



APPENDICES

Under Separate Cover
(Appendix ORD: 12.13B)

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

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

The logo for the Shire of Dardanup, featuring a stylized green and blue wave or mountain shape above the text.

Shire of Dardanup

ANNUAL REPORT

2019/20





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ABOUT US

The seeds of our Shire were sown in its picturesque agricultural hinterland where traditional farming enterprises like beef and dairy production have been joined in recent times by a now thriving tourism industry.

Local drawcards, particularly in the Ferguson Valley, like Gnomesville, wineries, galleries, restaurants and boutique accommodation provide an enviable lifestyle for locals and an abundance of activities for tourists.

The name “Dardanup” is derived from that used by the original Aboriginal inhabitants, meaning low lying ground by the water. European settlement in Dardanup began with Thomas Little (1838). The townsite of Eaton is the Shire’s commercial and residential hub and is one of the fastest growing towns in the South West.

Stunning natural assets provide a multitude of outdoor activities to enjoy including freshwater fishing in quiet rock pools and pristine rivers, swimming, camping and heritage walk trails.

The rural towns of Dardanup and Burekup are set in lush green cattle country and as the gateway to the renowned Ferguson Valley, their rolling hills and picturesque valleys provide wonderful opportunities for scenic drives.

	2016/17	2017/18	2018/19	2019/20
Rateable properties	5,828	5,840	6,000	6,033
Ordinary Rates levied	\$11.73m	\$12.07m	\$12.74m	\$13.36m
Operating revenue	\$24.3m	\$21.9m	\$20.90m	\$23.95m
Total assets	\$188m	\$197m	\$198m	\$202m
Full-time equivalent staff	106.18	110.08	116.78	118.97
Planning applications received	170	162	146	131
Building applications received	419	348	379	352
Domestic refuse collected	4,356t	3,236t	4,160t	4,390t
Recyclables collected	1,172t	2,611t	1,118t	1,134t
Eaton Rec Centre Members	842	857	868	856
Library members	2,844	3,191	2,914	3,273

COUNCILLORS



Cr Michael Bennett
Shire President



Cr Peter Robinson
Deputy Shire President



Cr Patricia Perks



Cr Carmel Boyce



Cr Tyrrell Gardiner



Cr Stacey Gillespie



Cr Luke Davies



Cr Mark Hutcinson



Cr Janice Dow

FUNCTION OF LOCAL GOVERNMENT

The Local Government Act 1995 gives local governments freedom to make decisions for their communities, promotes public participation, and demands accountability, efficiency and effectiveness in local government. This requires strategic thinking by local government, including how to:

- Best respond to community needs;
- Ensure public participation and accountability in local government processes; and
- Respond to the growing demand for more efficient and effective local government.

In addition to dealing with constantly changing legislative requirements and reforms, local governments are asking themselves, “What is the best way to organise physical, financial and human resources to achieve a competitive and productive organisation that meets the needs and desires of the community we serve?”

In fulfilling its role, Council sets the Shire of Dardanup’s strategic direction, oversees the Council’s finances and resources, determines its policies, and ensures that the Council’s statutory and community responsibilities are performed effectively and efficiently.

Our values are:

- Strong civic leadership representing the whole of the Shire which is supported by responsible and transparent corporate governance;
- Maintaining a balanced respect for our natural assets and built environment, while retaining our lifestyle values, community spirit and identity;
- A safe and vibrant community which is inclusive and welcoming for all ages and interests;
- To encourage a diverse and resilient economy that supports a range of local employment opportunities; and
- Provision and maintenance of facilities, infrastructure and services to promote the Shire as an attractive and desirable place to live.

Council’s Strategic Community Plan captures its vision, values, aspirations and objectives for the future of the Shire of Dardanup and is the foundation for Council corporate planning and resource allocation. The Strategic Community Plan (SCP) takes on a whole of community approach and is considered a shared vision of what the Shire of Dardanup community values and aspires to for the next ten years.

Prepared by Council on behalf of the community, the SCP guides Council’s priority-setting and decision making process, setting out objectives and strategies that are translated into more detailed actions and tasks within the four year Corporate Business Plan and further into Annual Budgets.

This Annual Report presents like a scorecard on outcomes delivered during 2019/20.

SHIRE PRESIDENT MESSAGE

This Financial Year has been characterised more than ever by conversations with our community, and that achievement alone, fills me with pride.

As you will read more about in the pages of this report, Council adopted a new Community Engagement Policy and Framework – a reflection of our enhanced commitment to community consultation.

This was driven by an increased expectation from the community for more direct involvement in Council decision-making which can only result in better outcomes for everyone.

As well as our new Council Advisory Groups we held a series of community meetings, undertook our extensive Vision 2050 community consultation exercise and launched – for the first time – several online consultations including the Burekup Community Facilities Plan consultation.

These online consultations were presented to the community via our new Connect Dardanup platform using software called Social Pinpoint.

The aim was to make it simpler, easier, more convenient and even just more interesting for the community to have a say on topics that matter to them.

The social media-style approach with the ability to post comments, reactions and see contributions from others also allowed users to gain a sense of how their fellow community members felt about various issues.

There is no doubt that change and growth is coming here in the Dardanup Shire, however I feel confident that by providing these expanded and new opportunities for community members to contribute their input and feedback on an ongoing basis will ensure the future we build together will be bright indeed.



Cr Mick Bennett

SHIRE PRESIDENT

CEO MESSAGE

It's a strange exercise to cast an eye back over the past financial year. The global Coronavirus Pandemic has changed life as we once knew it – not just in a physical sense but for many I think as well it has changed our attitudes toward life too.

It has been both an unprecedented personal challenge and privilege to lead the Shire of Dardanup through these uncertain times.

Despite the challenges we've endured together, compiling this Report has reminded me that a great deal has been achieved over the past year and in some ways it has been very much business as usual for us.



Here are a few of the items I consider to be achievements recorded during the 2019/20 Financial Year in addition to infrastructure projects mentioned later in this report:

- Adopted an adjusted Workforce Plan that keeps employee costs stable during the next four years;
- Reprioritised Asset Management Plans;
- Adopted a Draft Waste Management Plan;
- Adopted a new Planning Policy exempting minor development from requiring a planning approval;
- Adopted a new Community Engagement Policy and Framework along with new Council Advisory Groups;
- Conducted Desktop Review of the Strategic Community Plan 2018-2028;
- Vision 2050 Engagement;
- COVID response and recovery including adoption of 0 per cent rate increase, small scale economic stimulus grants for local businesses;
- Wanju and Waterloo District Structure Plans endorsed;
- Business Case for Sale of Lot 601 prepared and presented for Public Comment;
- Redeveloped Eaton Bowling Club Designs finalised and Tenders called;
- Appealed the decision of EPA not to assess the Lithium Tailings proposal;
- Put Waste Management on the WALGA Agenda with overwhelming support from the industry;
- Presentation to the State Government Select Inquiry into Regional Jobs;
- Welcomed two new Councillors and two returning Councillors to Council;
- Continued to promote tourism across the Bunbury Geopraphe Region as part of the regional partnership, including during Ferguson Valley Marketing's temporary relocation to the Shire of Dardanup Office in Little Street;

- Endorsed first ever Bushfire Risk Management Plan and undertook the first round of Bushfire Mitigation activities via DFES funding; and
- Supported the Draft Greater Bunbury Regional Park Management Plan 2020 and the establishment of a Possum sanctuary in Leister Ramble Reserve.

Our roads program has improved safety and comfort, upgrades to our assets such as the investment in all new gym equipment has delivered great lifestyle outcomes while an ongoing program of regular community events, programs and workshops bring people together – an aspect that was proven particularly valuable during isolation measures associated with containment of COVID-19.

We have also undertaken extensive work this year in planning for our near and distant future through our various consultation exercises, which you can read more about in the pages of this report.

Council is cognisant of the need for thoughtful and transparent planning as the Shire moves toward new periods of growth and change in what is still uncertain times.

I am hopeful that you will continue to engage in thoughtful and valuable conversations with us to assist with our decision-making and enabling us to deliver outcomes our community will be proud of.

André Schönfeldt

CHIEF EXECUTIVE OFFICER

FINANCIAL SNAPSHOT



The following provides a snapshot of the Council's Operating Income for 2019/20. More detailed information can be found in the Financial Statements at the end of this Annual Report.

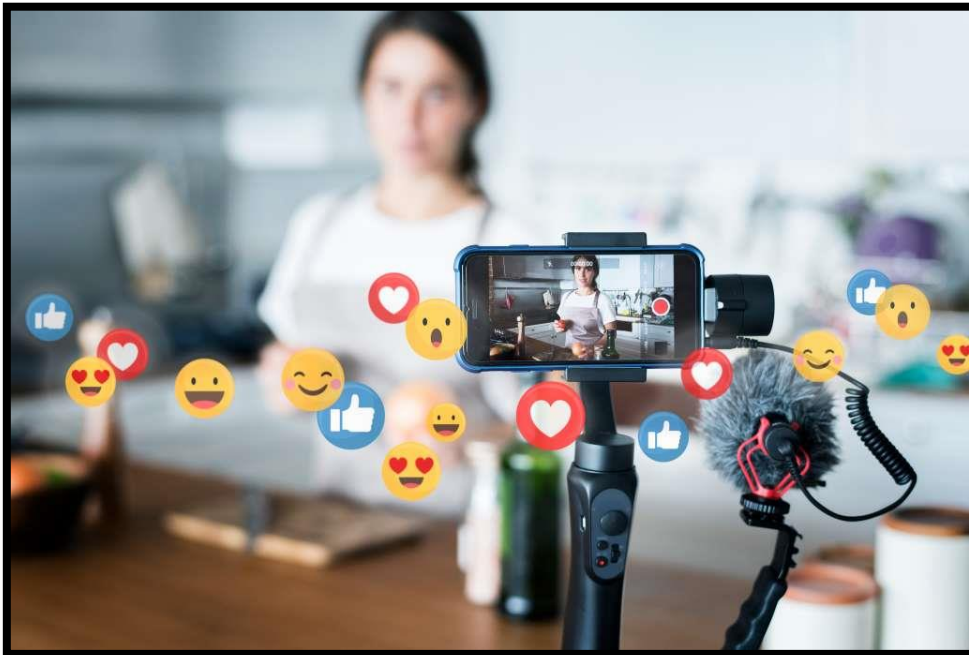
Total Operating Revenue:

- Rates: \$13,716,704
- Operating Grants & Contributions: \$3,490,049
- Fees & Charges: \$2,832,064
- Interest Earnings: \$482,735
- Other Revenue: \$24,686
- Profit on Assets Disposals: \$1,170,841

Total Operating Expenditure:

- Governance: \$1,186,604
- General Purpose Funding: \$331,323
- Law, Order & Public Safety: \$1,710,790
- Health: \$547,469
- Education & Welfare: \$750,714
- Community Amenities: \$2,638,143
- Recreation & Culture: \$7,677,393
- Transport: \$5,845,978
- Economic Services: \$469,137
- Other Property & Services: \$213,173
- Loss on Disposal of Assets: \$122,079

2019/20 ACHIEVEMENTS



The Shire of Dardanup's **Strategic Community Plan 2018-2028** sets out objectives in the following Key Performance Areas:

➤ LEADERSHIP

➤ ENVIRONMENT

➤ COMMUNITY

➤ PROSPERITY

➤ AMENITY

LEADERSHIP

To provide strong civic leadership representing the whole of the Shire which is supported by responsible and transparent corporate governance.

How it applies to the Strategic Community Plan Outcomes:

- 1.1 To provide good governance to the community.**
- 1.2 To provide quality leadership that is respected and accountable.**



New policy signals fresh commitment to community engagement

Recognition of an increased expectation from the community for more direct involvement in Council decision-making spurred adoption in 2019 of a new Community Engagement Policy and Framework.

Under the new Policy, a series of Place-Based and Topic-Based Council Advisory Groups were established.

Each of the groups meet twice per year to provide Shire of Dardanup Administration and Council with their views and/or proposals relevant to the group's individual objectives and are composed of Councillors, community members and invited stakeholder group representatives.

Nominations from community members interested in joining the Place-Based Advisory Groups were called for following a series of town meetings.

In adopting the new Policy, Council recognised successful engagement would improve strategic planning and service delivery, ensuring priorities of the community were addressed while increasing opportunities for collaboration.

The newly-established Council Advisory Groups are:

TOPIC-BASED

- Community Development
- Sustainable Development
- Roadwise
- Economic Development
- Sport & Recreation

PLACE-BASED

- Dardanup
- Burekup
- Eaton/Millbridge
- Ferguson
- Wanju/Waterloo

ENVIRONMENT

To achieve a balanced respect for our natural assets and built environment, while retaining our lifestyle values, community spirit and identity.

How it applies to the Strategic Community Plan Outcomes:

- 2.1 To protect, enhance and responsibly manage our natural environment and public open spaces.**
- 2.1.1 To protect and preserve open spaces, natural vegetation and bushland.**
- 2.1.2 Preserve and protect the ecological value of watercourses.**

Extensive clean-up and improvements make Gnomesville shine

Progress was made under the Gnomesville Master Plan in 2019/20 following allocation of \$50,000 by Council toward the works.

In July 2019, the popular tourist attraction became a sea of green after the Parks & Environment team moved in to plant 950 seedlings.

Each seedling was fitted with a protective green bag while it established and at the time created quite an interesting spectacle among the red gnome hats.

The plants were a mixture of low flowering shrubs, some trees and plenty of sedges for along the creek line with the aim of beautification but also provide habitat for birds and frogs while assisting with preventions of future flooding of the banks during storm events.

The green bags were removed in the summer.

Early in 2020, further works involved construction of a bus pull-in bay and formal crossover to the carpark at the rear of Gnomesville. A concrete footpath and boardwalk is also planned.

The Gnomesville Master Plan was adopted in 2019 following community consultation and input and lists 23 projects to create continuous improvements at the tourism facility.



COMMUNITY

A safe and vibrant community which is inclusive and welcoming for all ages and interests.

How it applies to the Strategic Community Plan Outcomes:

- 3.2 To be an inclusive community that promotes active involvement in community life and a strong sense of community pride.**
- 3.2.1 To encourage social connectedness in our community through participation in positive social networks, interaction and events.**



Keeping our community connected during an unprecedented time

Late March 2020 was an unprecedented time in world history. In the months that followed, life was turned up-side down by the global Coronavirus Pandemic.

Strict containment measures implemented by the Federal and State Governments saw people isolated to their homes more than ever. Once busy streets and shopping centers were empty in the middle of the day with many businesses forced to stand-down staff and even close under the measures.

Community sports were banned and even playgrounds were closed to the public.

The Shire of Dardanup was committed to supporting its community through the health crisis and decided to THINK creatively. The result was an extensive program of support measures to keep the community connected and was delivered under the theme 'I Heart Dardanup'.

Highlights of the program included:

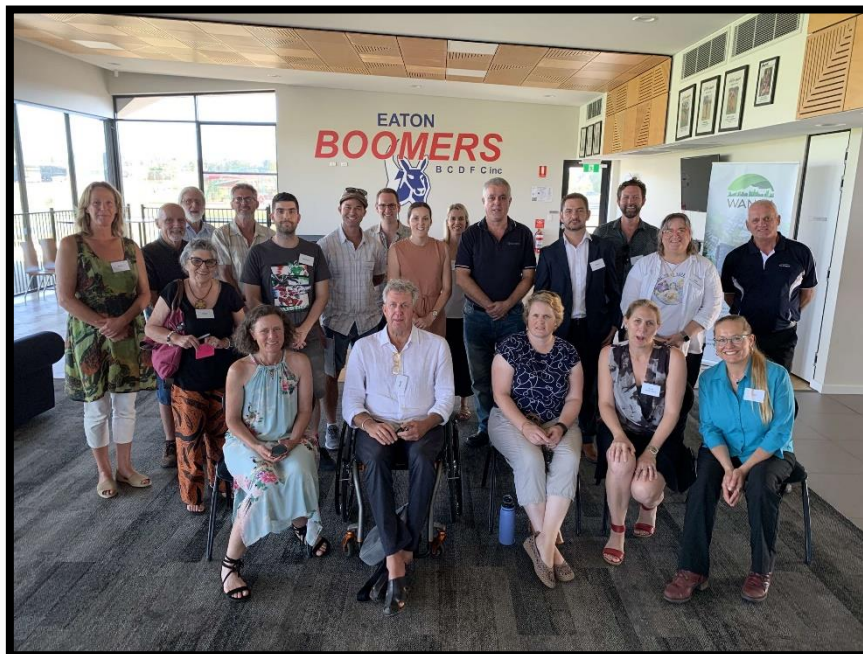
- Council's usual schedule of free community workshops and programs were shifted 'online' and delivered as Facebook Live events via an 'I Heart Dardanup' Facebook group, allowing participants to watch from home with home-delivered materials packs and interact 'live' with presenters via Facebook;
- Workout videos were created and delivered online by Eaton Recreation Centre staff to keep community members healthy and active during isolation;
- A dedicated Community Care Line was established to receive COVID related enquiries and allow staff to personally check in on residents as well as a postcard delivered to every letterbox seeking feedback from the community on support required;
- A mobile library service was launched, delivering library books to the doorsteps of residents in every corner of the shire;
- A national Driveway Dawn Service for Anzac Day was supported with commemorative bin stickers to create interest and atmosphere;
- A special event called 'Front Porch Portraits' was delivered for Mother's Day and allowed families to have a free portrait captured by a professional photographer without leaving the sanctuary of home;
- Online community screening of 2040 The Documentary enabling community members to watch the movie for free and participate afterwards in an online discussion.

PROSPERITY

To encourage a diverse and resilient economy that supports a range of local employment opportunities.

How it applies to the Strategic Community Plan Outcomes:

- 4.1 Be supportive of business by encouraging the establishment and ongoing sustainability of diverse business and industries of all sizes.
- 4.3 Support and facilitate investment in the region.



Community invited to make its mark on the future

In October, Council launched the biggest forward-thinking exercise it had ever undertaken in partnership with the community.

The idea was to engage the community in developing a big picture blueprint for the long-term future of the Shire, a document that would empower Council to seek out investment to facilitate realisation of a 'Vision 2050' the community could be proud of.

Community members and stakeholder groups were asked things like:

- When you step outside your front door 30 years from now, what will your neighbourhood look like?
- What types of facilities will your family have access to?

- What kinds of work and education opportunities will be available close to home?
- How can we capitalise on projected growth – particularly in the planned city of Wanju and Waterloo Industrial Park – to benefit the rest of the Shire?

Consultants facilitated discussions on topics like transport, sustainability, sport and recreation, safety, economic development and connected communities.

In February a Vision 2050 Community Summit was held to capture ideas from the community and IKEA Australia Sustainability Manager and Sustainability Expert Dr Kate Ring was a guest speaker and sparked imaginations with a presentation on the circular economy concept and promising developments in sustainable energy happening both in Australia and overseas.

Summit participants engaged in a passionate discussion about what's important to the community and shared some big ideas for the future.

Data collected via workshops, the community summit, an online consultation and literature review is now being collated and analysed before a draft Vision 2050 document is presented to Council for consideration later in 2020.

AMENITY

Provision and maintenance of facilities, infrastructure and services to promote the Shire as an attractive and desirable place to live.

How it applies to the Strategic Community Plan Outcomes:

5.2 To be a Livable Community.

5.2.1 To encourage physical activity by providing services and recreational facilities that encourage our community towards an active and healthy lifestyle.

5.3 To be a healthy and Supportive Community

5.3.1 To provide community facilities that enable a healthy community that volunteers, embraces lifelong learning and cultural awareness and is involved with a diverse range of vibrant community, sporting, cultural and artistic organisations and pursuits.



New gym memberships for residents aged 80 and over

Early in 2020 Council agreed to introduction of a special discounted membership to Eaton Recreation Centre & 24 Hour Gym for those aged 80 years and over.

As a result, from July 1 Shire residents aged 80 and over began paying no more than \$50 per year for access to facilities at Eaton Recreation Centre.

The news was welcomed by member of four years Roy Palmer who is 81 and was paying \$751 for his annual membership but now pays the new \$50 capped fee.

Since he started attending ERC four times per week, Roy says he has lost 43kgs, seen a reduction in his blood pressure, sleeps better and is enjoying many other health benefits pointed out by his GP.

Council hopes the discount and would encourage other senior members of the community to explore the benefits of a gym membership.

The new 80 and over gym membership is capped at \$50 per year.

Eaton gymnasium transforms for 2020

Eaton Recreation Centre underwent the most significant upgrade to its ageing gymnasium equipment in its 17-year history with installation of new, state-of-the-art strength and cardio equipment.

Council gave the project a go-ahead under its 2019/20 capital works budget with specialist equipment delivered for the upgrade from overseas.

New strength equipment replaced many machines which had been in operation since Eaton Recreation Centre first opened in 2003.

In addition, new cardio equipment replaced machines already past their five-year expected lifespan when maintenance costs start to increase and the technology becomes outdated.

In selecting the range of equipment, recreation centre staff were conscious of the changing trends in the fitness industry with a strong focus on the need for innovative strength equipment, functional training tools and cardio equipment that enables users to maintain individual levels of engagement, entertainment and most importantly, motivation.



OTHER COMPLETED PROJECTS / COMING SOON...

Council's 2019/20 budget included a \$7.27 million allocation for rural and urban road projects, dual use paths and bridges.

Works completed as a result of this funding allocation have included:

- Crooked Brook Road: East of Ironstone Road – Widen, reconstruct and seal;
- Pile Road: Ferguson Road to Henty Road – Widen, reconstruct and seal;
- Ferguson Road: Townsite – Reconstruct and seal;
- Harris Road: Widen, reconstruct and seal; and
- Mountford Road: Roadside drainage works, seal and gravel works.

Additional projects have included:

- Expansion of Colin Spragg Adventure Playground including installation of a flying fox thanks to a community donation and Lotteries West;
- Opening of new Peninsula Lakes Playground; and
- Adopted the Burekup Community Facilities Plan.

Other projects coming soon:

- Eaton Bowling Club redevelopment;
- Eaton Foreshore boat ramp and jetty (completed in October, 2020);
- New Eaton Skate park;
- Bush Fire Brigade buildings and upgrades;
- Gnomesville toilets; and
- Burekup Entry Statement.

STATUTORY REPORTS

Disability Access & Inclusion Plan

The Western Australia Disability Services Act requires all Local Governments to develop and implement a Disability Access and Inclusion Plan (DAIP) to ensure that people with disabilities have equal access to its facilities and services.

Other legislation underpinning access and inclusion includes the Western Australia Equal Opportunity Act (1984) and the Commonwealth Disability Discrimination Act 1992, both of which make discrimination on the basis of a person's disability unlawful. The Shire of Dardanup is committed to facilitating the inclusion of people with disabilities through the improvement of access to its facilities and services.

During 2019/20, the Shire of Dardanup continued to implement strategies which have been outlined within its Disability Access and Inclusion Plan. Of note were the:

- Biennial review of all Council policies and procedures to ensure that all services and events were consistent with the DAIP.
- Continuous review to ensure any events, functions and services organised by the Shire of Dardanup are accessible for people with disability. Over the past year, the Shire ran free community events workshops that are all inclusive and accessible to all residents of the Shire of Dardanup.

State Records Act

The State Records Act 2000 provides for the keeping of State records and related items. Section 19 of the Act requires each government organisation have a Record Keeping Plan (RKP) that has been approved by the State Records Commission.

The RKP dictates which records are created by an organisation, how they are stored and maintained, and whether they are ultimately destroyed. It is the primary means of providing evidence of compliance with the Act and that best practices have been implemented throughout the organisation. In accordance with Section 17 of the Act, the Shire of Dardanup and all its employees are legally required to comply with the contents of this Plan.

The Shire of Dardanup's Record Keeping Plan for the period 2020 to 2025 was approved by the State Records Commission in August 2020 and reflects the Council's ongoing commitment to best practice in records management, as well as its commitment to developing the technologies which will allow it to keep pace with the demands of an ever-increasingly complex information environment.

Shire of Dardanup record keeping policies and practices continue to be guided by the State Records Office. In addition to its ongoing advice in the area of child sexual abuse, valuable advice has been received in the management of records which relate to the interests of people living with disabilities, and to records relating to the corporate response to the COVID-19 pandemic.

Information Document Services

The Information Document Services department continues to place strong emphasis on records training for all new and existing staff members, with the dual objectives of making it easier to effectively use the information management systems and to reduce the incidence of non-compliance with the State Records Act. Record keeping inductions for all new staff comprise two mandatory introductory sessions over three days, with a follow-up session with another records officer two weeks later. Content includes a guide to each officer's record keeping responsibilities, and training sessions on the use of records systems.

Information Document Services staff continue to offer personal information management support to all staff on request, either in targeted sessions or individually. Enhanced tailored auditing systems monitor records management compliance on a daily basis and provide the raw data required to achieve better training outcomes.

During the year, like millions of other organisations worldwide, IDS faced significant challenges posed by the global COVID-19 pandemic. This challenge was met by a combination of remote access technologies (working from home), and by the dedication of front-line staff. As a result, there was relatively little interruption to information management services to the community.

A major project was launched in 2020 to digitise as many of the Council's paper-based records as possible. This ongoing project will provide all Council officers with quicker access to files, and enhanced data searching within those files, especially when compared to previous digitisation, which was often basic and sometimes incomplete. It will deliver a more efficient experience to officers at all levels in the organisation. It will also reduce the risks associated with unique and vulnerable paper documents. IDS staff have also managed several Freedom of Information applications during the year.

Register of Minor Complaints

Section 5.121 of the Local Government Act 1995 (Register of certain complaints of minor breaches) requires the Complaints Officer for each local government to maintain a register of complaints which records all complaints that result in action under section 5.110(6)(b) or (c) of the Act (Conduct of Certain Officials).

Section 5.53 (2)(hb) of the Local Government Act 1995 requires that details of entries made under section 5.121 during the financial year in the register of complaints, including —

- i) The number of complaints recorded in the register of complaints; and
- ii) How the recorded complaints were dealt with;

be included in the Annual Report of Council.

The Shire of Dardanup Complaints Officer did not receive any Complaints in 2019/20 which required referral to the Standards Panel for the panel's attention.

Employee Remuneration

Set out below, in bands of \$10,000, is the number of employees that are entitled to an annual Salary of \$100,000 or more.

<u>Salary Range</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
\$100,000 - \$109,999	7	5
\$110,000 - \$119,999	3	4
\$130,000 - \$139,999	0	0
\$160,000 - \$169,999	0	1
\$170,000 - \$179,999	1	0
\$180,000 - \$189,999	1	1
\$190,000 - \$199,999	1	1
\$200,000 - \$209,999	1	1
\$210,000 - \$219,999	0	0

Public Interest Disclosures

The Deputy CEO is appointed as Council's Public Interest Disclosures Officer under the Public Interest Disclosures Act 2003. This legislation is often referred to as the "whistleblower" Act and provides for the reporting of serious wrongdoing within the State public sector and local government as well as providing the mechanism for responding to reports.

The Shire of Dardanup Public Interest Disclosures Officer did not receive any complaints in 2019/20.

FINANCIAL REPORTS

Guide to understanding the Financial Statements

The 2019/20 financial statements show how the Shire of Dardanup performed during the financial year and the overall position at the end of the financial year, 30 June 2020.

The financial statements are prepared in accordance with the *Australian Accounting Standards* as they apply to local government and in accordance with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*. The financial statements must be certified by the Chief Executive Officer, and audited by an independent auditor appointed through the Office of Auditor General.

Financial Statements

The financial statements consist of six financial reports, explanatory notes supporting the reports and endorsement from the Chief Executive Officer and the independent auditor's report. The six financial reports are:

- 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

Statement of Comprehensive Income by Nature or Type

The Statement of Comprehensive Income measures the Council's performance over the year. The Statement of Comprehensive Income by Nature or Type provides a breakdown of the operating income and expenditure for the year, excluding the capital costs of buildings or assets. It lists the sources of revenue and expenditure incurred during the financial year in relation to the Council's 'operations'. Expenses do include an item for depreciation which is the value of the assets used up during the year.

Statement of Comprehensive Income by Program

The Statement of Comprehensive Income by Program is a summary of the Council's performance over the year listing various types of income and expenses by program, excluding the capital costs of buildings or assets as per the *Local Government (Financial Management) Regulations 1996* and *Australian Accounting Standards*. This allows identification of the cost of each program and the income recovered against each program.

Statement of Financial Position

The Statement of Financial Position shows the assets that the Shire of Dardanup owns and its liabilities (money that the Council owes). It is further broken down into 'Current' and 'Non-current'. Current means those assets and liabilities that are expected to be recouped, consumed or settled within the next 12 months; and Non-Current refers to those assets and liabilities that have an economic life extending beyond 12 months. The calculated difference between 'Assets' less 'Liabilities' is classified

as 'Net Assets' or 'Equity'; equity comprises of the Council's Cash Backed Reserves, Asset Revaluation Reserve (non-cash) and Retained Surplus.

Statement of Changes in Equity

The Statement of Changes in Equity summarises the changes in the Council's equity for the year. A change in equity from the previous year may result from:

- A surplus or deficit from the year's operations;
- Use of money from, or transfer to, the Council's Reserve Accounts;
- A change in value of non-current assets following a revaluation of a class of assets.

Statement of Cash Flows

The Statement of Cash Flows summarises the Council's cash payments and receipts for the year, and the level of cash at hand at the end of the financial year. Cash in this statement refers to bank deposits and investments capable of being quickly converted to cash. Cash flow arises from operating activities, investing activities and financing activities.

Rate Setting Statement

A statement showing the level of rates raised to finance the delivery of programs and any surplus/deficit at the end of the financial year.

Notes to the Statements

The Notes to the Statements are an informative section of the report and enable the reader to understand the basis on which the values shown in the statements are established. The Notes also advise if there has been any change to the Accounting Standards, Policy or Legislation that has impacted on the preparation of the statements. Within the six Financial Statements, there is a 'Note' number column to indicate which Note the reader can refer to for additional information.

Statement by the Chief Executive Officer and Independent Auditor's Report

The Annual Financial Report and supporting notes require certification by the Chief Executive Officer under the *Local Government Act 1995*; as a written declaration that the Statements fairly present the Shire of Dardanup's financial position and performance in compliance with applicable accounting standards and relevant legislation.

The Independent Audit Report provides an external and independent opinion on the Financial Statements. It provides the reader with the scope of audit work undertaken and expresses an audit opinion formed on this basis. The audit opinion relates to the fairness aspects and the statutory compliance of the Financial Statements.

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 7th day of December 2020



André Schönfeldt
Chief Executive Officer

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
		2,467,572	3,231,852	766,902
Net result for the period				
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				
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.

**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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FOR THE YEAR ENDED 30 JUNE 2020**

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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.

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:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
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

NOTE	2020	2019
	\$	\$
Cash at bank and on hand	13,245,523	8,341,957
Term deposits	12,400,000	11,100,000
Total cash and cash equivalents	25,645,523	19,441,957
Comprises:		
- Unrestricted cash and cash equivalents	3,440,107	3,029,952
- Restricted cash and cash equivalents	22,205,416	16,412,005
	25,645,523	19,441,957
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	22,205,416	16,412,005
	22,205,416	16,412,005
The restricted assets are a result of the following specific purposes to which the assets may be used:		
Reserves - cash backed	4	22,205,416
Contract liabilities from contracts with customers - Grant Revenue	17	429,261
Contract liabilities from contracts with customers - Developer Contributions	17	0
Less Contract liabilities - cash backed	17	(429,261)
Unspent grants, subsidies and contributions		0
Total restricted assets		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.

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

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	2,968,544	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	10,088	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	768,934	221,643	(152,839)	0	837,738
(ap) Road Construction and Major Maintenance Reserve	500,300	1,525,265	(1,437,854)	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) Wanju 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 construction of Eaton Drive Access Road from developer contributions.
(ab) Eaton Drive - Scheme Construction Reserve*	As the growth in Eaton townsite necessitates development.	Established for the future construction of Eaton Drive from developer contributions.
(ac) Contribution to Works Reserve	Year of budgeted works.	Established to account for contributions and donations received from external sources.
(ad) Unspent Grants Reserve**	Year of budgeted works.	Established to identify unexpended grants and special projects funding.
(ae) Swimming Pool Inspection Reserve	On payment of swimming pool inspections every 3 years.	Established to account for unspent Swimming Pool Inspection Levy.
(af) Unspent Specified Area Rate - Bulk Waste Collection	Next financial year.	Established to hold unspent specified area rates for bulk waste collection.
(ag) Unspent Specified Area Rate - Eaton Landscaping	Next financial year.	Established to hold unspent specified area rates for Eaton landscaping.
(ah) Dardanup Community Centre Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future construction of a 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 design of a future community centre and outdoor play area.
(aj) Dardanup Public Library Reserve	Reserve to be removed by 30 June 2020.	Established to hold funds for the future extension of Dardanup Public Library.
(ak) Wells Park Hard Courts 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.
(al) Wells Park Clubroom 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.
(am) Wells Park Clubroom Design 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.
(an) Wells Park Car Park 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.
(ao) Plant & Engineering Equipment Reserve	As scheduled in Council's Asset Management Plan.	To fund the purchase, replacement or lease of Council's heavy plant and engineering equipment.
(ap) Road Construction and Major Maintenance Reserve	Funds are not expected to be used within a set period but on a budgetary needs basis.	Established to provide funds for the upgrade and renewal of the Council's transport infrastructure.
(aq) Building Maintenance Reserve	As scheduled in Council's Asset Management Plan.	For the purchase, construction and maintenance of Council buildings.
(ar) Wanju Developer Contribution 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
	71,220	70,068
	71,220	70,068
	71,220	70,068
	71,220	70,068

(b) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

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
	<u>19,227</u>	<u>13,477</u>
	13,477	14,023
	5,750	(546)
	<u>19,227</u>	<u>13,477</u>

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 - non-specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Motor vehicles	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 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	53,587,188
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

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.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and ovals	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	90,382,156	7,185,505	17,559,558	5,887,236	22,617,853	143,632,308
Additions	3,191,626	184,040	0	68,198	412,385	3,856,249
(Disposals)	0	0	0	0	0	0
Depreciation (expense)	(2,430,122)	(202,673)	(333,136)	(182,943)	(593,344)	(3,742,218)
Transfers	0	0	0	0	0	0
Carrying amount at 30 June 2019	91,143,660	7,166,872	17,226,422	5,772,491	22,436,894	143,746,339
Comprises:						
Gross carrying amount at 30 June 2019	130,401,431	10,317,702	25,047,817	9,215,361	40,353,444	215,335,755
Accumulated depreciation at 30 June 2019	(39,257,771)	(3,150,830)	(7,821,395)	(3,442,871)	(17,916,549)	(71,589,416)
Carrying amount at 30 June 2019	91,143,660	7,166,872	17,226,422	5,772,490	22,436,895	143,746,339
Additions	2,992,410	79,641	0	426,819	0	3,498,870
(Disposals)	0	0	0	0	0	0
Depreciation (expense)	(2,481,827)	(206,354)	(333,136)	(184,307)	(600,215)	(3,805,839)
Transfers						0
Carrying amount at 30 June 2020	91,654,243	7,040,159	16,893,286	6,015,002	21,836,680	143,439,370
Comprises:						
Gross carrying amount at 30 June 2020	133,393,841	10,397,343	25,047,817	9,642,180	40,353,444	218,834,625
Accumulated depreciation at 30 June 2020	(41,739,598)	(3,357,184)	(8,154,531)	(3,627,178)	(18,516,764)	(75,395,255)
Accumulated impairment loss at 30 June 2020	0	0	0	0	0	0
Carrying amount at 30 June 2020	91,654,243	7,040,159	16,893,286	6,015,002	21,836,680	143,439,370

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	2,782	564	0	(2,218)	0
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:

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

Amortisation

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

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

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

**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.

	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
	\$	\$	\$	
Carrying amount at 30 June 2019	0	0	0	0
Recognised on initial application of AASB 16	122,212	264,330	7,719	394,261
Restated total equity at the beginning of the financial year	122,212	264,330	7,719	394,261
Additions		262,667		262,667
Depreciation (expense)	(21,509)	(122,411)	(7,115)	(151,035)
Carrying amount at 30 June 2020	100,703	404,586	604	505,893
(b) Cash outflow from leases				
Interest expense on lease liabilities	2,916	4,983	89	7,988
Lease principal expense	20,247	120,810	7,119	148,176
Total cash outflow from leases	23,163	125,793	7,208	156,164

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

	2020 Actual	2019 Actual
	\$	\$
	0	1,920,902
	0	1,920,902
Carrying amount at beginning of period	1,920,902	1,920,902
Derecognition of Intangible asset - Easements	(1,920,902)	0
Carrying amount at end of period	0	1,920,902
TOTAL INTANGIBLE ASSETS	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)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	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
	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
	<u>4,305,010</u>	<u>0</u>
	0	0
	598,272	0
	<u>598,272</u>	<u>0</u>
	<u>4,903,282</u>	<u>0</u>

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
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.

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

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	30 June 2020	30 June 2020	30 June 2020	30 June 2020
					Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	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

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

20. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	250,116	279,748
Non-current	1,713,000	1,963,116
	1,963,116	2,242,864

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	30 June 2019	30 June 2019
				Principal	Actual	Actual	Accrued	Actual	Actual	Principal	Interest	Principal	Interest	Principal	New	Principal	Interest	Principal	New	Actual	Accrued
				1 July 2019	New Loans	repayments	Interest	repayments	repayments	outstanding	1 July 2019	Loans	repayments	repayments	outstanding	1 July 2018	Loans	repayments	Interest	repayments	outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Community amenities																					
Wanju Developer Contribution Plan/Waterloo Industrial Park				0	0	0				0	0	750,000	0	0	750,000	0	0	0	0	0	0
Recreation and culture																					
Eaton Recreation Centre	59	WATC	5.87%	363,773	0	83,083	21,251	20,152	280,690	363,773	0	83,083	22,423	280,690	442,109	0	78,336	26,542	24,819	363,773	
Eaton Recreation Centre Extensions	63	WATC	5.97%	21,440	0	21,440	916	965	0	21,440	0	21,440	1,146	0	41,655	0	20,215	2,299	2,189	21,440	
Fitness Equipment	68	WATC	3.30%	21,070	0	21,070	255	348	0	21,070	0	21,070	413	0	62,190	0	41,120	1,775	1,716	21,070	
Glen Huon Oval Club Rooms	69	WATC	3.84%	1,005,108	0	39,638	44,350	38,219	965,470	1,005,108	0	39,638	45,072	965,470	1,043,266	0	38,158	46,108	39,699	1,005,108	
Eaton Bowling Club (SSL)	67	WATC	3.06%	0	0	0	0	0	0	0	0	0	0	0	32,935	0	32,935	219	504	0	
Transport																					
Depot Land	66	WATC	4.07%	559,417	0	56,313	24,900	22,201	503,104	559,417	0	56,313	25,841	503,104	613,506	0	54,089	27,474	24,425	559,417	
Economic services																					
Gravel Pit Land - Panizza Road	61	WATC	6.19%	113,014	0	22,465	7,141	6,653	90,549	113,015	0	22,465	7,381	90,550	134,131	0	21,117	8,632	7,981	113,014	
Other property and services																					
Administration Building	49	WATC	6.20%	0	0	0	0	0	0	0	0	0	0	0	42,965	0	42,965	597	1,332	0	
Administration Building Extensions	65	WATC	7.03%	159,042	0	35,739	11,012	10,563	123,303	159,042	0	35,739	11,667	123,303	192,395	0	33,353	13,647	12,949	159,042	
				2,242,864	0	279,748	109,825	99,101	1,963,116	2,242,865	750,000	279,748	113,943	2,713,117	2,572,217	0	329,353	127,074	115,110	2,242,864	
Self Supporting Loans																					
Recreation and culture																					
Eaton Bowling Club (SSL)	67	WATC	3.06%	0	0	0	0	0	0	0	0	0	0	0	32,935	0	32,935	219	504	0	
				0	0	0	0	0	0	0	0	0	0	0	32,935	0	32,935	219	504	0	
				2,242,864	0	279,748	109,825	99,101	1,963,116	2,242,865	750,000	279,748	113,943	2,713,117	2,605,152	0	362,288	127,293	115,614	2,242,864	

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 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
	\$	\$	\$	\$
Opening balance at 1 July 2019				
Current provisions	656,472	59,620	556,606	1,272,698
Non-current provisions	0	0	228,163	228,163
	656,472	59,620	784,769	1,500,861
Additional provision	116,857	1,891	93,242	211,990
Balance at 30 June 2020	773,329	61,511	878,011	1,712,851
Comprises				
Current	773,329	61,511	602,168	1,437,008
Non-current	0	0	275,843	275,843
	773,329	61,511	878,011	1,712,851
	2020	2019		
	\$	\$		
Less than 12 months after the reporting date	1,437,008	1,272,698		
More than 12 months from reporting date	275,843	228,163		
Expected reimbursements from other WA local governments				
	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

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 Actual	2019 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.

28. INVESTMENT IN ASSOCIATES

Council has no investments in associates as at 30 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.

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

31. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
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	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 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	28,552
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
		6,000	401,665,763	13,278,132	82,462	9,475	13,370,069	13,278,132	124,249	0	13,402,381	12,742,537
Discounts (Note 31(c))							(1,016)				(5,000)	(2,491)
Total amount raised from general rate							13,369,053				13,397,381	12,740,046
Specified Area Rate (Note 31(b))							347,651				344,800	351,801
Totals							13,716,704				13,742,181	13,091,847

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.

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

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 Actual Reserve Applied to Costs	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	0	100,000	0	0
Eaton Landscaping		4,363	158,038	89,000	30,024	244,800	89,000	62,494
			258,651	89,000	30,024	344,800	89,000	62,494

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

31. RATING INFORMATION (Continued)

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

Rates Discounts

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

Note	2019/20	2019/20	2019/20	2018/19		
	(30 June 2020 Carried Forward)	Budget (30 June 2020 Carried Forward)	(1 July 2019 Brought Forward)	(30 June 2019 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)	(15,093)
	Less: Movement in liabilities associated with restricted cash		2,411,684	0	0	0
	Less: Fair value adjustments to financial assets at fair value through profit and loss		(1,152)	0	(70,068)	(70,068)
	Movement in pensioner deferred rates (non-current)		(6,159)	0	(3,590)	(3,590)
	Movement in employee benefit provisions (non-current)		47,680	0	(198,986)	(198,986)
	Add: Loss on disposal of assets	11(a)	122,079	0	33,963	33,963
	Add: Depreciation on non-current assets	11(c)	5,253,788	5,242,750	5,042,270	5,042,270
	Non cash amounts excluded from operating activities		6,657,079	4,077,750	4,788,496	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)

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					20,449,245
	- Contract assets	35(a)				0
	Total current assets at 1 July 2019					20,449,245
	Total current liabilities at 30 June 2019					(3,912,240)
	- Contract liabilities from contracts with customers - Grant Revenue	35(a)				(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
	\$	\$	\$	\$	\$
2020					
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
	<u>3,554,450</u>	<u>1,398,578</u>	<u>1,165,249</u>	<u>6,118,277</u>	<u>5,534,615</u>
2019					
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
	<u>2,753,486</u>	<u>1,218,118</u>	<u>1,328,659</u>	<u>5,300,263</u>	<u>4,602,658</u>

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)	<u>(2,905,859)</u>	<u>(2,920,859)</u>
Retained surplus - 1 July 2019			52,653,748

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
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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
	<u>1,159,744</u>	<u>21,280</u>	<u>(222,096)</u>	<u>958,928</u>

**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	2019	2018
	Actual	Actual	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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

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, and 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, as well as 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 Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of this matter:

- (i) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual 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 40 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.



ALOHA MORRISSEY
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
14 December 2020

