763
Personal Accident	LGIS Workcare	Elected Members and Volunteers if injured or death occurs whilst engaged in work for the Shire if said work is authorised by the Shire.	\$622	\$622
Corporate Travel	LGIS Workcare	External journey beyond 50km	\$1,046	\$1,046
Workers' Compensation	LGIS Workcare	Workers Compensation and Injury Management including Journey Accident cover.	\$153,681	\$167,307
Marine Cargo Non-Scheme	QBE Insurance	All goods and/or interests belonging and/or appertaining whilst in transit by land, air, water and parcel post.	\$300.00	\$300.00
Shire of Harvey	LGIS Property	2020/21 Insurance Contribution 68.77% for the Danjoo Koorliny (Treendale Bridge) as per Joint Maintenance Agreement	N/A	\$18,293
TOTAL			\$468,976	\$477,467

Figure 2 – Credits received from LGIS

CREDITS	2019/20	2020/21
Contributions Assistance Package Credit	(\$24,548)	(\$39,570)
Surplus Contribution Credit	(\$33,620)	*
Good Driver Rebate	(\$2,991)	*

* Figures not yet received/determined

LGIS further advise that in collaboration with WALGA they will be delivering new services, products and events, while meeting the needs of local government entities and communities moving forward.

Council Role - Legislative.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 28-20 MOVED - Cr T Gardiner SECONDED - Cr M Bennett

THAT the Audit and Risk Committee receive the December 2020 Insurance Provision report.

CARRIED
4/0

9. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

10. NEW BUSINESS OF AN URGENT NATURE

None.

11. MATTERS BEHIND CLOSED DOORS

None.

12. CLOSURE OF MEETING

Discussion:

Cr M Bennett acknowledged the work undertaken by the Finance Department and wanted to thank the team for the work carried out in what has been a year of changes.

The Chairperson advised that the date of the next Audit & Risk Committee Meeting will be Wednesday, 3 March 2021.

There being no further business the Chairperson declared the meeting closed at 2.00pm.

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Dardanup

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Dardanup which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Dardanup:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to the matter below. My opinion is not modified in respect of this matter:

I draw attention to Note 1 and 11 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. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the financial report.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2019 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2018 and 2019 in Note 39 of the audited annual financial report were included in the audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Dardanup for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the annual audited financial report to confirm the information contained in this website version of the annual financial report.

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

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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 30 JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the [redacted] day of [redacted] 2020

Chief Executive Officer

[redacted]
André Schönfeldt

Name of Chief Executive Officer

(Appendix ORD: 12.17C)

STATEMENT OF COMPREHENSIVE INCOME BY NATURE OR TYPE FOR THE PERIOD ENDED 30TH JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	31(a)	13,716,704	13,742,181	13,091,847
Operating grants, subsidies and contributions	2(a)	3,490,049	3,234,207	2,202,844
Fees and charges	2(a)	2,832,064	3,156,021	3,112,535
Interest earnings	2(a)	482,735	507,656	581,228
Other revenue	2(a)	24,686	27,540	27,855
		20,546,238	20,667,605	19,016,309
Expenses				
Employee costs		(10,599,210)	(11,153,410)	(9,793,985)
Materials and contracts		(4,175,275)	(4,675,148)	(4,049,538)
Utility charges		(574,898)	(561,970)	(551,434)
Depreciation on non-current assets	11(c)	(5,253,788)	(5,242,750)	(5,042,270)
Interest expenses	2(b)	(117,813)	(113,943)	(127,293)
Insurance expenses		(316,060)	(282,982)	(253,207)
Other expenditure	2(b)	(333,680)	(374,638)	(357,532)
		(21,370,724)	(22,404,841)	(20,175,259)
		(824,486)	(1,737,236)	(1,158,950)
Non-operating grants, subsidies and contributions	2(a)	2,242,144	3,804,088	1,874,654
Profit on asset disposals	11(a)	1,170,841	1,165,000	15,093
(Loss) on asset disposals	11(a)	(122,079)	0	(33,963)
Fair value adjustments to financial assets at fair value through profit or loss		1,152	0	70,068
		3,292,058	4,969,088	1,925,852
Net result for the period		2,467,572	3,231,852	766,902
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	14	0	0	0
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		2,467,572	3,231,852	766,902

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE PERIOD ENDED 30TH JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue	2(a)			
Governance		5,720	1,550	29
General purpose funding		15,495,427	15,474,534	14,868,866
Law, order, public safety		596,148	410,591	440,114
Health		27,713	20,150	19,177
Education and welfare		7,205	3,500	13,384
Community amenities		1,526,710	1,504,690	1,398,292
Recreation and culture		2,404,911	2,834,702	1,817,846
Transport		173,095	178,301	148,693
Economic services		93,080	101,580	86,272
Other property and services		216,229	138,007	223,638
		20,546,238	20,667,605	19,016,309
Expenses	2(b)			
Governance		(1,186,604)	(1,282,266)	(1,026,392)
General purpose funding		(331,323)	(409,569)	(354,842)
Law, order, public safety		(1,710,790)	(1,661,176)	(1,465,816)
Health		(547,380)	(564,913)	(506,130)
Education and welfare		(750,714)	(826,305)	(754,676)
Community amenities		(2,636,457)	(2,832,799)	(2,106,048)
Recreation and culture		(7,610,617)	(8,091,550)	(7,220,298)
Transport		(5,821,036)	(5,776,472)	(5,673,625)
Economic services		(461,996)	(593,692)	(515,026)
Other property and services		(195,994)	(252,156)	(425,115)
		(21,252,911)	(22,290,898)	(20,047,966)
Finance Costs	2(b)			
Health		(89)	0	0
Community amenities		(1,686)	0	0
Recreation and culture		(66,776)	(69,054)	(76,943)
Transport		(24,942)	(25,841)	(27,474)
Economic services		(7,141)	(7,381)	(8,632)
Other property and services		(17,179)	(11,667)	(14,244)
		(117,813)	(113,943)	(127,293)
		(824,486)	(1,737,236)	(1,158,950)
Non-operating grants, subsidies and contributions	2(a)	2,242,144	3,804,088	1,874,654
Profit on disposal of assets	11(a)	1,170,841	1,165,000	15,093
(Loss) on disposal of assets	11(a)	(122,079)	0	(33,963)
Fair value adjustments to financial assets at fair value through profit or loss		1,152	0	70,068
		3,292,058	4,969,088	1,925,852
Net result for the period		2,467,572	3,231,852	766,902
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	14	0	0	0
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		2,467,572	3,231,852	766,902

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

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

	NOTE	2020	2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	25,645,523	19,441,957
Trade and other receivables	6	1,472,111	819,479
Inventories	7	19,227	13,477
Other assets	8	42,807	174,332
TOTAL CURRENT ASSETS		27,179,668	20,449,245
NON-CURRENT ASSETS			
Trade and other receivables	6	118,063	111,904
Other financial assets	5(b)	71,220	70,068
Property, plant and equipment	9(a)	31,539,906	32,453,361
Infrastructure	10(a)	143,439,370	143,746,339
Intangible assets	13	0	1,920,902
Right of use assets	12(a)	505,893	0
TOTAL NON-CURRENT ASSETS		175,674,452	178,302,574
TOTAL ASSETS		202,854,120	198,751,819
CURRENT LIABILITIES			
Trade and other payables	15	3,062,746	2,359,794
Contract liabilities	17	414,261	0
Capital grant liability	18	4,305,010	0
Lease liabilities	19(a)	143,625	0
Borrowings	20(a)	250,116	279,748
Employee related provisions	21	1,437,008	1,272,698
TOTAL CURRENT LIABILITIES		9,612,766	3,912,240
NON-CURRENT LIABILITIES			
Contract liabilities	17	15,000	0
Capital grant liability	18	598,272	0
Lease liabilities	19(a)	365,128	0
Borrowings	20(a)	1,713,000	1,963,116
Employee related provisions	21	275,843	228,163
Other provisions	22	83,833	0
TOTAL NON-CURRENT LIABILITIES		3,051,076	2,191,279
TOTAL LIABILITIES		12,663,842	6,103,519
NET ASSETS		190,190,278	192,648,300
EQUITY			
Retained surplus		49,244,076	55,574,607
Reserves - cash backed	4	22,205,416	16,412,005
Revaluation surplus	14	118,740,786	120,661,688
TOTAL EQUITY		190,190,278	192,648,300

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

(Appendix ORD: 12.17C)

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

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2018		55,476,726	15,742,984	120,661,688	191,881,398
Comprehensive income					
Net result for the period (restated)		766,902	0	0	766,902
Other comprehensive income	14	0	0	0	0
Total comprehensive income		766,902	0	0	766,902
Transfers from reserves	4	3,969,700	(3,969,700)	0	0
Transfers to reserves	4	(4,638,721)	4,638,721	0	0
Balance as at 30 June 2019		55,574,607	16,412,005	120,661,688	192,648,300
Initial application of accounting standards	35(d)	(2,920,859)	0	0	(2,920,859)
Adjustment due to the change in regulations	13(a)	0	0	(1,920,902)	(1,920,902)
Correction of error	36	(83,833)	0	0	(83,833)
Restated total equity at 1 July 2019		52,569,915	16,412,005	118,740,786	187,722,706
Comprehensive income					
Net result for the period		2,467,572	0	0	2,467,572
Other comprehensive income		0	0	0	0
Total comprehensive income		2,467,572	0	0	2,467,572
Transfers from reserves	4	3,827,660	(3,827,660)	0	0
Transfers to reserves	4	(9,621,071)	9,621,071	0	0
Balance as at 30 June 2020		49,244,076	22,205,416	118,740,786	190,190,278

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		13,715,947	13,742,181	13,218,905
Operating grants, subsidies and contributions		2,915,019	3,234,207	2,125,087
Fees and charges		2,780,189	3,156,021	3,949,784
Interest received		482,735	507,656	581,228
Goods and services tax received		1,708,777	0	1,342,649
Other revenue		24,686	27,540	29,612
		21,627,353	20,667,605	21,247,265
Payments				
Employee costs		(10,036,268)	(11,128,710)	(9,884,187)
Materials and contracts		(3,733,725)	(4,675,148)	(4,231,384)
Utility charges		(574,898)	(561,970)	(551,434)
Interest expenses		(117,813)	(113,943)	(132,510)
Insurance paid		(316,060)	(282,982)	(253,207)
Goods and services tax paid		(1,703,681)	0	(1,317,199)
Other expenditure		(333,680)	(374,638)	(357,532)
		(16,816,125)	(17,137,391)	(16,727,453)
Net cash provided by (used in) operating activities	23	4,811,228	3,530,214	4,519,812
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(a)	(668,589)	(2,195,866)	(861,055)
Payments for construction of infrastructure	10(a)	(3,498,870)	(6,259,722)	(3,856,249)
Non-operating grants, subsidies and contributions	23	4,653,828	3,804,088	1,874,654
Proceeds from financial assets at amortised cost - self supporting loans		0	0	32,936
Proceeds from sale of property, plant & equipment	11(a)	1,333,892	1,323,924	261,575
Net cash provided by (used in) investment activities		1,820,261	(3,327,576)	(2,548,139)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	20(b)	(279,748)	(279,748)	(362,288)
Payments for principal portion of lease liabilities	19(b)	(148,175)	0	0
Proceeds from new borrowings	20(b)	0	750,000	0
Net cash provided by (used in) financing activities		(427,923)	470,252	(362,288)
Net increase (decrease) in cash held		6,203,566	672,890	1,609,385
Cash at beginning of year		19,441,957	16,224,486	17,832,573
Cash and cash equivalents at the end of the year	23	25,645,523	16,897,376	19,441,957

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	32 (b)	404,751	301,183	303,456
		404,751	301,183	303,456
Revenue from operating activities (excluding rates)				
Governance		5,720	1,550	29
General purpose funding		2,126,374	2,077,153	2,128,820
Law, order, public safety		596,148	410,591	440,114
Health		27,713	20,150	19,177
Education and welfare		7,205	3,500	13,384
Community amenities		1,526,710	1,504,690	1,398,292
Recreation and culture		2,404,911	2,834,702	1,817,846
Transport		173,095	178,301	161,057
Economic services		94,232	101,580	156,340
Other property and services		1,387,070	1,303,007	226,367
		8,349,178	8,435,224	6,361,424
Expenditure from operating activities				
Governance		(1,186,604)	(1,282,266)	(1,026,392)
General purpose funding		(331,323)	(409,569)	(354,842)
Law, order, public safety		(1,710,790)	(1,661,176)	(1,465,816)
Health		(547,469)	(564,913)	(510,333)
Education and welfare		(750,714)	(826,305)	(754,676)
Community amenities		(2,641,373)	(2,832,799)	(2,106,048)
Recreation and culture		(7,739,832)	(8,160,604)	(7,299,459)
Transport		(5,878,151)	(5,802,313)	(5,707,573)
Economic services		(469,137)	(601,073)	(523,658)
Other property and services		(237,410)	(263,823)	(460,427)
		(21,492,803)	(22,404,841)	(20,209,222)
Non-cash amounts excluded from operating activities	32(a)	6,657,079	4,077,750	4,788,496
Amount attributable to operating activities		(6,081,795)	(9,590,684)	(8,755,846)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	2,242,144	3,804,088	1,874,654
Proceeds from disposal of assets	11(a)	1,333,892	1,323,924	261,575
Proceeds from financial assets at amortised cost - self supporting loans		0	0	32,936
Purchase of property, plant and equipment	9(a)	(668,589)	(2,195,866)	(861,055)
Purchase and construction of infrastructure	10(a)	(3,498,870)	(6,259,722)	(3,856,249)
Purchase of investment property	14	0	0	0
Payments for intangible assets	13(b)	0	0	0
Amount attributable to investing activities		(591,423)	(3,327,575)	(2,548,139)
FINANCING ACTIVITIES				
Repayment of borrowings	20(b)	(279,748)	(279,748)	(362,288)
Proceeds from borrowings	20(c)	0	750,000	0
Payments for principal portion of lease liabilities	19(b)	(148,175)	0	0
Transfers to reserves (restricted assets)	4	(9,621,071)	(6,853,403)	(4,638,721)
Transfers from reserves (restricted assets)	4	3,827,660	6,036,256	3,969,700
Amount attributable to financing activities		(6,221,334)	(346,895)	(1,031,309)
Surplus/(deficit) before imposition of general rates		(12,894,552)	(13,265,154)	(12,335,295)
Total amount raised from general rates	31(a)	13,369,053	13,397,381	12,740,046
Surplus/(deficit) after imposition of general rates	32(b)	474,501	132,227	404,751

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

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

1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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

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

The Shire does not have land associated with golf course and racecourses recognised as assets therefore no adjustments were required in relation to the change in regulation.

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 37 to these financial statements.

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

2. REVENUE AND EXPENSES

SIGNIFICANT ACCOUNTING POLICIES

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Developer contributions for Joint Town Planning Scheme	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	5,531	750	0
General purpose funding	1,514,750	1,428,976	1,410,823
Law, order, public safety	488,684	307,131	324,435
Health	11,262	50	4
Education and welfare	7,205	3,500	13,384
Community amenities	23,938	5,685	14,474
Recreation and culture	1,103,651	1,246,847	127,291
Transport	145,283	146,761	113,429
Economic services	16	500	3,475
Other property and services	189,729	94,007	195,529
	3,490,049	3,234,207	2,202,844
Non-operating grants, subsidies and contributions			
Law, order, public safety	9,155	393,909	141,415
Recreation and culture	250,115	715,723	268,875
Transport	1,982,874	2,694,456	1,464,364
	2,242,144	3,804,088	1,874,654
Total grants, subsidies and contributions	5,732,193	7,038,295	4,077,498
Fees and charges			
Governance	190	800	28
General purpose funding	128,888	140,521	136,768
Law, order, public safety	107,464	103,460	115,679
Health	16,452	20,100	19,173
Community amenities	1,402,158	1,399,005	1,273,694
Recreation and culture	1,054,222	1,343,055	1,448,878
Transport	3,127	4,000	7,409
Economic services	93,063	101,080	82,797
Other property and services	26,500	44,000	28,109
	2,832,064	3,156,021	3,112,535

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Contracts with customers and transfers for recognisable non-financial assets

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions	3,490,049	3,234,207	2,202,844
Fees and charges	2,832,064	3,156,021	3,112,535
Other revenue	24,686	27,540	27,855
Non-operating grants, subsidies and contributions	2,242,144	3,804,088	1,874,654
	8,588,943	10,221,856	7,217,888

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Contracts with customers included as a contract liability at the start of the period	15,000	0	0
Other revenue from contracts with customers recognised during the year	6,346,799	6,417,768	5,343,234
Other revenue from performance obligations satisfied during the year	2,227,144	3,804,088	1,874,654
	8,588,943	10,221,856	7,217,888

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers	781,928	0	0
Contract liabilities from contracts with customers	(429,261)	0	0
Financial assets held from transfers for recognisable financial assets	4,903,282	0	0
Capital Grant Liability	(4,903,282)	0	0

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2020.

Assets associated with contracts with customers were not subject to an impairment charge.

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

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

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

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates	13,369,053	13,397,381	12,740,046
Specified area rates	347,651	344,800	351,801
Statutory permits and licences	162,092	159,700	168,286
Fines	26,848	31,250	33,771
	13,905,644	13,933,131	13,293,904

Other revenue

Reimbursements and recoveries	24,686	27,540	27,855
	24,686	27,540	27,855

Interest earnings

Interest on reserve funds	271,781	312,957	367,449
Interest on other funds	71,709	60,000	71,195
Rates instalment and penalty interest (refer Note 31(d))	136,866	132,629	142,584
Other interest earnings	2,379	2,070	0
	482,735	507,656	581,228

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other services

Interest expenses (finance costs)

- Borrowings
- Lease liabilities

Other expenditure

- Sundry expenses

Note	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
	7,989	20,000	12,591
	1,100	3,242	4,900
	9,089	23,242	17,491
20(b)	109,825	113,943	127,293
19(b)	7,988	0	0
	117,813	113,943	127,293
	333,680	374,638	357,532
	333,680	374,638	357,532

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

3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand
Term deposits
Total cash and cash equivalents

Comprises:

- Unrestricted cash and cash equivalents
- Restricted cash and cash equivalents

Restrictions

The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents

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

Reserves - cash backed
Contract liabilities from contracts with customers - Grant Revenue
Contract liabilities from contracts with customers - Developer Contributions
Less Contract liabilities - cash backed
Unspent grants, subsidies and contributions
Total restricted assets

NOTE	2020	2019
	\$	\$
	13,245,523	8,341,957
	12,400,000	11,100,000
	25,645,523	19,441,957
	3,440,107	3,029,952
	22,205,416	16,412,005
	25,645,523	19,441,957
	22,205,416	16,412,005
	22,205,416	16,412,005
	22,205,416	15,863,165
	429,261	0
	0	0
	(429,261)	0
	0	548,840
	22,205,416	16,412,005

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

4. RESERVES - CASH BACKED

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Reallocation to (from)	2019 Actual Closing Balance
(a) Information Technology Reserve	406,983	404,283	(307,087)	504,179	200,072	401,006	(429,328)	171,750	275,044	180,953	(49,014)	0	406,983
(b) Road Safety Programs Reserve	8,357	18,288	0	26,645	4,202	25	0	4,227	4,106	4,251	0	0	8,357
(c) Tourism Reserve	6,377	5,341	0	11,718	6,389	5,296	0	11,685	6,242	135	0	0	6,377
(d) Executive & Compliance Vehicle Reserve	364,153	53,832	(174,801)	243,184	329,068	51,603	(107,100)	273,571	291,095	156,733	(83,675)	0	364,153
(e) Employee Relief Reserve	226,995	7,389	0	234,384	222,512	6,407	0	228,919	207,110	19,885	0	0	226,995
(f) Employee Leave Entitlements Reserve	5,000	16,187	0	21,187	9,868	16,222	0	26,090	0	5,000	0	0	5,000
(g) Refuse Site Environmental Works Reserve*	82,960	873	0	83,833	48,111	284	0	48,395	81,202	1,758	0	0	82,960
(h) Meat Inspection Reserve	5,219	0	(5,219)	0	5,228	0	(5,228)	0	5,108	111	0	0	5,219
(i) Recycling Education Reserve	82,334	867	(21,936)	61,265	60,929	228	(22,247)	38,910	80,590	1,744	0	0	82,334
(j) Eaton Recreation Centre - Equipment Reserve	365,346	103,845	(189,089)	280,102	331,172	100,264	(386,419)	45,017	308,665	56,681	0	0	365,346
(k) Council Land Development Reserve	20,839	219	0	21,058	14,234	25	(10,000)	4,259	5,715	15,124	0	0	20,839
(l) Sale of Land Reserve	2,303,943	2,262,545	0	4,566,488	2,243,767	2,234,904	0	4,478,671	2,255,133	48,810	0	0	2,303,943
(m) Accrued Salaries Reserve	379,360	53,992	0	433,352	336,221	51,835	(75,000)	313,056	328,500	50,860	0	0	379,360
(n) Carried Forward Projects Reserve	2,968,520	761,896	(439,226)	3,291,190	2,078,823	12,230	(1,312,006)	779,047	2,965,544	524,112	(493,032)	(31,104)	2,968,520
(o) Strategic Planning Studies Reserve	218,947	2,304	(92,366)	128,885	203,087	630	(96,250)	107,467	209,414	9,533	0	0	218,947
(p) Town Planning Consultancy Reserve	91,741	5,965	0	97,706	39,898	5,117	(25,000)	20,015	84,903	6,838	0	0	91,741
(q) Parks & Reserves Upgrades Reserve	549,703	205,785	(78,683)	676,805	549,369	203,074	(178,234)	574,209	339,392	217,346	(7,035)	0	549,703
(r) Election Expenses Reserve	23,487	22,747	(39,217)	7,017	23,489	22,506	(45,000)	995	966	22,521	0	0	23,487
(s) Pathways Reserve	164,161	151,728	0	315,889	45,585	150,630	(70,237)	125,978	112,292	152,430	(124,512)	23,951	164,161
(t) Asset / Rates Revaluation Reserve	292,877	53,082	(17,293)	328,666	283,302	52,430	(65,046)	270,686	228,922	63,955	0	0	292,877
(u) Refuse & Recycling Bin Replacement Reserve	54,076	569	0	54,645	54,174	319	(22,191)	32,302	52,930	1,146	0	0	54,076
(v) Emergency Services Reserve	10,306	0	(10,306)	0	10,325	0	0	10,325	10,048	218	0	0	10,306
(w) Small Plant & Equipment Reserve	15,261	0	(15,261)	0	15,280	0	(15,280)	0	10,044	5,217	0	0	15,261
(x) Storm Water Reserve	101,082	56,766	0	157,848	101,175	41,114	0	142,289	50,000	51,082	0	0	101,082
(y) Fire Control Reserve	1,108	10,428	0	11,536	1,112	10,392	(10,325)	1,179	1,085	23	0	0	1,108
(z) Collie River (Eaton Drive) Bridge Construction Reserve*	1,548,014	16,290	0	1,564,304	1,656,975	9,767	(1,568)	1,665,174	1,627,719	35,230	(114,935)	0	1,548,014
(aa) Eaton Drive - Access Construction Reserve*	153,213	1,612	0	154,825	164,886	972	(2,104)	163,754	163,739	3,543	(14,069)	0	153,213
(ab) Eaton Drive - Scheme Construction Reserve*	904,633	9,520	0	914,153	939,044	5,535	(4,328)	940,251	920,705	19,927	(35,999)	0	904,633
(ac) Contribution to Works Reserve	601,543	69,099	0	670,642	609,544	3,593	0	613,137	585,778	15,765	0	0	601,543
(ad) Unspent Grants Reserve**	1,308,820	3,253,239	(766,612)	3,795,447	1,074,997	712,952	(732,537)	1,055,412	1,611,237	1,051,485	(1,353,902)	0	1,308,820
(ae) Swimming Pool Inspection Reserve	0	4,488	0	4,488	0	0	0	0	26,852	581	(27,433)	0	0
(af) Unspent Specified Area Rate - Bulk Waste Collection	79,770	840	0	80,610	69,206	408	0	69,614	67,617	12,153	0	0	79,770
(ag) Unspent Specified Area Rate - Eaton Landscaping	67,486	89,710	(30,024)	127,172	33,285	89,525	(62,494)	60,316	0	67,486	0	0	67,486
(ah) Dardanup Community Centre Reserve	7,317	0	(7,317)	0	1,128	0	(1,128)	0	7,162	155	0	0	7,317
(ai) Dardanup Community Centre Design Reserve	1,126	0	(1,126)	0	4,365	0	(4,365)	0	1,102	24	0	0	1,126
(aj) Dardanup Public Library Reserve	4,357	0	(4,357)	0	4,097	0	(4,097)	0	4,265	92	0	0	4,357
(ak) Wells Park Hard Courts Reserve	4,090	0	(4,090)	0	9,744	0	(9,744)	0	4,003	87	0	0	4,090
(al) Wells Park Clubroom Reserve	9,726	0	(9,726)	0	1,285	0	(1,285)	0	9,520	206	0	0	9,726
(am) Wells Park Clubroom Design Reserve	1,282	0	(1,282)	0	12,904	0	(12,904)	0	1,255	27	0	0	1,282
(an) Wells Park Car Park Reserve	12,881	0	(12,881)	0	7,330	0	0	7,330	12,608	273	0	0	12,881
(ao) Plant & Engineering Equipment Reserve	837,738	163,816	(77,518)	924,036	815,945	159,072	(280,084)	694,933	769,934	221,643	(152,839)	0	837,738
(ap) Road Construction and Major Maintenance Reserve	500,300	1,525,265	(1,437,864)	587,711	366,709	1,521,421	(1,767,860)	120,270	649,497	1,364,058	(1,513,255)	0	500,300
(aq) Building Maintenance Reserve	1,620,574	247,054	(84,389)	1,783,239	1,240,467	301,051	(276,867)	1,264,651	1,363,901	249,520	0	7,153	1,620,574
(ar) Wariju Developer Contribution Plan - Unspent Loan Reserve	0	0	0	0	0	648,802	0	648,802	0	0	0	0	0
(as) Dardanup Expansion Developer Contribution Plan Reserve	0	41,207	0	41,207	0	33,764	0	33,764	0	0	0	0	0
	16,412,005	9,621,071	(3,827,660)	22,205,416	14,229,303	6,853,403	(6,036,256)	15,046,450	15,742,984	4,638,721	(3,969,700)	0	16,412,005

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

* Liability has been recognised for this Reserve; refer to Note 18 and Note 22.

** Liability has been recognised for part of this Reserve; refer to Note 17 and Note 18.

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Information Technology Reserve	As scheduled in Council's Asset Management Plan.	Established for the acquisition or lease of software and computer equipment.
(b) Road Safety Programs Reserve	As funds become available for suitable projects.	Established to hold contributions from road transport permits which are to be used 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 including the implementation of works associated with the Gnomesville Master Plan.
(d) Executive & Compliance Vehicle Reserve	As scheduled in Council's Asset Management Plan.	To fund the purchase, replacement or lease 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	Reserve to be removed by 30 June 2020.	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 and as a contribution toward the shared Waste Education Officer's salary.
(j) Eaton Recreation Centre - Equipment Reserve	As scheduled in Council's Asset Management Plan.	Established for the acquisition, replacement or lease of furniture, fittings, plant or gym equipment at the Eaton Recreation Centre.
(k) Council Land Development Reserve	As required.	Established for funding the acquisition or 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 274 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. Project funds that are not expended within 2 financial years of their initial allocation to this reserve are to be reallocated to the Municipal Fund.
(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 to fund the engagement of consultants to undertake 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 creation, 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	Reserve to be removed by 30 June 2020.	Established to fund unforeseen over expenditure in the Emergency Services Levy Budget.
(w) Small Plant & Equipment Reserve	Reserve to be removed by 30 June 2020.	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 Reserve*	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 future construction of Eaton Drive from developer contributions.
(ab) Eaton Drive - Scheme Construction Reserve*	As the growth in Eaton townsite necessitates development.	Established to account for contributions and donations received from external sources.
(ac) Contribution to Works Reserve	Year of budgeted works.	Established to identify unexpended grants and special projects funding.
(ad) Unspent Grants Reserve**	Year of budgeted works.	Established to account for unspent Swimming Pool Inspection Levy.
(ae) Swimming Pool Inspection Reserve	On payment of swimming pool inspections every 3 years.	Established to hold unspent specified area rates for bulk waste collecting.
(af) Unspent Specified Area Rate - Bulk Waste Collection	Next financial year.	Established to hold unspent specified area rates for Eaton landscaping.
(ag) Unspent Specified Area Rate - Eaton Landscaping	Next financial year.	Established to hold funds for the future construction of a community centre and outdoor play area.
(ah) Dardanup Community Centre Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the design of a future community centre and outdoor play area.
(ai) Dardanup Community Centre Design Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future extension of Dardanup Public Library.
(aj) Dardanup Public Library Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future upgrade of the hard courts and lighting at Wells Park.
(ak) Wells Park Hard Courts Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future extension of the club room facilities at Wells Park.
(al) Wells Park Clubroom Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the design and future extension of the club room facilities at Wells Park.
(am) Wells Park Clubroom Design Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future upgrade and construction of the car parking area at Wells Park.
(an) Wells Park Car Park Reserve	Reserve to be removed by 30 June 2020.	To fund the purchase, replacement or lease of Council's heavy plant and engineering equipment.
(ao) Plant & Engineering Equipment Reserve	As scheduled in Council's Asset Management Plan.	Established to provide funds for the upgrade and renewal of the Council's transport infrastructure.
(ap) Road Construction and Major Maintenance Reserve	Funds are not expected to be used within a set period but on a budgetary needs basis.	
(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 Plan - Unspent Loan Reserve	As required.	Established to hold unspent loan funds raised for the Wanju Developer Contribution Plan planning and development costs.
(as) Dardanup Expansion Developer Contribution Plan Reserve	As required.	Established to hold funds for the design and construction of community facilities in Dardanup associated with the implementation of DCA2 – Dardanup Expansion Area Developer Contribution Plan.

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

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

2020	2019
\$	\$
0	0
0	0

(b) Non-current assets

Financial assets at fair value through profit and loss

71,220	70,068
71,220	70,068

Financial assets at fair value through profit and loss

Units in Local Government House Trust

71,220	70,068
71,220	70,068

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 20(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 33.

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
Fuel Tax Credits
Pensioner rates rebate
ESL Receivable

Non-current

Pensioner's rates and ESL deferred

2020	2019
\$	\$
396,109	311,495
781,928	200,555
275,564	280,660
5,067	6,983
5,997	19,786
7,446	0
1,472,111	819,479
118,063	111,904
118,063	111,904

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 33.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

7. INVENTORIES

Current

Materials - depot
Trading stock - Eaton Recreation Centre

2020	2019
\$	\$
11,917	5,047
7,310	8,430
19,227	13,477
13,477	14,023
5,750	(546)
19,227	13,477

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Additions to inventory

Carrying amount at end of period

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

8. OTHER ASSETS

Other assets - current

Prepayments
Accrued income

2020	2019
\$	\$
0	22,735
42,807	151,597
42,807	174,332

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.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

Non-current assets held for sale (Continued)

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

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

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	Land - vested in and under the control of Council	Total land	Buildings - 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 2018	6,365,673	0	6,365,673	23,177,898	23,177,898	29,543,571	542,389	78,406	2,526,715	481,722	33,172,803
Additions	0	0	0	310,908	310,908	310,908	33,131	45,444	381,650	89,922	861,055
(Disposals)	0	0	0	0	0	0	(2,782)	0	(277,663)	0	(280,445)
Depreciation (expense)	0	0	0	(806,372)	(806,372)	(806,372)	(132,700)	(12,453)	(348,527)	0	(1,300,052)
Transfers	0	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2019	6,365,673	0	6,365,673	22,682,434	22,682,434	29,048,107	440,038	111,397	2,282,175	571,644	32,453,361
Comprises:											
Gross carrying amount at 30 June 2019	6,365,673	0	6,365,673	40,277,769	40,277,769	46,643,442	1,608,573	229,776	4,533,753	571,644	53,587,189
Accumulated depreciation at 30 June 2019	0	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	0	6,365,673	22,682,434	22,682,434	29,048,107	440,038	111,397	2,282,175	571,644	32,453,361
Additions	42,581	0	42,581	138,502	138,502	181,083	130,795	0	325,321	31,390	668,589
(Disposals)	(69,959)	0	(69,959)	(29,064)	(29,064)	(99,023)	(82,439)	(3,200)	(100,468)	0	(285,130)
Depreciation (expense)	0	0	0	(806,986)	(806,986)	(806,986)	(131,139)	(13,568)	(345,221)	0	(1,296,914)
Transfers	63,099	0	63,099	0	0	63,099	0	0	0	(63,099)	0
Carrying amount at 30 June 2020	6,401,394	0	6,401,394	21,984,886	21,984,886	28,386,280	357,255	94,629	2,161,807	539,935	31,539,906
Comprises:											
Gross carrying amount at 30 June 2020	6,401,394	0	6,401,394	40,230,683	40,230,683	46,632,077	1,551,513	197,776	4,713,632	539,935	53,634,933
Accumulated depreciation at 30 June 2020	0	0	0	(18,245,797)	(18,245,797)	(18,245,797)	(1,194,258)	(103,147)	(2,551,825)	0	(22,095,027)
Carrying amount at 30 June 2020	6,401,394	0	6,401,394	21,984,886	21,984,886	28,386,280	357,255	94,629	2,161,807	539,935	31,539,906

(Appendix ORD: 12.17C)

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

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	June 2017	Price per m2
Buildings - non-specialised	3	Market approach using recent observable market data for properties	Independent registered valuer	June 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

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

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.

Balance at 1 July 2018

Additions

(Disposals)

Depreciation (expense)

Transfers

Carrying amount at 30 June 2019

Comprises:

Gross carrying amount at 30 June 2019

Accumulated depreciation at 30 June 2019

Carrying amount at 30 June 2019

Additions

(Disposals)

Depreciation (expense)

Transfers

Carrying amount at 30 June 2020

Comprises:

Gross carrying amount at 30 June 2020

Accumulated depreciation at 30 June 2020

Accumulated impairment loss at 30 June 2020

Carrying amount at 30 June 2020

Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and ovals	Infrastructure - Bridges	Total Infrastructure
\$	\$	\$	\$	\$	\$
90,382,156	7,185,505	17,559,558	5,887,236	22,617,853	143,632,308
3,191,626	184,040	0	68,198	412,385	3,856,249
0	0	0	0	0	0
(2,430,122)	(202,673)	(333,136)	(182,943)	(593,344)	(3,742,218)
0	0	0	0	0	0
91,143,660	7,166,872	17,226,422	5,772,491	22,436,894	143,746,339
130,401,431	10,317,702	25,047,817	9,215,361	40,353,444	215,335,755
(39,257,771)	(3,150,830)	(7,821,395)	(3,442,871)	(17,916,549)	(71,589,416)
91,143,660	7,166,872	17,226,422	5,772,490	22,436,895	143,746,339
2,992,410	79,641	0	426,819	0	3,498,870
0	0	0	0	0	0
(2,481,827)	(206,354)	(333,136)	(184,307)	(600,215)	(3,805,839)
0	0	0	0	0	0
91,654,243	7,040,159	16,893,286	6,015,002	21,836,680	143,439,370
133,393,841	10,397,343	25,047,817	9,642,180	40,353,444	218,834,625
(41,739,598)	(3,357,184)	(8,154,531)	(3,627,178)	(18,516,764)	(75,395,255)
0	0	0	0	0	0
91,654,243	7,040,159	16,893,286	6,015,002	21,836,680	143,439,370

(Appendix ORD: 12.17C)

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

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 current replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using current replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	3	Cost approach using current replacement cost	Management valuation	June 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 current replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Bridges	3	Cost approach using current replacement cost	Independent valuation	June 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 2020

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

The fair value of land, buildings and infrastructure is determined at least once every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings and infrastructure, to be shown at fair value

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under control prior to 1 July 2019

In accordance with the then *Local Government (Financial Management) Regulation 16(a)(ii)* prior to 1 July 2019 the Shire was previously required to include as an asset (by 30 June 2013) vested Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or regional 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 prior to 1 July 2019

In Western Australia, prior to 1 July 2019, most land under roads was Crown Land, the responsibility for managing which, is vested in the local government.

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

In respect of land under roads acquired on or after 1 July 2008, as detailed above, the then *Local Government (Financial Management) Regulation 16(a)(i)* 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.

Land under roads from 1 July 2019

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

The Shire does not have land associated with golf course and racecourses recognised as assets.

Vested improvements from 1 July 2019

The vested land has been measured at zero cost, and the Shire does not have any vested improvements.

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

11. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	69,959	1,240,800	1,170,841	0	0	1,165,000	1,165,000	0	0	0	0	0
Buildings - non-specialised	29,064	0	0	(29,064)	0	0	0	0	0	0	0	0
Furniture and equipment	82,439	20,000	0	(62,439)	0	0	0	0	2,782	564	0	(2,218)
Plant and equipment	3,200	91	0	(3,109)	0	0	0	0	0	0	0	0
Motor vehicles	100,468	73,001	0	(27,467)	158,924	158,924	0	0	277,663	261,011	15,093	(31,745)
	285,130	1,333,892	1,170,841	(122,079)	158,924	1,323,924	1,165,000	0	280,445	261,575	15,093	(33,963)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Community amenities				
Town Planning Services Vehicle	21,412	18,182	0	(3,230)
Recreation and culture				
ERC Gym Equipment	82,439	20,000	0	(62,439)
Transport				
Water Tank/Spray Unit	3,200	91	0	(3,109)
Economic services				
Other property and services				
Engineering Services Vehicle	30,294	20,171	0	(10,123)
Executive Services Vehicle	28,027	16,466	0	(11,561)
Information Services Vehicle	20,735	18,182	0	(2,553)
	186,107	93,092	0	(93,015)
Land				
Other Property and Services				
Lot 606/607 Council Drive	69,959	1,240,800	1,170,841	0
	69,959	1,240,800	1,170,841	0
Buildings				
Program				
Former Works Depot	29,064	0	0	(29,064)
	29,064	0	0	(29,064)
	285,130	1,333,892	1,170,841	(122,079)

(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 in the table below.

	2020	2019
	\$	\$
Buildings - specialised	126,157	126,157
Furniture and equipment	539,786	539,786
Plant and equipment	37,600	17,072
Motor vehicles	818,191	628,373
Infrastructure - Bridges	150,000	0
	1,671,734	1,311,388

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

11. FIXED ASSETS

(c) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	806,986	806,600	806,372
Furniture and equipment	131,139	133,500	132,700
Plant and equipment	13,568	50,150	12,453
Motor vehicles	345,221	532,500	348,527
Infrastructure - Roads	2,481,827	2,505,000	2,430,122
Infrastructure - Footpaths	206,354	205,000	202,673
Infrastructure - Drainage	333,136	335,000	333,136
Infrastructure - Parks and ovals	184,307	190,000	182,943
Infrastructure - Bridges	600,215	485,000	593,344
Right of use assets - land and buildings	21,509	0	0
Right of use assets - furniture and equipment	122,411	0	0
Right of use assets - motor vehicles	7,115	0	0
	5,253,788	5,242,750	5,042,270

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	50 years
Furniture and equipment	5 to 10 years
Plant and equipment	5 to 10 years
Motor vehicles	10 years
Work 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 - bridges	60 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease

Depreciation on revaluation

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

- 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
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

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

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

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

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

12. LEASES

(a) Right of Use Assets

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

Carrying amount at 30 June 2019

Recognised on initial application of AASB 16

Restated total equity at the beginning of the financial year

Additions

Depreciation (expense)

Carrying amount at 30 June 2020

Right of use assets - land and buildings	Right of use assets - furniture and equipment	Right of use assets - motor vehicles	Right of use assets Total
\$	\$	\$	
0	0	0	0
122,212	264,330	7,719	394,261
122,212	264,330	7,719	394,261
262,667			262,667
(21,509)	(122,411)	(7,115)	(151,035)
100,703	404,586	604	505,893
2,916	4,983	89	7,988
20,247	120,810	7,119	148,176
23,163	125,793	7,208	156,164

(b) Cash outflow from leases

Interest expense on lease liabilities

Lease principal expense

Total cash outflow from leases

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

ROU assets are measured at cost. This means all ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included on the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value. Refer to Note 11 that details the significant accounting policies applying to vested improvements.

Leases (continued)

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

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

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

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

13. INTANGIBLE ASSETS

(a) Intangible Assets

Non-current

Intangible asset - Easements

Carrying amount at beginning of period

Derecognition of Intangible asset - Easements

Carrying amount at end of period

TOTAL INTANGIBLE ASSETS

2020 Actual	2019 Actual
\$	\$
0	1,920,902
0	1,920,902
1,920,902	1,920,902
(1,920,902)	0
0	1,920,902
0	1,920,902

SIGNIFICANT ACCOUNTING POLICIES

Intangible Assets

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.

Changes to the Local Government (Financial Management) Regulations 1996 gazetted on the 6 November 2020, required local governments to apply the new Regulations to the 2019/20 financial report. These changes include the deletion of Regulation 16 by which the Shire previously recorded Easements as Intangible Assets in prior reporting periods.

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

14. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	5,018,352	0	0	0	5,018,352	5,018,352	0	0	0	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
Revaluation surplus - Furniture and equipment	141,852	0	0	0	141,852	141,852	0	0	0	141,852
Revaluation surplus - Plant and equipment	61,467	0	0	0	61,467	61,467	0	0	0	61,467
Revaluation surplus - Motor vehicles	308,205	0	0	0	308,205	308,205	0	0	0	308,205
Revaluation surplus - Intangible asset - Easements	1,920,902	0	(1,920,902)	(1,920,902)	0	1,920,902	0	0	0	1,920,902
Revaluation surplus - Infrastructure - Roads	57,347,459	0	0	0	57,347,459	57,347,459	0	0	0	57,347,459
Revaluation surplus - Infrastructure - Footpaths	6,425,473	0	0	0	6,425,473	6,425,473	0	0	0	6,425,473
Revaluation surplus - Infrastructure - Drainage	19,141,929	0	0	0	19,141,929	19,141,929	0	0	0	19,141,929
Revaluation surplus - Infrastructure - Parks and ovals	2,216,465	0	0	0	2,216,465	2,216,465	0	0	0	2,216,465
Revaluation surplus - Infrastructure - Bridges	16,265,455	0	0	0	16,265,455	16,265,455	0	0	0	16,265,455
	120,661,688	0	(1,920,902)	(1,920,902)	118,740,786	120,661,688	0	0	0	120,661,688

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 2020

15. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued salaries and wages
ATO liabilities
Bonds and deposits held (Municipal Liabilities)
Accrued interest on long term borrowings
Accrued expenses
Prepaid revenue

2020	2019
\$	\$
1,049,612	735,312
648,952	558,936
96,114	25,165
440,438	160,435
741,314	825,867
33,404	37,523
10,768	5,174
42,144	11,382
3,062,746	2,359,794

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

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

16. 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 2020

17. CONTRACT LIABILITIES

Current

Contract liabilities from contracts with customers - Grant Revenue
Contract liabilities from contracts with customers - Developer Contributions

Non-current

Revenue
Contract liabilities from contracts with customers - Developer Contributions

2020	2019
\$	\$
414,261	0
0	0
414,261	0
15,000	0
0	0
15,000	0
429,261	0

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

Less than 1 year

1 to 2 years

2 to 3 years

3 to 4 years

4 to 5 years

> 5 years

414,261

0

15,000

0

0

0

429,261

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

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

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

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

18. CAPITAL GRANT LIABILITY

Current

Capital Grant Liability - Grant Revenue
Capital Grant Liability - Developer Contributions

Non-current

Capital Grant Liability - Grant Revenue
Capital Grant Liability - Developer Contributions

2020	2019
\$	\$
2,270,000	0
2,035,010	0
4,305,010	0
0	0
598,272	0
598,272	0
4,903,282	0

Performance obligations from capital grant liabilities are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

1 to 2 years

2 to 3 years

3 to 4 years

4 to 5 years

> 5 years

4,305,010

598,272

0

0

0

0

4,903,282

SIGNIFICANT ACCOUNTING POLICIES

Contract Grant Liability

Capital grant liabilities relate to the Shire's obligations to construct non financial assets that are yet to be fulfilled at the end of the financial year. The Shire expects to satisfy the performance obligations within the next 2 years.

19. LEASE LIABILITIES

(a) Lease Liabilities

	2020	2019
	\$	\$
Current	143,625	0
Non-current	365,128	0
	508,753	0

(b) Movements in Carrying Amounts

Purpose	Lease Number	Asset Type	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2019	30 June 2020 Actual New Leases	30 June 2020 Lease Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments
Law, order, public safety									
Vehicle Lease	17	Vehicle	2.00%	24 months	7,720	0	7,120	600	89
Community amenities									
Lease of Land	2	Land	2.70%	120 months	67,427	0	9,241	58,186	1,686
Recreation and culture									
Photocopier/Scanner/Printer Lease	11	Furniture & Equip.	2.10%	36 months	3,995	0	3,995	0	42
Photocopier/Scanner/Printer Lease	12	Furniture & Equip.	2.10%	36 months	6,426	0	5,499	927	81
Cardio Fitness Equipment Lease	18	Furniture & Equip.	2.20%	60 months	0	199,457	0	199,457	0
Other property and services									
Transportable Building Lease	1	Buildings	2.50%	91 months	54,785	0	11,006	43,779	1,230
IT Equipment Lease	3	Furniture & Equip.	2.20%	60 months	18,347	0	8,359	9,988	318
IT Equipment Lease	4	Furniture & Equip.	2.20%	60 months	30,699	0	7,268	23,431	597
IT Equipment Lease	5	Furniture & Equip.	2.10%	36 months	22,102	0	10,490	11,612	360
IT Equipment Lease	6	Furniture & Equip.	2.10%	36 months	22,292	0	12,054	10,238	349
IT Equipment Lease	7	Furniture & Equip.	2.10%	48 months	112,927	0	27,359	85,568	2,089
Photocopier/Scanner/Printer Lease	8	Furniture & Equip.	2.10%	36 months	12,493	0	10,689	1,804	159
Photocopier/Scanner/Printer Lease	9	Furniture & Equip.	2.10%	36 months	10,765	0	9,211	1,554	137
Photocopier/Scanner/Printer Lease	10	Furniture & Equip.	2.10%	36 months	5,072	0	4,340	732	64
Photocopier/Scanner/Printer Lease	13	Furniture & Equip.	2.10%	36 months	5,072	0	4,339	733	65
Photocopier/Scanner/Printer Lease	14	Furniture & Equip.	2.10%	36 months	5,072	0	4,340	732	64
Photocopier/Scanner/Printer Lease	15	Furniture & Equip.	2.10%	36 months	5,072	0	4,340	732	64
Photocopier/Scanner/Printer Lease	16	Furniture & Equip.	2.10%	36 months	3,995	0	3,995	0	42
IT Equipment Lease	19	Furniture & Equip.	2.30%	72 months	0	40,009	3,133	36,876	437
IT Equipment Lease	20	Furniture & Equip.	2.10%	48 months	0	23,201	1,397	21,804	115
					394,261	262,667	148,175	508,753	7,988

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

20. INFORMATION ON BORROWINGS (Continued)

	2020	2019
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	250,000	250,000
Credit card limit	15,000	15,000
Total amount of credit unused	265,000	265,000
Loan facilities		
Loan facilities - current	250,116	279,748
Loan facilities - non-current	1,713,000	1,963,116
Lease liabilities - current	143,625	0
Lease liabilities - non-current	365,128	0
Total facilities in use at balance date	2,471,869	2,242,864

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 33.

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

21. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2019

Current provisions

Non-current provisions

Additional provision

Balance at 30 June 2020

Comprises

Current

Non-current

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

Expected reimbursements from other WA local governments

Provision for Annual Leave	Provision for Rostered Days Off	Provision for Long Service Leave	Total
\$	\$	\$	\$
656,472	59,620	556,606	1,272,698
0	0	228,163	228,163
656,472	59,620	784,769	1,500,861
116,857	1,891	93,242	211,990
773,329	61,511	878,011	1,712,851
773,329	61,511	602,168	1,437,008
0	0	275,843	275,843
773,329	61,511	878,011	1,712,851

2020	2019
\$	\$
1,437,008	1,272,698
275,843	228,163
1,712,851	1,500,861

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 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.

Other long-term employee benefits (Continued)

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 2020

22. OTHER PROVISIONS

	Provision for Rehabilitation on Leased Land	Total
	\$	\$
Opening balance at 1 July 2019		
Current provisions	0	0
Non-current provisions	0	0
	0	0
 Additional provision	83,833	83,833
Balance at 30 June 2020	83,833	83,833
 Comprises		
Current	0	0
Non-current	83,833	83,833
	83,833	83,833

Provision for rehabilitation on leased land

Council operates a waste transfer station on leased land at Banksia Road, Dardanup, which at the end of the lease will require rehabilitation on the site. A provision for such has been created and is based on usage of the site. The Provision for Rehabilitation on the leased site has been recorded using the Net Present Value method.

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

23. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	25,645,523	16,897,376	19,441,957
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	2,467,572	3,231,852	766,902
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(1,152)	0	(70,068)
Depreciation on non-current assets	5,253,788	5,242,750	5,042,270
(Profit)/loss on sale of asset	(1,048,762)	(1,165,000)	18,870
Change in Accounting Policies transferred to retained surplus	0	3,843,620	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(658,791)	0	(45,515)
(Increase)/decrease in other assets	131,525	0	(112,656)
(Increase)/decrease in inventories	(5,750)	0	546
Increase/(decrease) in payables	702,952	(3,843,620)	911,212
Increase/(decrease) in provisions	211,990	24,700	(117,095)
Increase/(decrease) in contract liabilities	2,411,684	0	0
Non-operating grants, subsidies and contributions	(4,653,828)	(3,804,088)	(1,874,654)
Net cash from operating activities	4,811,228	3,530,214	4,519,812

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

24. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	39,231	89,209
General purpose funding	26,453,769	20,173,168
Law, order, public safety	1,283,156	1,361,906
Health	861,460	890,958
Education and welfare	735,303	754,907
Community amenities	992,358	719,274
Recreation and culture	24,569,106	24,798,429
Transport	143,920,028	146,024,052
Economic services	697,087	703,411
Other property and services	3,302,622	3,236,505
	202,854,120	198,751,819

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

25. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities at year end.

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

26. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	105,576	109,395	113,511
President's allowance	25,870	25,870	29,883
Deputy President's allowance	6,467	6,467	7,470
Travelling expenses	3,372	11,220	4,227
Telecommunications allowance	21,233	22,050	22,459
	162,518	175,002	177,550

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	1,816,491	1,596,935
Post-employment benefits	199,277	180,424
Other long-term benefits	42,971	43,286
Termination benefits	97,908	83,835
	2,156,647	1,904,480

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 2020

26. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2020	2019
	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 2020

27. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

Council has no joint venture arrangements in place as at 30 June 2020.

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

28. INVESTMENT IN ASSOCIATES

Council has no investments in associates as at 30 June 2020.

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

29. MAJOR LAND TRANSACTIONS

Council did not undertake any Major Land Transactions during the 2019/20 financial year.

30. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2019/20 financial year.

31. RATING INFORMATION

(a) Rates

RATE TYPE

Differential general rate / general rate

Gross rental valuations

	Rate in \$	Number of Properties	2019/20 Actual Rateable Value	2019/20 Actual Rate	2019/20 Actual Interim Rates	2019/20 Actual Back Rates	2019/20 Actual Total Revenue	2019/20 Budget Rate	2019/20 Budget Interim Rate	2019/20 Budget Back Rate	2019/20 Budget Total Revenue	2018/19 Actual Total Revenue
General Rates - GRV: Residential	0.100662	3,085	55,836,980	5,620,662	8,148	(181)	5,628,629	5,620,662	124,249	0	5,744,911	5,308,231
General Rates - GRV: Commercial	0.100662	54	13,605,420	1,369,549	48,163	7,486	1,425,198	1,369,549	0	0	1,369,549	1,319,125
General Rates - GRV: Industrial	0.100662	65	7,529,898	757,975	2,625	561	761,161	757,975	0	0	757,975	728,819
General Rates - GRV: Small Holding	0.100662	360	8,010,860	806,389	5,361	333	812,083	806,389	0	0	806,389	767,077
Unimproved valuations												
General Rates - UV: Broad Acre Rural	0.006259	488	273,051,000	1,709,026	(2,341)	139	1,706,824	1,709,026	0	0	1,709,026	1,643,245
General Rates - UV: Mining	0.006259	0	0	0			0	0	0	0	0	
Sub-Total		4,052	358,034,158	10,263,601	61,956	8,338	10,333,895	10,263,601	124,249	0	10,387,850	9,766,497

Minimum \$

Minimum payment

Gross rental valuations

General Rates - GRV: Residential	1,547.50	1,662	21,419,776	2,571,945	12,744	1,113	2,585,802	2,571,945	0	0	2,571,945	2,541,656
General Rates - GRV: Commercial	1,547.50	7	61,400	10,833	0	0	10,833	10,833	0	0	10,833	10,416
General Rates - GRV: Industrial	1,547.50	52	629,150	80,470	(2,824)	(249)	77,397	80,470	0	0	80,470	77,376
General Rates - GRV: Small Holding	1,547.50	72	607,980	111,420	31,571	497	143,488	111,420	0	0	111,420	107,642
Unimproved valuations												
General Rates - UV: Broad Acre Rural	1,547.50	135	20,540,600	208,913	(18,570)	0	190,343	208,913	0	0	208,913	210,399
General Rates - UV: Mining	1,547.50	20	372,699	30,950	(2,414)	(224)	28,312	30,950	0	0	30,950	28,557
Sub-Total		1,948	43,631,605	3,014,531	20,506	1,137	3,036,174	3,014,531	0	0	3,014,531	2,976,040

Discounts (Note 31(c))

Total amount raised from general rate

Specified Area Rate (Note 31(b))

Totals

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

(Appendix ORD: 12.17C)

31. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2019/20 Rateable Value	2019/20 Rate Revenue	2019/20 Interim Rate Revenue	2019/20 Back Rate Revenue	2019/20 Total Specified Area Rate Revenue	2019/20 Budget Rate Revenue	2019/20 Budget Back Rate Revenue	2019/20 Budget Interim Rate Revenue	2019/20 Total Budget Revenue	2018/19 Total Actual Revenue
Bulk Waste Collection	GRV	0.001315	76,020,628	99,967	646	0	100,613	100,000	0	0	100,000	110,124
Eaton Landscaping	GRV	0.002925	83,685,278	244,781	2,257	0	247,038	244,800	0	0	244,800	241,677
			159,705,906	344,748	2,903	0	347,651	344,800	0	0	344,800	351,801

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2019/20 Actual Rate Applied to Costs	2019/20 Actual Rate Set Aside to Reserve	2019/20 Budget Rate Applied to Costs	2019/20 Budget Rate Set Aside to Reserve	2019/20 Budget Reserve Applied to Costs
Bulk Waste Collection		4,586	100,613	0	100,000	0	0
Eaton Landscaping		4,363	158,038	89,000	244,800	89,000	62,494
			258,651	89,000	344,800	89,000	62,494

31. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount	2020		2020		2019		Circumstances in which Discount is Granted
			Actual	Budget	Actual	Budget	Actual		
Rates Written Off		\$	\$ 1,016	\$ 5,000	\$ 2,491	\$ 5,000	\$ 2,491		Write Offs
Total discounts/concessions (Note 31(a))			1,016	5,000	2,491	5,000	2,491		

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

31. 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	12/09/2019	0.00	0.00%	11.00%
Option Two				
Direct Debit Plan/Payment Arrangement		\$39.00		
First instalment	12/09/2019	0.00	5.50%	11.00%
Second instalment	14/11/2019	13.00	5.50%	11.00%
Third instalment	16/01/2020	13.00	5.50%	11.00%
Fourth instalment	19/03/2020	13.00	5.50%	11.00%

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Interest on unpaid rates	67,242	62,705	73,337
Interest on instalment plan	69,624	69,924	69,247
Charges on instalment plan	84,372	92,421	88,783
	221,238	225,050	231,367

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

32. RATE SETTING STATEMENT INFORMATION

		2019/20 Budget	2019/20	2018/19
	(30 June 2020	(30 June 2020	(1 July 2019	(30 June 2019
Note	Carried Forward)	Carried Forward)	Brought Forward)	Carried Forward
	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	11(a)	(1,170,841)	(1,165,000)	(15,093)
Less: Movement in liabilities associated with restricted cash		2,411,684	0	0
Less: Fair value adjustments to financial assets at fair value through profit and loss		(1,152)	0	(70,068)
Movement in pensioner deferred rates (non-current)		(6,159)	0	(3,590)
Movement in employee benefit provisions (non-current)		47,680	0	(198,986)
Add: Loss on disposal of assets	11(a)	122,079	0	33,963
Add: Depreciation on non-current assets	11(c)	5,253,788	5,242,750	5,042,270
Non cash amounts excluded from operating activities		6,657,079	4,077,750	4,788,496

(b) Surplus/(deficit) after imposition of general rates

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

Adjustments to net current assets

Less: Reserves - cash backed	4	(22,205,416)	(15,046,450)	(16,412,005)	(16,412,005)
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	20(a)	250,116	750,000	279,748	279,748
- Current portion of contract liability held in reserve		4,719,271	550,594	300,000	0
- Current portion of lease liabilities		143,625	0	0	0

Total adjustments to net current assets

		(17,092,404)	(13,745,856)	(15,832,257)	(16,132,257)
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Net current assets used in the Rate Setting Statement

Total current assets		27,179,668	17,973,376	20,449,245	20,449,245
Less: Total current liabilities		(9,612,766)	(4,095,294)	(4,212,240)	(3,912,240)
Less: Total adjustments to net current assets		(17,092,404)	(13,745,856)	(15,832,257)	(16,132,257)
Net current assets used in the Rate Setting Statement		474,501	132,227	404,751	404,751

(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards

Total current assets at 30 June 2019

- Contract assets	35(a)			20,449,245	0
Total current assets at 1 July 2019				20,449,245	

Total current liabilities at 30 June 2019

- Contract liabilities from contracts with customers - Grant Revenue	35(a)			(3,912,240)	(300,000)
Total current liabilities at 1 July 2019				(4,212,240)	

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

33. 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 debt investments	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.

	Carrying Value		Fair Value	
	2020	2019	2020	2019
	\$	\$	\$	\$
Financial assests				
Cash and cash equivalents	25,645,523	19,441,957	25,645,523	19,441,957
Receivables	1,178,037	512,050	1,178,037	512,050
Other financial assets	71,220	70,068	71,220	70,068
	26,894,780	20,024,075	26,894,780	20,024,075
Financial Liabilities				
Payables	3,062,746	2,359,794	3,062,746	2,359,794
Borrowings and lease liabilities	2,471,869	2,242,864	2,471,869	2,242,864
	5,534,615	4,602,658	5,534,615	4,602,658

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	1.27%	25,645,523	12,400,000	13,245,523	0
2019					
Cash and cash equivalents	2.28%	19,441,957	11,100,000	8,341,957	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.

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	132,455	83,420

* 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 20(b).

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt 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 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms, therefore no provision is required at 30 June 2020.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Gross carrying amount	293,046	52,209	27,084	23,770	396,109
30 June 2019					
Rates receivable					
Gross carrying amount	198,573	59,072	25,320	28,530	311,495

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	493,899	2,708	908	284,413	781,928
Loss allowance	0	0	0	0	0
30 June 2019					
Trade and other receivables					
Gross carrying amount	164,264	4,977	7,558	23,756	200,555

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

33. 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>2020</u>	\$	\$	\$	\$	\$
Payables	3,062,746	0	0	3,062,746	3,062,746
Borrowings	348,079	1,033,450	1,165,249	2,546,778	1,963,116
Lease liabilities	143,625	365,128	0	508,753	508,753
	3,554,450	1,398,578	1,165,249	6,118,277	5,534,615
<u>2019</u>					
Payables	2,359,794	0	0	2,359,794	2,359,794
Borrowings	393,692	1,218,118	1,328,659	2,940,469	2,242,864
	2,753,486	1,218,118	1,328,659	5,300,263	4,602,658

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

34. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Events may occur between the end of the reporting period and the date when financial statements are verified by the Council. 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 2020

35. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
Contract liabilities - current				
Contract liabilities from contracts with customers - Grant Revenue	17	0	0	0
Contract liabilities from contracts with customers - Developer Contributions	17	0	0	0
Contract liabilities non-current				
Contract liabilities from contracts with customers - Grant Revenue	17	0	(15,000)	(15,000)
Contract liabilities from contracts with customers - Developer Contributions	17	0	0	0
Adjustment to retained surplus from adoption of AASB 15	35(d)		(15,000)	

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

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

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

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 1058 carrying amount 01 July 2019 \$
Capital grant liabilities - current				
Capital Grant Liability - Grant Revenue	18	0	(300,000)	(300,000)
Capital Grant Liability - Developer Contributions	18	0	0	0
Capital grant liabilities - non current				
Capital Grant Liability - Grant Revenue	18	0	(2,605,859)	(2,605,859)
Capital Grant Liability - Developer Contributions	18	0	0	0
Adjustment to retained surplus from adoption of AASB 1058	35(d)		(2,905,859)	

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

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

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

35. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	31(a)	13,716,704	0	13,716,704
Operating grants, subsidies and contributions	2(a)	3,490,049	0	3,490,049
Fees and charges	2(a)	2,832,064	0	2,832,064
Non-operating grants, subsidies and contributions	2(a)	2,242,144	(2,411,684)	4,653,828
Net result		2,467,572	(2,411,684)	4,879,256
Statement of Financial Position				
Contract assets	2(a)	0	0	0
Trade and other payables	15	3,062,746	0	3,062,746
Contract liabilities	17	429,261	(429,261)	0
Capital grant liabilities	18	4,903,282	(4,903,282)	0
Net assets		190,190,278	(5,332,543)	195,522,821
Statement of Changes in Equity				
Net result		2,467,572	(2,411,684)	4,879,256
Retained surplus		49,244,076	(5,332,543)	54,576,619

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

(c) AASB 16: Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

	Note	2020 \$
Discount applied using incremental borrowing rate		394,261
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate of 2.10% and the rates implicit in the lease	19(b)	394,261
Lease liability - current		143,645
Lease liability - non-current		250,616
Right-of-use assets recognised at 1 July 2019		394,261

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 2020

35. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(d) Impact of New Accounting Standards on Retained Surplus

The impact on the Shire's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			55,574,607
Adjustment to retained surplus from adoption of AASB 15	35(a)	(15,000)	
Adjustment to retained surplus from adoption of AASB 1058	35(b)	(2,905,859)	(2,920,859)
Retained surplus - 1 July 2019			52,653,748

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

36. CORRECTION OF ERROR

Council operates a waste transfer station on leased land at Banksia Road, Dardanup. Lease conditions pertaining to the lease of the site requires Council to remove structures and rehabilitate the land on which the transfer station resides on, at the termination of the lease. In accordance with the lease agreement, a liability provision has been recognised for the Provision for Rehabilitation of Leased Land as at 30 June 2020 for the amount of \$83,833 which is funded by Council's Reserve account '*Refuse Site Environmental Works Reserve*'. Comparative figures have not been restated for the prior period error as the amount is not considered to be material.

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

37. 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 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
Eaton POS	501,680	2,068	(91,787)	411,961
Dardanup POS	97,143	400	0	97,543
Burekup POS	259,120	17,568	0	276,688
Tourism WA - Ferguson Valley Project	301,801	1,244	(130,309)	172,736
	1,159,744	21,280	(222,096)	958,928

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

38. 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 2020

39. 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 2020

40. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.270	1.096	1.065
Asset consumption ratio	0.642	0.655	0.668
Asset renewal funding ratio	1.100	1.273	1.131
Asset sustainability ratio	0.901	0.930	1.632
Debt service cover ratio	14.774	8.499	5.455
Operating surplus ratio	0.012	-0.064	-0.120
Own source revenue coverage ratio	0.848	0.851	0.811

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 Councillors of the Shire of Dardanup

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Dardanup which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Dardanup:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to the matter below. My opinion is not modified in respect of this matter:

I draw attention to Note 1 and 11 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. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the financial report.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2019 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2018 and 2019 in Note 39 of the audited annual financial report were included in the audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Dardanup for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the annual audited financial report to confirm the information contained in this website version of the annual financial report.

