

SHIRE OF WEST ARTHUR
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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Principal place of business:
31 Burrowes Street
Darkan WA 6392

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of West Arthur for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of West Arthur at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 5 day of December 2019



Chief Executive Officer

Nicole Wasmann

Name of Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	20(a)	1,674,054	1,674,813	1,608,538
Operating grants, subsidies and contributions	2(a)	1,354,599	629,350	1,905,188
Fees and charges	2(a)	370,039	297,090	316,734
Interest earnings	2(a)	109,813	81,197	107,460
Other revenue	2(a)	45,898	16,001	42,041
		3,554,403	2,698,451	3,979,961
Expenses				
Employee costs		(1,468,342)	(1,743,217)	(1,546,028)
Materials and contracts		(1,407,159)	(1,465,858)	(681,044)
Utility charges		(75,442)	(75,000)	(68,558)
Depreciation on non-current assets	10(b)	(2,075,389)	(1,837,046)	(1,857,684)
Interest expenses	2(b)	(40,043)	(40,044)	(44,438)
Insurance expenses		(89,961)	(85,694)	(81,576)
Other expenditure		(24,012)	(16,425)	(24,711)
		(5,180,348)	(5,263,284)	(4,304,039)
		(1,625,945)	(2,564,833)	(324,078)
Non-operating grants, subsidies and contributions	2(a)	834,583	835,026	907,801
Profit on asset disposals	10(a)	25,083	4,205	29,794
(Loss) on asset disposals	10(a)	(15,222)	(16,978)	(6,029)
		844,444	822,253	931,566
Net result for the period		(781,501)	(1,742,580)	607,488
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	(11,535,521)
Total other comprehensive income for the period		0	0	(11,535,521)
Total comprehensive income for the period		(781,501)	(1,742,580)	(10,928,033)

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

SHIRE OF WEST ARTHUR
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		250	300	100
General purpose funding		2,775,188	2,176,952	3,175,512
Law, order, public safety		79,212	35,698	55,216
Health		7,235	2,786	5,522
Education and welfare		150,807	101,841	85,328
Housing		146,341	111,931	122,257
Community amenities		49,840	46,200	181,169
Recreation and culture		72,161	37,890	56,574
Transport		117,996	70,958	126,929
Economic services		40,735	29,980	35,028
Other property and services		114,638	83,915	136,326
		3,554,403	2,698,451	3,979,961
Expenses				
Governance		(262,029)	(324,586)	(248,134)
General purpose funding		(82,781)	(78,277)	(70,235)
Law, order, public safety		(178,976)	(136,985)	(141,512)
Health		(137,765)	(148,297)	(112,862)
Education and welfare		(159,336)	(202,939)	(178,401)
Housing		(69,107)	(83,439)	(133,197)
Community amenities		(219,601)	(248,645)	(324,117)
Recreation and culture		(614,554)	(730,385)	(590,180)
Transport		(3,184,202)	(3,038,650)	(2,214,049)
Economic services		(101,033)	(138,747)	(96,224)
Other property and services		(130,921)	(92,290)	(150,690)
		(5,140,305)	(5,223,240)	(4,259,601)
Finance Costs				
Housing		(34,350)	(34,350)	(37,614)
Economic services		(2,429)	(2,430)	(2,728)
Other property and services		(3,264)	(3,264)	(4,096)
	2(b)	(40,043)	(40,044)	(44,438)
		(1,625,945)	(2,564,833)	(324,078)
Contributions	2(a)	834,583	835,026	907,801
Profit on disposal of assets	10(a)	25,083	4,205	29,794
(Loss) on disposal of assets	10(a)	(15,222)	(16,978)	(6,029)
		844,444	822,253	931,566
Net result for the period		(781,501)	(1,742,580)	607,488
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	(11,535,521)
Total other comprehensive income for the period		0	0	(11,535,521)
Total comprehensive income for the period		(781,501)	(1,742,580)	(10,928,033)

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

SHIRE OF WEST ARTHUR
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,964,922	3,277,121
Trade receivables	5	185,839	282,021
Other loans and receivables	7(a)	26,290	25,435
Inventories	6	21,550	20,871
TOTAL CURRENT ASSETS		3,198,601	3,605,448
NON-CURRENT ASSETS			
Financial assets at fair value through profit and loss	7(b)	52,551	46,400
Other loans and receivables	7(b)	393,667	419,957
Property, plant and equipment	8(a)	16,803,645	16,887,051
Infrastructure	9(a)	85,183,922	85,465,576
TOTAL NON-CURRENT ASSETS		102,433,785	102,818,984
TOTAL ASSETS		105,632,386	106,424,432
CURRENT LIABILITIES			
Trade and other payables	12	263,481	192,791
Borrowings	14(a)	90,698	86,043
Employee related provisions	15	405,820	411,947
TOTAL CURRENT LIABILITIES		759,999	690,781
NON-CURRENT LIABILITIES			
Borrowings	14(a)	715,837	806,535
Employee related provisions	15	35,578	24,643
TOTAL NON-CURRENT LIABILITIES		751,415	831,178
TOTAL LIABILITIES		1,511,414	1,521,959
NET ASSETS		104,120,972	104,902,473
EQUITY			
Retained surplus		11,584,681	12,652,966
Reserves - cash backed	4	1,756,241	1,469,457
Revaluation surplus	11	90,780,050	90,780,050
TOTAL EQUITY		104,120,972	104,902,473

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

SHIRE OF WEST ARTHUR
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		11,505,839	2,009,096	102,315,571	115,830,506
Comprehensive income					
Net result for the period		607,488	0	0	607,488
Other comprehensive income	11	0	0	(11,535,521)	(11,535,521)
Total comprehensive income		607,488	0	(11,535,521)	(10,928,033)
Transfers from/(to) reserves		539,639	(539,639)	0	0
Balance as at 30 June 2018		12,652,966	1,469,457	90,780,050	104,902,473
Restated total equity at the beginning of the financial year		12,652,966	1,469,457	90,780,050	104,902,473
Comprehensive income					
Net result for the period		(781,501)	0	0	(781,501)
Total comprehensive income		(781,501)	0	0	(781,501)
Transfers from/(to) reserves		(286,784)	286,784	0	0
Balance as at 30 June 2019		11,584,681	1,756,241	90,780,050	104,120,972

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

SHIRE OF WEST ARTHUR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,657,228	1,690,292	1,588,505
Operating grants, subsidies and contributions		1,485,303	694,350	1,930,475
Fees and charges		370,039	297,090	316,734
Interest received		109,813	81,197	107,460
Goods and services tax received		251,872	276,000	308,158
Other revenue		45,898	16,001	42,041
		3,920,153	3,054,930	4,293,373
Payments				
Employee costs		(1,462,957)	(1,743,217)	(1,557,114)
Materials and contracts		(1,337,725)	(1,350,807)	(1,004,008)
Utility charges		(75,442)	(75,000)	(68,558)
Interest expenses		(40,043)	(40,044)	(44,438)
Insurance paid		(89,961)	(85,694)	(81,576)
Goods and services tax paid		(269,568)	(276,000)	(276,842)
Other expenditure		(24,012)	(16,425)	(24,711)
		(3,299,708)	(3,587,187)	(3,057,247)
Net cash provided by (used in) operating activities	16	620,445	(532,257)	1,236,126
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(473,823)	(537,559)	(1,744,731)
Payments for construction of infrastructure		(1,286,575)	(1,409,721)	(1,191,749)
Payments for financial assets at fair value through profit and loss		(6,151)	0	0
Non-operating grants, subsidies and contributions		834,583	835,026	907,801
Proceeds from self supporting loans		25,435	25,435	24,608
Proceeds from sale of property, plant & equipment		59,930	263,000	164,442
Net cash provided by (used in) investment activities		(846,601)	(823,819)	(1,839,629)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(86,043)	(86,043)	(81,649)
Net cash provided by (used in) financing activities		(86,043)	(86,043)	(81,649)
Net increase (decrease) in cash held		(312,199)	(1,442,119)	(685,152)
Cash at beginning of year		3,277,121	3,277,121	3,962,273
Cash and cash equivalents at the end of the year	16	2,964,922	1,835,002	3,277,121

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

SHIRE OF WEST ARTHUR
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	21 (b)	1,926,694	1,926,694	1,785,813
		1,926,694	1,926,694	1,785,813
Revenue from operating activities (excluding rates)				
Governance		250	300	100
General purpose funding		1,104,528	505,533	1,570,368
Law, order, public safety		79,212	35,698	58,114
Health		7,235	2,786	5,522
Education and welfare		150,807	101,841	85,328
Housing		146,341	116,136	122,257
Community amenities		49,840	46,200	181,169
Recreation and culture		72,161	37,890	56,574
Transport		143,079	70,958	153,825
Economic services		40,735	29,980	35,028
Other property and services		114,638	83,915	136,326
		1,908,826	1,031,237	2,404,611
Expenditure from operating activities				
Governance		(262,029)	(324,586)	(248,134)
General purpose funding		(82,781)	(78,277)	(70,235)
Law, order, public safety		(178,976)	(136,985)	(141,512)
Health		(138,808)	(148,297)	(112,862)
Education and welfare		(159,336)	(202,939)	(178,401)
Housing		(103,457)	(117,789)	(170,811)
Community amenities		(221,610)	(248,645)	(324,117)
Recreation and culture		(625,570)	(730,385)	(590,180)
Transport		(3,184,202)	(3,055,628)	(2,220,078)
Economic services		(103,462)	(141,177)	(98,952)
Other property and services		(135,339)	(95,554)	(154,786)
		(5,195,570)	(5,280,262)	(4,310,068)
Non-cash amounts excluded from operating activities	21(a)	2,064,763	1,849,819	1,822,833
Amount attributable to operating activities		704,713	(472,512)	1,703,189
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		834,583	835,026	907,801
Proceeds from disposal of assets	10(a)	59,930	263,000	164,442
Proceeds from self supporting loans	14(b)	25,435	25,435	24,608
Purchase of property, plant and equipment	8(a)	(473,823)	(537,559)	(1,744,731)
Purchase and construction of infrastructure	9(a)	(1,286,575)	(1,409,721)	(1,191,749)
Amount attributable to investing activities		(840,450)	(823,819)	(1,839,629)
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(86,043)	(86,043)	(81,649)
Transfers to reserves (restricted assets)	4	(627,549)	(740,363)	(815,040)
Transfers from reserves (restricted assets)	4	340,765	451,318	1,354,679
Amount attributable to financing activities		(372,827)	(375,088)	457,990
Surplus/(deficit) before imposition of general rates		(508,564)	(1,671,419)	321,550
Total amount raised from general rates	20	1,670,660	1,671,419	1,605,144
Surplus/(deficit) after imposition of general rates	21(b)	1,162,096	0	1,926,694

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance	250	300	100
General purpose funding	1,003,259	433,215	1,472,004
Law, order, public safety	78,650	31,098	54,251
Health	0	0	300
Education and welfare	48,981	41,141	33,037
Housing	3,050	3,118	9,845
Community amenities	0	0	125,425
Recreation and culture	45,726	20,340	37,501
Transport	117,997	70,958	126,929
Economic services	3,180	3,180	2,626
Other property and services	53,506	26,000	43,170
	1,354,599	629,350	1,905,188
Non-operating grants, subsidies and contributions			
Law, order, public safety	0	4,000	0
Health	5,069	0	1,316
Recreation and culture	49,962	0	6,000
Transport	779,552	777,115	897,485
Economic services	0	53,911	3,000
	834,583	835,026	907,801
Total grants, subsidies and contributions	2,189,182	1,464,376	2,812,989

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual \$	2019 Budget \$	2018 Actual \$
Other revenue			
Reimbursements and recoveries	45,898	16,001	42,041
	45,898	16,001	42,041
Fees and Charges			
General purpose funding	2,534	2,200	2,809
Law, order, public safety	562	600	965
Health	197	400	499
Education and welfare	101,826	60,700	52,291
Housing	124,432	94,340	90,815
Community amenities	47,145	46,200	53,265
Recreation and culture	15,637	13,050	12,313
Economic services	37,555	26,800	32,315
Other property and services	40,151	52,800	71,462
	370,039	297,090	316,734
Additional fees were adopted by Council for Darkan Junior Swim Club, Community Gym election catering fundraising and for ticket sales for the Purple People Show.			
Interest earnings			
Loans receivable - clubs/institutions	14,473	14,473	15,300
Reserve accounts interest	36,282	33,724	40,147
Rates instalment and penalty interest (refer Note 20(c))	23,299	11,000	25,300
Other interest earnings	35,759	22,000	26,713
	109,813	81,197	107,460

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	28,600	30,000	11,459
- Other services	1,800	0	990
	30,400	30,000	12,449
Audit expense is recognised when audit is complete hence the fee shown is representative of the audit for the previous financial year. The indicative audit fees are \$29,300 for 2019 and \$28,600 for 2018 respectively.			
Interest expenses (finance costs)			
Borrowings (refer Note 14(b))	40,043	40,044	44,438
	40,043	40,044	44,438

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		2,964,922	3,277,121
		2,964,922	3,277,121
Comprises:			
- Unrestricted cash and cash equivalents		1,175,057	714,067
- Restricted cash and cash equivalents		1,789,865	2,563,054
		2,964,922	3,277,121
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Leave Reserve	4	156,202	132,921
Plant Reserve	4	94,159	83,567
Building Reserve	4	631,562	560,718
Town Development Reserve	4	69,595	61,225
Recreation Reserve	4	31,202	30,450
Heritage Reserve	4	5,128	4,783
Community Housing Reserve	4	109,024	92,734
Waste Management Reserve	4	80,044	78,115
Darkan Swimming Pool Reserve	4	33,219	32,419
Information Technology Reserve	4	57,988	56,591
Darkan Sport and Community Centre Reserve	4	223,747	192,880
Arthur River Country Club Reserve	4	25,049	21,243
Museum Reserve	4	127,858	56,269
Moodiarrup Sports Club Reserve	4	7,879	6,069
Landcare Reserve	4	46,885	59,473
Corporate Planning and Valuation Reserve	4	34,000	0
Kids Central Reserve	4	429	0
The Shed Reserve	4	11,019	0
Recreation Trails Reserve	4	1,185	0
Community Gym Reserve	4	6,887	0
Economic Development Reserve	4	3,180	0
Bonds - Other		8,478	0
Kids Central Members Funds		5,704	0
West Arthur Tourism Committee Funds		3,229	0
Rural Towns Program Funds		4,946	0
Tidy Towns Funds		3,681	0
West Arthur Trials Group Funds		7,586	0
		1,789,865	1,469,457
Other restricted cash and cash equivalents			
Unspent grants/contributions	19	0	1,093,597
Total restricted cash and cash equivalents		1,789,865	2,563,054

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018	
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	132,921	23,282	0	156,203	132,920	22,930	0	155,850	129,925	2,996	0	132,921
(b) Plant Reserve	83,567	304,741	(294,150)	94,158	83,568	304,471	(360,000)	28,039	85,403	362,252	(364,088)	83,567
(c) Building Reserve	560,718	95,844	(25,000)	631,562	560,718	325,876	(50,000)	836,594	419,344	325,729	(184,355)	560,718
(d) Town Development Reserve	61,225	8,370	0	69,595	61,225	1,346	0	62,571	59,845	1,380	0	61,225
(e) Recreation Reserve	30,450	752	0	31,202	30,450	669	0	31,119	52,659	1,214	(23,423)	30,450
(f) Heritage Reserve	4,783	345	0	5,128	4,783	404	0	5,187	4,320	463	0	4,783
(g) Community Housing Reserve	92,734	16,290	0	109,024	92,734	2,038	0	94,772	108,238	2,496	(18,000)	92,734
(h) Waste Management Reserve	78,115	1,929	0	80,044	78,115	1,725	0	79,840	76,734	1,381	0	78,115
(i) Darkan Swimming Pool Reserve	32,419	800	0	33,219	32,419	704	0	33,123	31,309	1,110	0	32,419
(j) Information Technology Reserve	56,591	1,397	0	57,988	56,591	1,244	0	57,835	55,315	1,276	0	56,591
(k) Darkan Sport and Community Centre Reserve	192,880	34,762	(3,895)	223,747	192,880	34,239	(15,000)	212,119	159,208	33,672	0	192,880
(l) Health and Resource Centre Reserve	0	0	0	0	0	0	0	0	753,897	10,916	(764,813)	0
(m) Arthur River Country Club Reserve	21,243	6,526	(2,720)	25,049	21,243	6,467	0	27,710	14,900	6,343	0	21,243
(n) Museum Reserve	56,269	71,589	0	127,858	56,269	1,237	0	57,506	54,999	1,270	0	56,269
(o) Moodiarrup Sports Club Reserve	6,069	1,810	0	7,879	6,069	1,793	0	7,862	3,000	3,069	0	6,069
(p) Landcare Reserve	59,473	2,412	(15,000)	46,885	59,473	1,220	(26,318)	34,375	0	59,473	0	59,473
(q) Corporate Planning and Valuation Reserve	0	34,000	0	34,000	0	34,000	0	34,000	0	0	0	0
(r) Kids Central Reserve	0	429	0	429	0	0	0	0	0	0	0	0
(s) The Shed Reserve	0	11,019	0	11,019	0	0	0	0	0	0	0	0
(t) Recreation Trails Reserve	0	1,185	0	1,185	0	0	0	0	0	0	0	0
(u) Community Gym Reserve	0	6,887	0	6,887	0	0	0	0	0	0	0	0
(v) Economic Development Reserve	0	3,180	0	3,180	0	0	0	0	0	0	0	0
	1,469,457	627,549	(340,765)	1,756,241	1,469,457	740,363	(451,318)	1,758,502	2,009,096	815,040	(1,354,679)	1,469,457

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	To be used to fund long service leave and annual leave requirements
(b) Plant Reserve	Ongoing	To be used for the purchase of major plant
(c) Building Reserve	Ongoing	To be used for the construction and maintenance of Council buildings
(d) Town Development Reserve	Ongoing	To be used to enhance town infrastructure
(e) Recreation Reserve	Ongoing	To be used to enhance recreation infrastructure
(f) Heritage Reserve	Ongoing	To be used to maintain and improve the heritage buildings of the Shire
(g) Community Housing Reserve	Ongoing	To be used for the maintenance and provision of housing within the Shire
(h) Waste Management Reserve	Ongoing	To be used to assist with funding future infrastructure requirements for waste management
(i) Darkan Swimming Pool Reserve	Ongoing	To be used to assist with funding works at the Darkan swimming pool
(j) Information Technology Reserve	Ongoing	To be used for upgrades to computers and office equipment
(k) Darkan Sport and Community Centre Reserve	Ongoing	To be used to maintain and improve the Darkan Sport and Community Centre
(l) Health and Resource Centre Reserve	Ongoing	To be used for extension and refurbishment of the Health and Resource Centre
(m) Arthur River Country Club Reserve	Ongoing	To be used to maintain and improve the Arthur River Country Club
(n) Museum Reserve	Ongoing	To be used to maintain and to provide new displays in the Museum
(o) Moodiarrup Sports Club Reserve	Ongoing	To be used to maintain and improve the Moodiarrup Sports Club Reserve
(p) Landcare Reserve	Ongoing	To be used to fund the landcare expenditure of the Shire
(q) Corporate Planning and Valuation Reserve	Ongoing	To be used to fund the corporate planning and valuation expenditure of the Shire
(r) Kids Central Reserve	Ongoing	To be used to fund the renewal of equipment and infrastructure
(s) The Shed Reserve	Ongoing	To be used to fund the renewal of equipment and infrastructure
(t) Recreation Trails Reserve	Ongoing	To be used for the construction and maintenance of recreation trails
(u) Community Gym Reserve	Ongoing	To be used for the renewal of gym equipment and activities
(v) Economic Development Reserve	Ongoing	To be used for economic development initiatives that benefit the Shire

5. TRADE RECEIVABLES

Current

Rates receivable	
(Less provision for doubtful debts)	
Sundry receivables	
GST receivable	

2019	2018
\$	\$
181,873	165,047
(74,143)	(65,400)
41,817	163,778
36,292	18,596
185,839	282,021

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 22.

Previous accounting policy: Impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

	2019	2018
	\$	\$
Current		
Fuels and Materials	21,550	20,871
	21,550	20,871
The following movements in inventories occurred during the year:		
Carrying amount at 1 July	20,871	13,293
Inventories expensed during the year	(205,812)	(167,122)
Additions to inventory	206,491	174,700
Carrying amount at 30 June	21,550	20,871

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.

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7. OTHER FINANCIAL ASSETS

(a) Current assets

Other loans and receivables

Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

(b) Non-current assets

Financial assets at fair value through profit and loss

Other loans and receivables

Financial assets at fair value through profit and loss

- Unlisted equity investments

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

Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

	2019	2018
	\$	\$
Other loans and receivables	26,290	25,435
Financial assets previously classified as loans and receivables	26,290	25,435
- Loans receivable - clubs/institutions	26,290	25,435
Financial assets at fair value through profit and loss	52,551	46,400
Other loans and receivables	393,667	419,957
Financial assets at fair value through profit and loss	446,218	466,357
- Unlisted equity investments	52,551	46,400
Financial assets at fair value through profit and loss - Local Government Trust	52,551	46,400
Financial assets previously classified as loans and receivables	393,667	419,957
- Loans receivable - clubs/institutions	393,667	419,957

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(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 22.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 24 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

8. 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	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	957,016	406,000	1,363,016	2,254,068	9,460,000	11,714,068	13,077,084	18,027	2,635,075	15,730,186
Additions	0	0	0	0	1,219,448	1,219,448	1,219,448	0	525,283	1,744,731
(Disposals)	0	0	0	0	0	0	0	0	(140,677)	(140,677)
Depreciation (expense)	0	0	0	(43,681)	(142,421)	(186,102)	(186,102)	(4,024)	(292,944)	(483,070)
Transfers	0	0	0	0	0	0	0	0	35,881	35,881
Carrying amount at 30 June 2018	957,016	406,000	1,363,016	2,210,387	10,537,027	12,747,414	14,110,430	14,003	2,762,618	16,887,051
Comprises:										
Gross carrying amount at 30 June 2018	957,016	406,000	1,363,016	2,254,068	10,679,448	12,933,516	14,296,532	22,050	3,287,560	17,606,142
Accumulated depreciation at 30 June 2018	0	0	0	(43,681)	(142,421)	(186,102)	(186,102)	(8,047)	(524,942)	(719,091)
Carrying amount at 30 June 2018	957,016	406,000	1,363,016	2,210,387	10,537,027	12,747,414	14,110,430	14,003	2,762,618	16,887,051
Additions	0	0	0	5,600	114,143	119,743	119,743	0	354,080	473,823
(Disposals)	0	0	0	0	0	0	0	(2,796)	(45,264)	(48,060)
Depreciation (expense)	0	0	0	(43,746)	(154,927)	(198,673)	(198,673)	(4,023)	(306,473)	(509,169)
Carrying amount at 30 June 2019	957,016	406,000	1,363,016	2,172,241	10,496,243	12,668,484	14,031,500	7,184	2,764,961	16,803,645
Comprises:										
Gross carrying amount at 30 June 2019	957,016	406,000	1,363,016	2,259,668	10,793,591	13,053,259	14,416,275	15,059	3,530,417	17,961,751
Accumulated depreciation at 30 June 2019	0	0	0	(87,427)	(297,348)	(384,775)	(384,775)	(7,875)	(765,456)	(1,158,106)
Carrying amount at 30 June 2019	957,016	406,000	1,363,016	2,172,241	10,496,243	12,668,484	14,031,500	7,184	2,764,961	16,803,645

8. 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	2	Market approach using recent observable market data for similar properties	Management Valuation	30 June 2017	Price per hectare or m2
Land - vested in and under the control of Council	2	Market approach using recent observable market data for similar properties	Management Valuation	30 June 2017	Price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Management Valuation	30 June 2017	Market data/improvements to land using construction costs and current market conditions (Level 2)
Buildings - specialised	3	Cost approach using depreciated replacement cost	Management Valuation	30 June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	30 June 2016	Costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment	2	Market approach using recent observable market data for similar properties	Management Valuation	30 June 2016	Market data

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

9. 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 - Other	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$
Balance at 1 July 2017	62,728,324	3,505,996	30,985,521	97,219,841
Additions	1,020,553	171,196	0	1,191,749
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	(11,535,521)	(11,535,521)
Depreciation (expense)	(896,000)	(126,612)	(352,000)	(1,374,612)
Transfers		(35,881)		(35,881)
Carrying amount at 30 June 2018	62,852,877	3,514,699	19,098,000	85,465,576
Comprises:				
Gross carrying amount at 30 June 2018	63,748,877	3,641,311	19,098,000	86,488,188
Accumulated depreciation at 30 June 2018	(896,000)	(126,612)	0	(1,022,612)
Carrying amount at 30 June 2018	62,852,877	3,514,699	19,098,000	85,465,576
Additions	1,168,050	118,525	0	1,286,575
(Disposals)	0	(2,009)	0	(2,009)
Depreciation (expense)	(928,830)	(137,549)	(499,841)	(1,566,220)
Carrying amount at 30 June 2019	63,092,097	3,493,666	18,598,159	85,183,922
Comprises:				
Gross carrying amount at 30 June 2019	64,916,927	3,757,706	19,098,000	87,772,633
Accumulated depreciation at 30 June 2019	(1,824,830)	(264,040)	(499,841)	(2,588,711)
Carrying amount at 30 June 2019	63,092,097	3,493,666	18,598,159	85,183,922

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	30 June 2017	Costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management Valuation	30 June 2017	Costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Management Valuation	30 June 2018	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.

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

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

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - non-specialised	0	0	0	0	225,795	230,000	4,205	0	0	0	0	0
Furniture and equipment	2,796	0		(2,796)	0	0	0	0	0	0	0	0
Plant and equipment	45,264	59,930	25,083	(10,417)	49,978	33,000	0	(16,978)	140,677	164,442	29,794	(6,029)
Infrastructure - Other	2,009	0		(2,009)	0	0	0	0	0	0	0	0
	50,069	59,930	25,083	(15,222)	275,773	263,000	4,205	(16,978)	140,677	164,442	29,794	(6,029)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and Equipment				
Health				
Medical Equipment below \$5,000	1,043	0	0	(1,043)
Recreation and culture				
Playground and hall equipment below \$5,000	11,016	0	0	(11,016)
Transport				
DAF Truck	21,609	38,776	17,167	0
Mack Truck	0	4,593	4,593	0
Mack Prime Mover	13,238	16,560	3,322	0
Other property and services				
Computer and tools under \$5,000	1,154	0	0	(1,154)
	48,060	59,929	25,082	(13,213)
Other Asset class				
Infrastructure				
Depot fencing below \$5,000	2,009	0	0	(2,009)
	2,009	0	0	(2,009)
	50,069	59,929	25,082	(15,222)

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

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	43,746	43,682	43,681
Buildings - specialised	154,927	154,546	142,421
Furniture and equipment	4,023	4,023	4,024
Plant and equipment	306,473	306,686	292,944
Infrastructure - Roads	928,830	854,513	896,000
Infrastructure - Other	137,549	124,095	126,612
Infrastructure - Bridges	499,841	349,501	352,002
	2,075,389	1,837,046	1,857,684

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	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement seal	70 years
- bituminous seals	15 to 25 years
- asphalt surfaces	15 to 25 years
Gravel roads formation	not depreciated
pavement	50 years
gravel sheeting	10 years
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Bridges	60 to 90 years

Depreciation (Continued)

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

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

11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Closing Balance	2018 Opening Balance	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	613,871	613,871	613,871	0	0	613,871
Revaluation surplus - Buildings	6,960,184	6,960,184	6,960,184	0	0	6,960,184
Revaluation surplus - Furniture and equipment	10,206	10,206	10,206	0	0	10,206
Revaluation surplus - Infrastructure - Roads	61,648,086	61,648,086	61,648,086	0	0	61,648,086
Revaluation surplus - Infrastructure - Other	1,703,099	1,703,099	1,703,099	0	0	1,703,099
Revaluation surplus - Infrastructure - Bridges	19,844,604	19,844,604	31,380,125	(11,535,521)	(11,535,521)	19,844,604
	90,780,050	90,780,050	102,315,571	(11,535,521)	(11,535,521)	90,780,050

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.

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Accrued salaries and wages
 Other payables

	2019	2018
	\$	\$
	220,351	183,862
	9,506	8,929
	33,624	0
	<u>263,481</u>	<u>192,791</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

13. SHORT-TERM BORROWINGS

The following restrictions have been imposed by regulations or other externally imposed requirements:

Unspent Grants

	2019	2018
	\$	\$
	0	1,093,597
	<u>0</u>	<u>1,093,597</u>

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

14. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	90,698	86,043
Non-current	715,837	806,535
	806,535	892,578

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2019	30 June 2019	30 June 2019	Budget	30 June 2019	30 June 2019	30 June 2019	Actual	30 June 2018	30 June 2018	30 June 2018
				Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal 1 July 2018	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Principal 1 July 2017	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Housing															
GROH Housing	70	WA Treasury	6.56%	317,316	38,684	19,877	278,632	317,316	38,684	19,877	278,632	353,563	36,247	22,314	317,316
Economic services															
Industrial Land	72	WA Treasury	3.27%	77,764	9,304	2,429	68,460	77,764	9,304	2,430	68,460	86,770	9,006	2,728	77,764
Other property and services															
Staff Housing - Lot 30 Hillman Street	69	WA Treasury	6.88%	52,106	12,620	3,264	39,486	52,107	12,620	3,264	39,487	63,894	11,788	4,096	52,106
				447,186	60,608	25,570	386,578	447,187	60,608	25,571	386,579	504,227	57,041	29,138	447,186
Self Supporting Loans															
Housing															
WA Cottage Homes			3.32%	445,392	25,435	14,473	419,957	445,392	25,435	14,473	419,957	470,000	24,608	15,300	445,392
				445,392	25,435	14,473	419,957	445,392	25,435	14,473	419,957	470,000	24,608	15,300	445,392
				892,578	86,043	40,043	806,535	892,579	86,043	40,044	806,536	974,227	81,649	44,438	892,578

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

14. INFORMATION ON BORROWINGS (Continued)

	2019	2018
(c) Undrawn Borrowing Facilities	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	150,000	150,000
Total amount of credit unused	150,000	150,000
Loan facilities		
Loan facilities - current	90,698	86,043
Loan facilities - non-current	715,837	806,535
Total facilities in use at balance date	806,535	892,578

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 22.

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Opening balance at 1 July 2018

Current provisions
 Non-current provisions

Additional provision
 Amounts used
 Increase in the discounted amount arising
 because of time and the effect of any
 change in the discounted rate

Balance at 30 June 2019

Comprises

Current
 Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	158,907	253,040	411,947
Non-current provisions	0	24,643	24,643
	158,907	277,683	436,590
Additional provision	110,558	13,212	123,770
Amounts used	(107,238)	(13,608)	(120,846)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	693	1,191	1,884
Balance at 30 June 2019	162,920	278,478	441,398
Comprises			
Current	162,920	242,900	405,820
Non-current	0	35,578	35,578
	162,920	278,478	441,398

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date
 More than 12 months from reporting date

	2019	2018
	\$	\$
Less than 12 months after the reporting date	171,931	107,764
More than 12 months from reporting date	269,467	328,826
	441,398	436,590

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	2,964,922	1,835,002	3,277,121
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(781,501)	(1,742,580)	607,488
Non-cash flows in Net result:			
Depreciation	2,075,389	1,837,046	1,857,684
(Profit)/loss on sale of asset	(9,861)	12,773	(23,765)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	96,182	80,479	36,570
(Increase)/decrease in inventories	(679)	7,700	(7,578)
Increase/(decrease) in payables	70,690	107,351	(316,826)
Increase/(decrease) in provisions	4,808	0	(9,646)
Grants contributions for the development of assets	(834,583)	(835,026)	(907,801)
Net cash from operating activities	620,445	(532,257)	1,236,126

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	34,383	500
General purpose funding	220,883	1,543,805
Law, order, public safety	462,241	490,600
Health	2,926,601	2,709,814
Education and welfare	11,155	10,581
Housing	2,267,871	2,189,392
Community amenities	893,385	1,001,054
Recreation and culture	9,579,923	9,586,937
Transport	83,678,625	83,422,243
Economic services	853,559	846,507
Other property and services	4,703,760	4,622,999
	105,632,386	106,424,432

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting fees	6,930	7,000	7,110
President's allowance	2,980	2,980	2,980
Deputy President's allowance	745	745	745
Travelling expenses	1,507	2,200	1,344
Telecommunications allowance	3,007	3,500	3,104
	15,169	16,425	15,283

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	231,093	231,474
Post-employment benefits	25,267	25,407
Other long-term benefits	4,617	7,166
	260,977	264,047

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.

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾			Balance ⁽¹⁾			Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
General purpose funding							
WA Grants Commission - Bridges	320,000	516,000	0	836,000	0	(836,000)	0
Law, order, public safety							
FESA Operating Grant	0	31,501	(30,930)	571	31,670	(32,241)	0
Bushfire Mitigation	0	22,750	(19,120)	3,630	42,980	(46,610)	0
AWARE	0	0	0	0	4,000	(4,000)	0
Health							
Solar Grant - HRC	0	0	0	0	5,069	(5,069)	0
Education and welfare							
Kids Central	0	0	0	0	42,743	(42,743)	0
Seniors Meal Service	0	0	0	0	6,156	(6,156)	0
Community amenities							
Strategic Groundworks	45,366	50,000	(93,249)	2,117	0	(2,117)	0
Recreation and culture							
Estate of E Brown - Museum	70,000	0	0	70,000	0	(70,000)	0
Lake Towerrinning Improvement Project	0	14,543	(4,673)	9,870	0	(9,870)	0
Cultural Day	0	2,008	0	2,008	0	(2,008)	0
Connect to Creative Grid	0	1,850	0	1,850	0	(1,850)	0
War Memorial Project	0	0	0	0	3,070	(3,070)	0
Solar Grant - Darkan Sports Complex	0	0	0	0	4,076	(4,076)	0
Changeroom Grant - Darkan Football Oval	0	0	0	0	45,886	(45,886)	0
Transport							
Roads to Recovery	54,145	598,041	(486,345)	165,841	422,104	(587,945)	0
RRG	0	0	0	0	357,448	(357,448)	0
Other property and services							
DLG - Youth Development	8,000	2,061	(8,351)	1,710	0	(1,710)	0
Total	497,511	1,238,754	(642,668)	1,093,597	965,202	(2,058,799)	0

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Differential general rate / general rate									
Gross rental valuations									
GRV Townsite	0.8385	65	480,874	40,321	173	40,494	40,321	40,321	53,413
GRV Commercial	0.8385	13	239,772	20,105	(1,003)	19,102	20,105	20,105	21,997
GRV Industrial	0.8385	5	68,068	5,708	0	5,708	5,708	5,708	6,301
GRV Other Townsite	0.8385	13	63,832	5,352	0	5,352	5,352	5,352	6,166
Unimproved valuations									
UV Rural	0.006082	396	252,373,000	1,534,933	(155)	1,534,778	1,534,933	1,534,933	1,546,209
Sub-Total		492	253,225,546	1,606,419	(985)	1,605,434	1,606,419	1,606,419	1,634,086
Minimum payment									
Gross rental valuations									
GRV Townsite	500	55	258,970	27,500	0	27,500	27,500	27,500	13,740
GRV Commercial	500	10	36,840	5,000	0	5,000	5,000	5,000	3,206
GRV Industrial	500	5	18,520	2,500	0	2,500	2,500	2,500	1,832
GRV Other Townsite	350	20	22,209	7,000	0	7,000	7,000	7,000	5,706
Unimproved valuations									
UV Rural	500	46	1,951,706	23,000	226	23,226	23,000	23,000	15,582
Sub-Total		136	2,288,245	65,000	226	65,226	65,000	65,000	40,066
		628	255,513,791	1,671,419	(759)	1,670,660	1,671,419	1,671,419	1,674,152
Discounts/concessions (refer Note 20(b))						0		0	(69,008)
Total amount raised from general rate						1,670,660		1,671,419	1,605,144
Ex-gratia rates						3,394		3,394	3,394
Totals						1,674,054		1,674,813	1,608,538

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

20. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee	Discount	Discount	2019 Actual	2019 Budget	2018 Actual	Circumstances in which Discount is Granted
Discount Granted	%	\$	\$	\$	\$	
Early payment discount			0	0	69,008	Paid in full on or prior to due date
			0	0	69,008	

20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Full payment	21 Sep 2018	0.00	5.50%	11.00%
Two instalments	21 Sep 2018 23 Nov 2018	5.00	5.50%	11.00%
Four instalments	21 Sep 2018 23 Nov 2018 25 Jan 2019 29 Mar 2019	15.00	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	20,742	9,200	23,630
Interest on instalment plan	2,557	1,800	1,670
Charges on instalment plan	810	600	705
	24,109	11,600	26,005

21. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget	2018/19 Brought Forward)
	2018/19 (30 June 2019 Carried Forward)	(30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i>.</p>			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a)	(25,083)	(4,205)
Less: Fair value adjustments to financial assets at amortised cost		(6,151)	0
Movement in employee benefit provisions (non-current)		4,808	0
Movement in accrued wages		578	0
Add: Loss on disposal of assets	10(a)	15,222	16,978
Add: Depreciation on assets	10(b)	2,075,389	1,837,046
Non cash amounts excluded from operating activities		2,064,763	1,849,819
(b) Surplus/(deficit) after imposition of general rates			
<p>The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.</p>			
Adjustments to net current assets			
Less: Reserves - restricted cash	3	(1,756,241)	(1,758,502)
Less: - Financial assets at amortised cost - self supporting loans	7(a)	(26,290)	(26,290)
Less: Provision for annual and long service leave		415,327	411,949
Add: Borrowings	14(a)	90,698	90,698
Total adjustments to net current assets		(1,276,506)	(1,282,145)
Net current assets used in the Rate Setting Statement			
Total current assets		3,198,601	2,069,233
Less: Total current liabilities		(759,999)	(787,088)
Less: Total adjustments to net current assets		(1,276,506)	(987,973)
Net current assets used in the Rate Setting Statement		1,162,096	0

22. 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.

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2019					
Cash and cash equivalents		2,964,922		2,964,922	
2018					
Cash and cash equivalents		3,277,121		3,277,121	

Sensitivity

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

	2019	2018
Impact of a 1% movement in interest rates on profit and loss and equity*	\$ 29,649	\$ 32,771

* 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 14(b).

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Gross carrying amount	36,723	23,380	14,972	32,655	107,730
01 July 2018					
Rates receivable					
Gross carrying amount	34,629	23,780	10,584	30,654	99,647

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.0%	0.0%	0.0%	0.0%	0.0%
Gross carrying amount	39,702	64	656	1,395	41,817
Loss allowance	0	0	0	0	0
01 July 2018					
Sundry Receivables					
Expected credit loss	0.0%	0.0%	0.0%	0.0%	0.0%
Gross carrying amount	160,406	1,986	0	1,386	163,778
Loss allowance	0	0	0	0	0

22. 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 14(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2019</u>					
Payables	229,857	0	0	229,857	263,481
Borrowings	126,172	468,758	380,781	975,711	806,535
	356,029	468,758	380,781	1,205,568	1,070,016
<u>2018</u>					
Payables	192,791	0	0	192,791	192,791
Borrowings	126,086	484,490	490,985	1,101,561	892,578
	318,877	484,490	490,985	1,294,352	1,085,369

23. TRUST FUNDS

In previous years, bonds and deposits were held as trust monies. They are now included in Restricted cash at Note 3 and shown as a current liability at Note 12.

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

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted Cash	30 June 2019
	\$	\$	\$	\$	\$
Bonds Other	8,298	180	0	(8,478)	0
Westcare	45,286	985	(2,185)	0	44,086
Youth Advisory Council	6,712	146	(6,858)	0	0
Tourist Committee	3,160	69	0	(3,229)	0
Seniors Luncheon	1,230	127	(397)	0	960
Kids Central	11,232	1,299	(6,827)	(5,704)	5,704
The Shed	10,318	700	(11,018)	0	0
Rural Towns Program	5,007	109	(170)	(4,946)	0
Tidy Towns	4,453	98	(870)	(3,681)	0
Collie Darkan Rail Trail Maint	1,159	25	(1,184)	0	0
Arthur River Development	4,241	10,100	(7,000)	0	7,341
RSL Trust Fund	4,836	105	(595)	0	4,346
Community Gym	9,363	1,570	(10,933)	0	0
West Arthur Trials Group	7,425	161	0	(7,586)	0
Darkan Arts Council	8,282	180	(200)	0	8,262
	131,002	15,854	(48,237)	(33,624)	70,699

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

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

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

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire did not designate any financial assets as at fair value through profit and loss.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 139 value	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
Loans and receivables				
Trade receivables*	263,425	263,425		
Loans and advances	445,392	445,392		
Available for sale financial assets	46,400			46,400
	755,217	708,817	0	46,400

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Shire recognised an additional impairment on the Shire's Trade receivables of \$ which resulted in a decrease in accumulated surplus/(deficit) of \$ as at 1 July 2018.

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

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*.

These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the Statement of Financial Position at the date of initial application (1 July 2019):

(b) 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 AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 is 3.50%.

Note	2019
	\$
Right-of-use asset recognised at at 1 July 2019	<u>0</u>

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019. Property, plant and equipment increases by \$20,000 on 1 July 2019 resulting in no impact on retained earnings on 1 July 2019.

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

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

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

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

(Continued)

(c) Income For Not-For-Profit Entities

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

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

	AASB 1004 carrying amount		AASB 1058 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
Trade and other payables	192,791	0	192,791

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

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

Volunteer Services in relation to Volunteer Fire Services will be recognised in budgeted revenue and expenditure as the fair value of the services can be reliably estimated and the services would have been purchased if they had not been donated.

(d) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019	0		11,584,681
Retained surplus - 01 July 2019	0		11,584,681

SHIRE OF WEST ARTHUR
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26. 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.

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE To set and achieve Council's goals and objectives for the ratepayers by providing high level direction, co-ordination and management policy</p>	<p>Cost associated with meetings, elections, preparing annual reports and other statutory reporting requirements, public relations and policy development and review.</p>
<p>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	<p>Costs associated with raising and collecting rates, rate enquiries, preparing general purpose grant returns and investing the Shire's surplus funds.</p>
<p>LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Fire control and prevention, and animal control.</p>
<p>HEALTH To provide an operational framework for environmental and community health.</p>	<p>Provision and maintenance of medical buildings and subsidies to health services, services of an Environmental Health Officer including food control.</p>
<p>EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.</p>	<p>School bus routes, provision of a child care service, support to families and childrens services including schools, support for seniors and welfare services.</p>
<p>HOUSING To provide housing for employees of local industry and government departments.</p>	<p>Maintenance and provision of GROH and community housing.</p>
<p>COMMUNITY AMENITIES To provide services required by the community.</p>	<p>Rubbish collection services, operation of refuse site, administration of the town planning scheme, storm water drainage, protection of the environment, cemetery maintenance.</p>
<p>RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.</p>	<p>Maintenance of halls, provision of library services, maintenance of historical buildings and maintenance of reserves and recreation facilities.</p>
<p>TRANSPORT To provide a smooth, safe, efficient and clearly defined road network that is environmentally acceptable and which enhances travels throughout the Shire.</p>	<p>Maintenance of roads, drainage works, footpaths, street lighting, median strips, traffic management, parking facilities and roadworks program.</p>
<p>ECONOMIC SERVICES To help promote the local government and its economic wellbeing.</p>	<p>Tourism and area promotion, caravan park, standpipes, pest control services and implementation of building controls.</p>
<p>OTHER PROPERTY AND SERVICES To monitor and control operating accounts.</p>	<p>Public works overheads, plant/vehicle operations, stock and materials, depot operations and private works.</p>

28. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	2.47	1.87	1.82
Asset consumption ratio	0.59	0.60	0.64
Asset renewal funding ratio	0.91	0.94	1.06
Asset sustainability ratio	0.74	0.84	1.09
Debt service cover ratio	3.96	12.70	23.31
Operating surplus ratio	(0.73)	(0.14)	0.06
Own source revenue coverage ratio	0.43	0.49	0.40

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$