

Shire of Denmark Minutes



SHIRE OF DENMARK AUDIT ADVISORY COMMITTEE

HELD IN THE COUNCIL CHAMBERS,
953 SOUTH COAST HIGHWAY, DENMARK,
TUESDAY, 20 FEBRUARY 2018.

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Council Committee Meeting

20 February 2018

DISCLAIMER

These minutes and resolutions are subject to confirmation by the Committee and therefore prior to relying on them, one should refer to the subsequent meeting of the Committee with respect to their accuracy.

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In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a license, any statement or limitation or approval made by a member or officer of the Shire of Denmark during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Denmark. The Shire of Denmark warns that anyone who has an application lodged with the Shire of Denmark must obtain and should only rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of Denmark in respect of the application.

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

1.00pm – The Shire President, Cr Gearon, assumed the role as Presiding Person and declared the meeting open.

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

MEMBERS:

- Cr Ceinwen Gearon (Shire President)
- Cr Kingsley Gibson
- Cr Ian Osborne
- Cr Janine Phillips
- Cr Rob Whooley
- Vacant (Community Member)
- Vacant (Community Member)
- Vacant (Community Member)

STAFF:

- Mr Bill Parker (Chief Executive Officer)
- Mr Cary Green (Director Corporate and Community Services)

APOLOGIES:

- Cr Peter Caron (Deputy Shire President)

ON LEAVE OF ABSENCE:

Nil

ABSENT:

Nil

VISITORS:

Nil

DECLARATIONS OF INTEREST:

Nil

3. ANNOUNCEMENTS BY THE PERSON PRESIDING

Nil

4. CONFIRMATION OF MINUTES

4.1 AUDIT COMMITTEE MEETING 29 AUGUST 2017

COMMITTEE DECISION & OFFICER RECOMMENDATION	ITEM 4.1
MOVED : CR GIBSON	SECONDED : CR OSBORNE
That the minutes of the Shire of Denmark Audit Advisory Committee meeting held on 29 August 2017, be confirmed as a true and correct record of the proceedings.	
CARRIED: 5/0	

5. OFFICER REPORTS

5.1 CONDUCT OF MEETING WITH AUDITOR – 2016/2017 ANNUAL FINANCIAL REPORT AND AUDITORS REPORT

File Ref:	FIN.31
Applicant / Proponent:	Shire of Denmark
Subject Land / Locality:	Nil
Disclosure of Officer Interest:	Nil
Date:	8 February 2018
Author:	Cary Green, Director Corporate and Community Services
Authorising Officer:	Bill Parker, Chief Executive Officer
Attachments:	Nil

Summary:

To resolve how the meeting between the Audit Committee and Council's Auditor will be conducted.

Comment:

Council's Auditors, Lincolns Accountants and Business Advisors, have produced an Audit Report and a list of Audit Observations for the 2016/2017 financial year.

An important function of the meeting is to discuss with the Auditor, the conduct of the audit, the audit findings, and the state of the Shire's financial affairs generally.

Legislation specifies that a local government is required to meet with its auditor at least once in every year. The Department of Local Government and Regional Developments Local Government Operational Guidelines – Number 09, Part 16 states:

"It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or Audit Committee should resolve how the meeting with the Auditor will be conducted and for the record of the meeting to show that the Auditor was involved and the matters discussed."

Council's Auditor has advised that they will be available between 1:00 pm to liaise with members of the Audit Committee via teleconference.

Consultation:

The Annual Financial Report has been the subject of close examination by the appointed auditors, Lincolns Accountants and Business Advisors.

Statutory Obligations:

Local Government Act 1995 Section 7.12A(2)

Policy Implications:

Nil

Budget / Financial Implications:

Nil

Strategic & Corporate Plan Implications:

The report and officer recommendation is consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

Denmark 2027

L5.4 To be fiscally responsible

Corporate Business Plan

4.4.12 Provide statutory and other relevant information to internal and external stakeholders on a timely basis.

Sustainability Implications:

➤ **Environmental:**

There are no known significant environmental considerations relating to the report or officer recommendation.

➤ **Economic:**

There are no known significant economic considerations relating to the report or officer recommendation.

➤ **Social:**

There are no known significant social considerations relating to the report or officer recommendation.

Voting Requirements:

Simple Majority

COMMITTEE DECISION & OFFICER RECOMMENDATION	ITEM 5.1
MOVED : CR GIBSON	SECONDED : CR PHILLIPS
That the Shire of Denmark Audit Committee resolves to conduct a meeting with Council's Auditor Mr Russell Harrison of Lincoln's Accountants and Business Advisors via telephone conference.	
CARRIED: 5/0	

5.2	SHIRE OF DENMARK 2016/17 ANNUAL FINANCIAL STATEMENT AND AUDIT REPORT
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File Ref:	FIN.31
Applicant / Proponent:	Shire of Denmark
Subject Land / Locality:	Nil
Disclosure of Officer Interest:	Nil
Date:	8 February 2018
Author:	Cary Green, Director Corporate and Community Services
Authorising Officer:	Bill Parker, Chief Executive Officer
Attachments:	6.1 a – 2016/17 Annual Financial Report including Independent Auditors Report 6.1 b – Management Letter

Summary:

The 2016/17 Annual Financial Statement, Auditors Report and Management Letter has been received from Council's appointed Auditor, Mr Russell Harrison from Lincolns Accountants and Business Advisors, and is provided to Committee Members with the Agenda documents.

Comment:

The Audit Report and Management Letter are to be subject of an Audit Committee meeting where the Committee will consider any action that may be required.

The objectives of the audit are to obtain reasonable assurances that the financial report is free from material misstatement and to provide an opinion to that effect. The nature of the audit is influenced by factors such as the use of professional judgement, selective testing, inherent limitations in internal controls and persuasive rather than conclusive evidence.

Shire Officers are not members of this committee and are present to answer any questions from members.

The Management Letter, which usually accompanies the Audit Report and which addresses less significant matters, offers the following comments regarding the Shires financial position;

AUDITORS COMMENT ON FINANCIAL POSITION

Ratio	Description	Result	Prescribed Standard
Current Ratio	Indicates the Shire's ability to meet short term debt obligations.	1.05	The standard is met if the ratio is greater than 1.
Asset Sustainability Ratio	Indicates that the Shire is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.	0.40	The standard is met if the ratio is 0.9 or higher.
Debt Service Cover Ratio	Indicates the Shire's ability to repay its debt including lease payments.	4.93	A basic standard is met if the ratio is greater than or equal to 2. An advanced standard is met if the ratio is greater than 5.
Operating Surplus Ratio	Indicates the Shire's ability to cover its operational costs and have revenues available for capital funding or other purposes.	(0.39)	A basic standard is met between 0.01 and 0.15. An advanced standard is met if the ratio is greater than 0.15.
Own Source Revenue Coverage Ratio	Indicates the Shire's ability to cover its costs through its own revenue efforts.	0.60	A basic standard is met if the ratio is between 0.4 and 0.6. Intermediate standard is between 0.6 and 0.9. An advanced standard is met if the ratio is greater than 0.9.
Asset Consumption Ratio	Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost	N/A	The standard is met if the ratio is 0.5 or greater. The standard is improving if the ratio is between 0.6 and 0.75.
Asset Renewal Funding Ratio	Measures the ability of the Shire to fund its projected asset renewal/replacements in the future.	N/A	The standard is met if the ratio is between 0.75 and 0.95. The standard is improving if the ratio is between 0.95 and 1.05.

The officer has prepared the following table to enable members of the Audit Committee to look at the last three (3) financial years in order to see if any specific trends are developing with respect to the above ratios:

	Standards Met
	Improvement Required

Ratio	Description	Result 14/15	Result 15/16	Result 16/17	Prescribed Standard
Current Ratio	Indicates the Shire's ability to meet short term debt obligations.	1.35	1.15	1.05	The standard is met if the ratio is greater than 1.
Asset Sustainability Ratio	Indicates that the Shire is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.	1.36	0.39	0.4	The standard is met if the ratio is 0.9 or higher.
Debt Service Cover Ratio	Indicates the Shire's ability to repay its debt including lease payments.	3.98	3.21	4.93	A basic standard is met if the ratio is greater than or equal to 2. An advanced standard is met if the ratio is greater than 5.
Operating Surplus Ratio	Indicates the Shire's ability to cover its operational costs and have revenues available for capital funding or other purposes.	-0.22	-0.41	-0.39	A basic standard is met between 0.01 and 0.15. An advanced standard is met if the ratio is greater than 0.15.
Own Source Revenue Coverage Ratio	Indicates the Shire's ability to cover its costs through its own revenue efforts.	0.72	0.64	0.60	A basic standard is met if the ratio is between 0.4 and 0.6. Intermediate standard is between 0.6 and 0.9. An advanced standard is met if the ratio is greater than 0.9.
Asset Consumption Ratio	Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost	N/A	N/A	N/A	The standard is met if the ratio is 0.5 or greater. The standard is improving if the ratio is between 0.6 and 0.75.
Asset Renewal Funding Ratio	Measures the ability of the Shire to fund its projected asset renewal/replacements in the future.	N/A	N/A	N/A	The standard is met if the ratio is between 0.75 and 0.95. The standard is improving if the ratio is between 0.95 and 1.05.

Annexure 1 – Comment of Adverse Ratios

The Shire's non-compliance with some of the ratios has been discussed with the Auditor, and their comments are provided in Annexure 1. The Auditor has stressed that all ratios can't be assessed in isolation and need to be considered in a broader context.

The Shire's Asset Sustainability ratio is low due to the revaluation of infrastructure assets in the past year, which has considerably increased the depreciation expense. The Shire is aware of this and will be implementing measures to improve this ratio in coming years.

The Asset Consumption and Asset Renewal Funding Ratios were not calculated because the Shire has not completed the Asset Management Plan or Long Term Financial Plan as required by Administration Regulation 19D. Councillors have been made aware of this matter previously by Officers and these outstanding items are currently being prepared for consideration of Council.

The Auditor has not expressed any significant concerns in relation to these results or the Shire's broader financial position.

Annexure 2 – Audit Misstatements

Two matters of audit misstatements were corrected, during the audit process, and the auditor has provided comments in Annexure 2.

- Land and Building revaluation
- Derecognition of deferred liabilities

There was also one matter of audit misstatement identified that was not corrected as part of the audit process, and will be adjusted in 2017/18.

- Carrying value of Local Government Housing Units.

Annexure 3 – Audit Findings

The Auditor identified the following items as part of the audit findings and Annexure 3 provides auditors recommendations and officers comments regarding these findings:

- Related Party Transactions
- Land Revaluations
- General Journal Entry Controls
- Local Government House Trust Asset
- Review of Primary and Annual Returns

Consultation:

Nil

Statutory Obligations:

Local Government Act 1995 Section 7.12A.

Local Government (Financial Management) Regulations 1996.

Local Government (Audit) Regulations 1996 – Regulation 16.

Policy Implications:

Nil

Budget / Financial Implications:

The 2016/17 Annual Financial Statements are printed and collated in-house by Shire Staff, the costs of which are included in operating budgets for the 2016/17 financial year.

Strategic & Corporate Plan Implications:

The report and officer recommendation is consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

Denmark 2027

L5.4 To be fiscally responsible

Corporate Business Plan

4.4.12 Provide statutory and other relevant information to internal and external stakeholders on a timely basis.

Sustainability Implications:

➤ **Environmental:**

There are no known significant environmental considerations relating to the report or officer recommendation.

➤ **Economic:**

There are no known significant economic considerations relating to the report or officer recommendation.

➤ **Social:**

There are no known significant social considerations relating to the report or officer recommendation.

Voting Requirements:

Simple majority.

COMMITTEE & OFFICER RECOMMENDATION	ITEM 5.1
MOVED : CR GIBSON	SECONDED : CR PHILLIPS
That the Shire of Denmark Audit Committee recommends to Council that the 2016/17 Annual Financial Statements including Auditors Report be accepted.	
CARRIED: 5/0	

6. GENERAL BUSINESS

Nil

7. NEXT MEETING

The next meeting of the Shire of Denmark Audit Committee is to be held as required.

8. CLOSURE OF MEETING

2.05pm – The Shire President thanked all of those in attendance and declared the meeting closed.

These minutes were confirmed at the meeting of the _____

Signed: _____

(Presiding Person at the meeting at which the minutes were confirmed.)

21 December 2017



Attn: Bill Parker
Chief Executive Officer
Shire of Denmark
PO Box 183
DENMARK WA 6333

Dear Council,

Audit for the year ended 30 June 2017

We are pleased to report that our audit of the Shire of Denmark financial statements and records for the year ended 30 June 2017 is now complete.

Accordingly we enclose a signed copy of the financial statements and audit certificate for your attention.

We confirm that we will arrange for one copy to be forwarded directly to the Department of Local Government, and the Shire President on your behalf.

Our responsibilities as auditors are outlined in our audit report. Significantly our objectives are to obtain reasonable assurance that the financial report is free from material misstatement and to provide our opinion to that effect. Reasonable assurance, whilst being high level, is not a guarantee that a material misstatement has occurred.

We obtain reasonable assurance by;

- Identifying the risks of material misstatement, design and perform audit procedures in response and obtain audit evidence to support our opinion;
- gain an understanding of internal controls to assist in the design of our audit procedures;
- evaluate accounting policies and confirm the design, structure and content of the financial report.

The nature of our audit is influenced by factors such as the use of professional judgement, selective testing, inherent limitations in internal control, persuasive rather than conclusive evidence.

Comment on Adverse Ratios

Local Government guidelines provide 'standards' applicable to financial reporting ratios as detailed in the financial report.

Annexure 1 contains details and discussion of ratios below the established standard.

Audit Misstatements

Audit misstatements are presented as;

- 1) Uncorrected Misstatements
- 2) Corrected Misstatements

Refer to Annexure 2

Findings and Recommendations

During our audit we noted the matters referred to in Annexure 3 which we wish to bring to Council's attention.

In conclusion we take this opportunity to thank Steve and your administration staff for their pleasant and co-operative assistance throughout the audit.

Should there be any matters that you would like to discuss further please do not hesitate to contact us.

Kind Regards



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Russell Harrison
Partner

Enc

ANNEXURE 1
SHIRE OF DENMARK
COMMENT ON ADVERSE RATIOS
FOR THE YEAR ENDED 30 JUNE 2017

RATIO	ACTUAL			TARGET	COMMENT
	2017	2016	2015		
Current Ratio	1.05	1.15	1.35	≥ 1	This ratio is a measure of liquidity. Calculation has been directly impacted by the Federal Government FAGS grants. These grants have been subject to unbudgeted prepayments and retentions over the past years. These are a significant revenue item. When adjusted for FAGS the ratio for the 2016/17 year reduces to .055. Less than the target of 1. We note that Council has adopted a balanced operating budget for the current year and is undertaking a comprehensive process leading to an integrated long term plan. Close monitoring of actual results against budget remains critical.
Asset Sustainability Ratio	0.4	0.39	1.36	≥ 0.9	The downward trend in this ratio needs to be considered with the decision to make significant investment in new or upgraded assets. This was approximately \$4.8m in 2017 and \$4m in 2016. This expenditure is eliminated as the ratio is designed to reflect renewal of the existing asset base. We understand that the asset management plan will address this in detail over the coming year.
Debt Service Cover Ratio	4.93	3.21	3.98	≥ 2	
Operating Surplus Ratio	(0.39)	(0.41)	(0.22)	≥ 0.01	The current year ratio is (0.46) after the prepayment of 2017/18 FAGS is adjusted as outlined in the Financial Statements. In the current year, the Shire is reassessing the fair value of infrastructure assets. We strongly recommend engaging experienced consultants tasked with the review of remaining effective lives of infrastructure. This directly impacts on depreciation which has a significant impact on operating result.

ANNEXURE 1
SHIRE OF DENMARK
COMMENT ON ADVERSE RATIOS
FOR THE YEAR ENDED 30 JUNE 2017

RATIO	ACTUAL			TARGET	COMMENT
	2017	2016	2015		
Own Source Revenue Coverage Ratio	0.60	0.64	0.72	≥0.4	
Asset Consumption Ratio				≥0.5	Ratio is not able to be calculated as Asset Management Plan incomplete.
Asset Renewal Funding Ratio				≥0.75	Ratio is not able to be calculated as Long Term Financial Plan incomplete.

ANNEXURE 2
SHIRE OF DENMARK
CORRECTED MISSTATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	FINANCIAL STATEMENTS ACCOUNTS IMPACTED	STATEMENT OF FINANCIAL POSITION ADJUSTMENT	EFFECT ON OPERATING SURPLUS	EFFECT ON OTHER COMPREHENSIVE INCOME	COMMENT
1.	Land and Buildings - Independent valuation 2017 Changes in Revaluation Non - Current assets	\$548,021		\$548,021	Correction of calculation error in revaluation worksheet
2.	Liability Peaceful Bay Caravan Park Buildings Liability Rivermouth Caravan Park Buildings Other Comprehensive Income	\$82,000 \$24,700		\$106,700	Derecognition of deferred liabilities

ANNEXURE 2
SHIRE OF DENMARK
UNCORRECTED MISSTATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	FINANCIAL STATEMENTS ACCOUNTS IMPACTED	STATEMENT OF FINANCIAL POSITION ADJUSTMENT	EFFECT ON OPERATING SURPLUS	EFFECT ON OTHER COMPREHENSIVE INCOME	COMMENT
1.	Local Government House Units Revaluation of Assets Through Profit and Loss	(\$84,826)	(\$84,826)		Independent confirmation disclosed reduction in carrying value. To be adjusted in 2017/18 as not material to users of financial statements.

ANNEXURE 3
SHIRE OF DENMARK
AUDIT FINDINGS
FOR THE YEAR ENDED 30 JUNE 2017

Matter	Present Procedure Finding	Recommendation	DoF Comment
Related Party Transactions	At the time of audit the implementation of policy, measurement and disclosure of related party transactions in the annual reports had not been effected.	As a result of discussions, all required procedures were carried out and satisfactorily disclosed in the financial statements prior to audit completion.	The Related Party Disclosure procedures have been adopted by council and all disclosures have been completed, and included in the Annual Financial statements.
Land Revaluation	The take up of land revaluation contained a data entry error. This resulted in the incorrect write off of a \$528,021 land asset.	This was subsequently corrected during audit. We do however recommend that an improved reconciliation process is implemented to assist in the reconciliation of the final revaluation amount.	A review of the reconciliation process will be undertaken to improve accounting controls in this area.
General Journal Entry Controls	Non - standard journal entries are prepared by the Accountant and are not subject to a formal review process. General journal entries enable circumvention of normal transaction controls.	We recommend that a formal process of review by the Director of Finance is implemented. This would involve scrutiny of system generated journal reports, sighting necessary support documentation and signing and retention as evidence.	A review of the process to approve and reconcile journals will be undertaken to improve accounting controls in this area
Local Government House Trust Asset	Independent valuation of 3 Units held in the Local Government House Trust determined that the current value is \$84,826 less than the market value.	The amount was below materiality and did not require amendment to the financial reports. We recommend the adjustment is posted in 2017/18.	The Shire received a circular "Local Government House Trust update" in December 2017, which provided a valuation update for 30 June 2017. We support the auditor's recommendation to adjust the financials to reflect the new valuation.

ANNEXURE 3
SHIRE OF DENMARK
AUDIT FINDINGS
FOR THE YEAR ENDED 30 JUNE 2017

<p>Review of Primary and Annual Returns</p>	<p>During our review of Primary and Annual Returns for Councillors and Key Management Personnel the Primary Return for Marcus Owen – Community Emergency Services Manager could not be located.</p>	<p>We recommend that the file containing Primary and Annual Returns be reviewed on an annual basis to ensure that all returns are submitted and filed as required by the legislation.</p>	<p>The register of Financial Returns (Primary and Annual) is currently reviewed annually, however the return in question has been misplaced. Full review will be undertaken on an annual basis.</p>
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SHIRE OF DENMARK

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
952 South Coast Highway, Denmark WA

**SHIRE OF DENMARK
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Denmark being the annual financial report and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire of Denmark at 30 June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the Twenty First day of December 2017



Bill Parker
Chief Executive Officer

SHIRE OF DENMARK
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	Budget 2017 \$	2016 \$
Revenue				
Rates	23	5,873,245	5,623,178	5,656,209
Operating Grants, Subsidies	29	2,018,321	787,660	853,737
Contributions and Reimbursements		318,685	391,434	393,788
Fees and Charges	28	2,529,502	2,670,159	2,888,893
Service Charges	25	0	0	0
Interest Earnings	2(a)	306,623	242,458	249,088
Other Revenue		404,868	299,455	367,547
		<u>11,451,243</u>	<u>10,014,344</u>	<u>10,409,263</u>
Expenses				
Employee Costs		(5,745,325)	(5,212,258)	(5,454,257)
Materials and Contracts		(1,961,533)	(2,244,899)	(1,891,170)
Utility Charges		(229,967)	(240,077)	(228,273)
Depreciation on Non-Current Assets	2(a)	(5,397,320)	(3,730,001)	(4,974,892)
Interest Expenses	2(a)	(166,736)	(180,165)	(137,020)
Insurance Expenses		(233,172)	(199,727)	(202,546)
Other Expenditure		(828,019)	(759,567)	(798,967)
		<u>(14,562,072)</u>	<u>(12,566,694)</u>	<u>(13,687,125)</u>
		(3,110,829)	(2,552,350)	(3,277,862)
Non-Operating Grants, Subsidies and Contributions				
Non-Operating Grants, Subsidies and Contributions	29	3,713,637	4,738,846	10,523,781
Loss on Revaluation of Fixed Assets	2(a)	0	0	0
Profit on Asset Disposals	21	0	9,400	16,664
Loss on Asset Disposals	21	(396,593)	(36,800)	(492,353)
		<u>3,317,044</u>	<u>4,711,446</u>	<u>10,048,092</u>
NET RESULT				
Changes on Revaluation of Non-Current Assets	13	(402,026)	0	2,317,859
Write back of Deferred Liability	10	106,700	0	0
Total Other Comprehensive Income		<u>(295,326)</u>	<u>0</u>	<u>2,317,859</u>
Total Comprehensive Income		<u>(89,110)</u>	<u>2,159,097</u>	<u>9,088,089</u>

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

SHIRE OF DENMARK
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	Budget 2017 \$	2016 \$
Revenue				
Governance		40,833	21,699	28,123
General Purpose Funding		7,774,155	6,367,450	6,504,438
Law, Order, Public Safety		303,806	277,068	293,749
Health		42,766	32,868	42,908
Education and Welfare		23,743	33,592	46,658
Housing		8,004	9,922	9,644
Community Amenities		1,519,051	1,485,432	1,555,258
Recreation and Culture		403,570	351,899	325,331
Transport		387,934	320,052	325,344
Economic Services		740,212	946,272	1,073,213
Other Property and Services		207,169	168,090	204,595
	2(a)	<u>11,451,242</u>	<u>10,014,344</u>	<u>10,409,262</u>
Expenses				
Governance		(594,166)	(595,886)	(586,931)
General Purpose Funding		(453,437)	(417,571)	(446,355)
Law, Order, Public Safety		(1,454,163)	(1,223,977)	(1,201,727)
Health		(263,093)	(266,026)	(269,743)
Education and Welfare		(281,018)	(275,480)	(276,232)
Housing		(61,526)	(60,768)	(51,259)
Community Amenities		(2,322,504)	(2,413,675)	(2,208,788)
Recreation & Culture		(2,528,017)	(2,309,903)	(2,272,198)
Transport		(5,379,938)	(3,666,256)	(5,139,403)
Economic Services		(900,220)	(1,017,240)	(970,099)
Other Property and Services		(207,365)	(139,747)	(131,283)
	2(a)	<u>(14,445,447)</u>	<u>(12,386,529)</u>	<u>(13,554,018)</u>
Financial Costs				
Governance		(2,228)	(2,797)	(2,798)
Education and Welfare		0	0	0
Housing		(43,416)	(63,070)	(47,018)
Community Amenities		(10,409)	(15,974)	(12,406)
Recreation & Culture		(19,396)	(48,931)	(21,304)
Transport		(3,999)	(9,136)	(9,138)
Economic Services		(37,176)	(40,257)	(40,442)
	2(a)	<u>(116,624)</u>	<u>(180,164)</u>	<u>(133,106)</u>
Non-Operating Grants and Subsidies				
General Purpose Funding		30,000	0	0
Law, Order, Public Safety		783,811	1,043,240	234,862
Education and Welfare		0	0	6,338
Recreation & Culture		1,453,537	1,760,548	912,069
Transport		1,422,289	1,845,058	9,334,512
Economic Services		24,000	90,000	36,000
		<u>3,713,637</u>	<u>4,738,846</u>	<u>10,523,781</u>
Profit/(Loss) on Disposal of Assets				
Governance		0	1,932	2,598
Law, Order, Public Safety		(250,539)	0	(37,439)
Health		0	(2,573)	1,213
Community Amenities		0	(6,986)	(3,015)
Recreation & Culture		(50,113)	0	(451,899)
Transport		(95,940)	(39,882)	12,853
Other Property and Services		0	0	0
		<u>(396,592)</u>	<u>(47,509)</u>	<u>(475,689)</u>
Loss on Revaluation of Fixed Assets				
Net Result		<u>206,216</u>	<u>2,138,988</u>	<u>6,770,230</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	(402,026)	0	2,317,859
Total Other Comprehensive Income		<u>(402,026)</u>	<u>0</u>	<u>2,317,859</u>
Write back of Deferred Liability	10	106,700	0	0
Total Comprehensive Income		<u><u>(89,110)</u></u>	<u><u>2,138,988</u></u>	<u><u>9,088,089</u></u>

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

**SHIRE OF DENMARK
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017**

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	12,353,732	14,518,398
Trade and Other Receivables	4	706,746	965,375
Inventories	5	167,776	219,490
TOTAL CURRENT ASSETS		<u>13,228,254</u>	<u>15,703,264</u>
NON-CURRENT ASSETS			
Other Receivables	4	676,160	296,146
Investments	6	131,326	131,326
Property, Plant and Equipment	7	33,581,312	32,805,060
Infrastructure	8	263,621,117	263,610,228
TOTAL NON-CURRENT ASSETS		<u>298,009,913</u>	<u>296,842,759</u>
TOTAL ASSETS		<u>311,238,168</u>	<u>312,546,023</u>
CURRENT LIABILITIES			
Trade and Other Payables	9	1,229,400	2,631,281
Current Portion of Long Term Borrowings	10	270,579	239,966
Provisions	11	972,601	998,112
TOTAL CURRENT LIABILITIES		<u>2,472,580</u>	<u>3,869,359</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	10	2,694,191	2,482,857
Deferred Liabilities	10	0	106,700
Provisions	11	193,671	120,950
TOTAL NON-CURRENT LIABILITIES		<u>2,887,862</u>	<u>2,710,507</u>
TOTAL LIABILITIES		<u>5,360,442</u>	<u>6,579,866</u>
NET ASSETS		<u>305,877,716</u>	<u>305,966,157</u>
EQUITY			
Retained Surplus		22,984,164	22,444,012
Reserves - Cash Backed	12	10,645,754	10,872,990
Revaluation Surplus	13	272,247,797	272,649,823
TOTAL EQUITY		<u>305,877,716</u>	<u>305,966,825</u>

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

**SHIRE OF DENMARK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		22,437,215	4,109,558	270,331,964	296,878,735
Comprehensive Income					
Net Result		6,770,230	0	0	6,770,230
Revaluation Reserve Adjustments				2,317,859	2,317,859
Changes on Revaluation of Non-Current Assets	13	0	0	0	0
Total Comprehensive Income		6,770,230	0	2,317,859	9,088,089
Transfers from/(to) Reserves		(6,763,433)	6,763,433	0	0
Balance as at 30 June 2016		22,444,012	10,872,990	272,649,823	305,966,825
Comprehensive Income					
Net Result		206,216	0	0	206,216
Write back of Deferred Liability		106,700	0	0	106,700
Changes on Revaluation of Non-Current Assets	13	0	0	(402,026)	(402,026)
Total Comprehensive Income		312,916	0	(402,026)	(89,110)
Transfers from/(to) Reserves		227,236	(227,236)	0	0
Balance as at 30 June 2017		22,984,164	10,645,754	272,247,797	305,877,716

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

**SHIRE OF DENMARK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 \$	2017 Budget \$	2016 \$
Cash Flows From Operating Activities				
Receipts				
Rates		5,832,524	5,970,080	5,641,296
Operating Grants, Subsidies		2,442,712	1,434,207	802,905
Contributions and Reimbursements		318,685	345,902	393,788
Fees and Charges		2,529,502	2,880,856	2,888,893
Service Charges		0	0	0
Interest Earnings		306,623	366,294	249,088
Goods and Services Tax		0	0	35,642
Other Revenue		404,868	333,740	367,547
		<u>11,834,914</u>	<u>11,331,079</u>	<u>10,379,159</u>
Payments				
Employee Costs		(5,720,672)	(5,503,147)	(5,432,408)
Materials and Contracts		(3,292,456)	(1,892,428)	(1,320,400)
Utility Charges		(229,967)	(228,523)	(228,273)
Interest Expenses		(162,756)	(237,241)	(135,849)
Insurance Expenses		(233,172)	(174,859)	(202,546)
Goods and Services Tax		(99,663)	0	0
Other Expenditure		(828,257)	(841,952)	(794,046)
		<u>(10,566,943)</u>	<u>(8,878,150)</u>	<u>(8,113,522)</u>
Net Cash Provided By (Used In)				
Operating Activities	14(b)	<u>1,267,971</u>	<u>2,452,930</u>	<u>2,265,637</u>
Cash Flows from Investing Activities				
Payments for Development of				
Land Held for Resale		0	0	0
Payments for Purchase of				
Property, Plant & Equipment		(3,409,607)	(2,894,915)	(4,046,819)
Payments for Construction of				
Infrastructure		(3,696,200)	(10,209,006)	(2,084,026)
Advances to Community Groups		0	0	0
Non-Operating Grants,				
Subsidies and Contributions		3,713,637	5,237,549	10,523,781
Proceeds from Sale of Fixed Assets		122,727	141,564	98,055
		<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided by (Used in)				
Investment Activities		(3,269,442)	(7,724,808)	4,490,991
Cash Flows from Financing Activities				
Repayment of Debentures		(248,906)	(322,328)	(286,782)
Proceeds from Self Supporting Loans		(405,141)	44,953	27,563
Proceeds from New Debentures		490,852	1,300,852	940,000
Net Cash Provided By (Used In)				
Financing Activities		(163,195)	1,023,477	680,781
Net Increase (Decrease) in Cash Held		(2,164,666)	(4,248,401)	7,437,410
Cash at Beginning of Year		14,518,398	14,509,192	7,080,988
Cash and Cash Equivalents				
at the End of the Year	14(a)	<u>12,353,732</u>	<u>10,260,791</u>	<u>14,518,398</u>

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

**SHIRE OF DENMARK
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
Governance		40,833	24,561	30,721
General Purpose Funding		1,977,402	1,423,987	894,445
Law, Order, Public Safety		1,087,617	345,926	528,611
Health		42,766	39,552	44,121
Education and Welfare		23,743	14,998	59,334
Housing		8,004	8,250	9,644
Community Amenities		1,519,051	1,585,466	1,555,258
Recreation and Culture		1,857,107	1,695,120	1,237,400
Transport		1,810,223	4,227,452	9,672,709
Economic Services		764,212	1,109,474	1,109,213
Other Property and Services		207,169	180,121	204,595
		<u>9,338,127</u>	<u>10,654,907</u>	<u>15,346,051</u>
Expenses				
Governance		(596,394)	(615,767)	(589,729)
General Purpose Funding		(453,437)	(441,909)	(446,355)
Law, Order, Public Safety		(1,937,502)	(1,266,522)	(1,276,605)
Health		(263,093)	(284,516)	(269,743)
Education and Welfare		(281,018)	(287,411)	(276,232)
Housing		(104,942)	(111,155)	(98,277)
Community Amenities		(2,332,913)	(2,285,686)	(2,227,224)
Recreation and Culture		(2,616,922)	(2,511,518)	(3,218,604)
Transport		(5,479,877)	(5,105,807)	(5,148,541)
Economic Services		(974,572)	(1,157,029)	(1,050,983)
Other Property and Services		(207,365)	(132,524)	(131,283)
		<u>(15,248,035)</u>	<u>(14,199,843)</u>	<u>(14,733,576)</u>
Net Result Excluding Rates		(5,909,908)	(3,544,936)	612,475
Adjustments for Cash Budget Requirements:				
(Profit)/Loss on Asset Disposals	21	396,592	27,400	475,689
Movement in Deferred Pensioner Rates (Non-Current)		6,017	0	(3,533)
Movement in Employee Benefit Provisions		47,210	0	64,266
Depreciation and Amortisation on Assets	2(a)	5,397,320	4,992,321	4,974,892
Movement in Accrued Interest		3,981	3,819	1,172
Movement in Accrued Income		1,039	8,500	(1,256)
Movement in Accrued Expenses		43,604	0	0
Movement in Accrued Sal & Wages		34,873	0	(11,873)
Revaluation Reserve Adjustments		0	0	0
Capital Expenditure and Revenue				
Purchase Land and Buildings	7(a)	(1,693,723)	(1,847,311)	(3,195,400)
Purchase Furniture and Equipment	7(a)	(66,984)	(75,500)	(56,975)
Purchase Plant and Equipment	7(a)	(1,648,899)	(972,104)	(794,445)
Purchase Roads & Paths	8(a)	(2,013,046)	(10,209,006)	(1,585,900)
Purchase Parks & Gardens	8(a)	(849,202)	0	(469,359)
Purchase Airstrip	8(a)	(138,375)	0	0
Purchase Bridges	8(a)	(695,577)	0	(28,768)
Proceeds from Disposal of Fixed Assets	21	122,727	141,564	98,055
Repayment of Debentures	22(a)	(248,906)	(322,328)	(286,782)
Proceeds from New Debentures	22(a)	490,852	1,300,852	940,000
Proceeds from Self Supporting Loans		44,953	44,953	27,563
Transfers to Reserves (Restricted Assets)	12	(1,124,312)	(457,772)	(8,663,466)
Transfers from Reserves (Restricted Assets)	12	1,351,548	3,635,018	1,900,033
Transfers (Restricted Assets Grants Unspent)	12	0	0	(1,229,315)
Transfer Back Grants Unspent		469,183	1,229,315	895,865
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	23(b)	940,402	127,586	1,621,255
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	23(b)	834,612	2,452	940,402
Total Amount Raised from General Rate	23(a)	<u>(5,873,245)</u>	<u>(5,920,080)</u>	<u>(5,656,209)</u>

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the 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, but a separate statement of those monies appears at Note 20 to these financial statements.

(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) Cash and Cash Equivalents

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

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

(c) 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.

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.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade and Other Receivables cont'd

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(d) Inventories

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.

Land held for sale

Land purchased for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in the statement of comprehensive income at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on Council's intention to release for sale.

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at fair value became mandatory.

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2016 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

In accordance with local Government (Financial Management) Regulation 16 (a), 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.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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 Shirel 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 detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

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 AASB1051 - 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.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold 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.

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
clearing and earthworks	not depreciated
construction/road base	50 years
original surfacing and	
major re-surfacing	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Bridges	75 years

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

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.

(f) Fair Value of Assets and Liabilities

When performing a revaluation, the Shire uses a mix of both independent and management valuations using the following as a guide:

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.

Fair Value Hierarchy

AASB 113 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:

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities (continued)

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 an asset at its current service capacity.

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 and 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(g) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and Subsequent Measurement (continued)

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivative financial assets that are either not suitable to be classified into 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.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to the asset previously recognised in other comprehensive income, is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment cont'd

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire no longer has any significant continued involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. 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.

(h) Impairment of Assets

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

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

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 (eg 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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(i) Trade and Other Payables

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

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

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. 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.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits (continued)

Other Long-Term Employee Benefits cont'd

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.

(k) 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.

(l) 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.

(m) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

(n) Investments in Associates

An associate is an entity over which the Shire has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Shire and the associate are eliminated to the extent of the Shire's interest in the associate.

When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(p) Rates, Grants, Donations and Other Contributions

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

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

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 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 2(c). 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 operation for the current reporting period.

(q) Superannuation

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

(r) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. 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 even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Shire's intentions to release for sale.

(s) Rounding Off Figures

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

(t) 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 statement, 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.

(v) 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.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods

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 Council.

Management's assessment of the new and amended pronouncements that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 – Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

(w) Adoption of New and Revised 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 associate with the amendment of existing standards, the only new standard with material application is as follows:

- (i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities.

The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES

	2017	2016
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Significant Expense	<u>0</u>	<u>0</u>
Auditors Remuneration		
- Audit of the annual financial report	25,882	21,500
- Financial Management Review		
- Assistance with the finalisation of the annual financial report		3,950
Depreciation		
Non-Specialised Buildings	604,806	556,437
Specialised Buildings	0	0
Furniture and Equipment	62,668	74,805
Plant and Equipment	1,044,534	775,700
Tools	0	0
Roads	3,354,696	3,280,878
Parks & Gardens	218,023	194,258
Airstrip	19,750	19,750
Bridges	92,843	73,062
	<u>5,397,321</u>	<u>4,974,892</u>
Interest Expenses (Finance Costs)		
Debentures (refer Note 22.(a))	166,737	137,020
	<u>166,737</u>	<u>137,020</u>
Rental Charges		
- Operating Leases	15,245	15,120
	<u>15,245</u>	<u>15,120</u>
(ii) Crediting as Revenue:		
Other Revenue		
Reimbursements and Recoveries	217,077	0
Other	187,791	336,682
	<u>404,868</u>	<u>336,682</u>
	2017	2017
	Actual	Budget
	\$	\$
Interest Earnings		2016
- Self Supporting Loans	25,551	Actual
- Reserve Funds	182,866	\$
- Other Funds	57,113	
Other Interest Revenue (refer note 27)	41,093	
	<u>306,623</u>	<u>249,089</u>
	<u>411,816</u>	

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

The Shire of Denmark is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

GOVERNANCE

Members of Council, general administration expenses including staff, office equipment maintenance and insurances.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants, investment funds and other financial matters.

LAW, ORDER, PUBLIC SAFETY

Supervision of various local laws, fire prevention including Community Fire Manager and Bushfire Brigades, animal control (Rangers) and State Emergency Services operations.

HEALTH

Water and food quality monitoring, effluent disposal and public health compliance control on business premises catering for the large tourism trade and domestic residences.

EDUCATION AND WELFARE

Assistance to early childhood education, provision of educational scholarships, youth services, aged and disability programs

HOUSING

Lionsville Aged Accommodation self supporting loans.

COMMUNITY AMENITIES

Refuse collection services (including recycling), operation of landfill and recycling centres, administration of the Town Planning Scheme, provision of facilities such as the Cemetery and Public Conveniences, effluent disposal (septic tanks) and environmental programs.

RECREATION AND CULTURE

Provision, maintenance and operation of Halls, Civic Centre, Library, Recreation Centre, Swimming areas and beaches and various parks and gardens. TV re-broadcasting tower maintenance.

TRANSPORT

Construction and maintenance of roads including drainage, footpaths, parking facilities, regulatory signs, street cleaning and lighting. Maintenance of Works Depot and road plant purchases.

BUILDING & ECONOMIC SERVICES

The regulation and provision of tourism facilities including the Denmark Tourism Inc. and Parry Beach camping grounds, area promotion, building control, sale yard facilities, noxious weed, pest control and lime sand quarry.

OTHER PROPERTY & SERVICES

Public Works Overheads (engineering staff, leave entitlements and insurances). Plant costs (repair wages, parts, fuel, insurance and licenses), stock and materials and salaries and wages.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening	Received⁽²⁾	Expended⁽³⁾	Closing	Received⁽²⁾	Expended⁽³⁾	Closing
Grant/Contribution	Function/ Activity	Balance⁽¹⁾ 01/07/15	2015/16	2015/16	Balance⁽¹⁾ 30/06/16	2016/17	2016/17	Balance 30/06/17
		\$	\$	\$	\$	\$	\$	\$
Pension Deferred Grant	General Purpose	0	1,119	(1,119)	0	688	(688)	0
Grants Commission	General Purpose	0	507,168	(507,168)	0	1,648,328	(1,648,328)	0
Youth Development Scholarship	Administration	0	0	0	0	9,750	(9,750)	0
Thank a Volunteer	Law, Order	0	0	0	0	1,000	(1,000)	0
Lotterywesy Command Vehicle	Law, Order	0	0	0	0	47,887	(47,887)	0
ESL Grants	Law, Order	0	396,028	(396,028)	0	892,834	(892,834)	0
Council of the Ageing	Welfare	0	0	0	0	750	(750)	0
Drug Aware DYS Streetball	Welfare	0	29,750	(8,920)	20,830	0	(20,830)	0
National Youth Week	Welfare	0	1,000	(1,000)	0	0	0	0
Youth Scholarship	Welfare	0	0	0	0	7,000	(7,000)	0
Community Crime Prevention	Welfare	0	6,338	0	6,338	0	(6,338)	0
Sustainability Projects - Works	Environment	0	0	0	0	15,000	(15,000)	0
Dieback Implementation	Environment	0	0	0	0	10,000	(10,000)	0
Ocean Beach Alternate Launch	Recreation	0	0	0	0	14,811	(14,811)	0
Recreation Plan	Recreation	0	0	0	0	13,927	0	13,927
Stronger Communities Program	Recreation	0	0	0	0	15,000	(15,000)	0
Sport 4 All - Kidsport Program	Recreation	0	24,000	(24,000)	0	30,000	(30,000)	0
Lotterywest Community Park	Recreation	0	25,500	(25,500)	0	6,900	(6,900)	0
Riverside Club Stage1	Recreation	0	686,569	(686,569)	0	1,168,110	(1,168,110)	0
WOW Walk & Ride Trail	Recreation	0	200,000	0	200,000	150,909	(350,909)	0
Old Hospital Upgrades	Recreation	0	0	0	0	112,618	(112,618)	0
Recreational Boating Facilities	Recreation	0	0	0	0	0	0	0
Youth Support Service	Recreation	0	29,295	(25,218)	4,077	29,764	(33,840)	0
Activation Pilot Project	Recreation	0	4,740	(4,740)	0	0	0	0
Main Roads Grants	Transport	0	731,753	(608,529)	123,224	470,359	(593,583)	0
Roadwise	Transport	0	0	0	0	1,591	(1,591)	0
Roads to Recovery	Transport	15,067	634,374	(128,265)	521,176	704,513	(770,433)	455,256
Royalties for Regions - Roads	Transport	103,168	0	(103,168)	0	0	0	0
Denmark East Development	Transport	0	7,626,000	(7,626,000)	0	0	0	0
CSRF Timber Roads	Transport	0	120,000	(120,000)	0	125,000	(125,000)	0
Bridge improvements	Transport	42,614	317,885	(60,499)	300,000	172,419	(472,419)	0
Tourism Overflow Camping	Economic	248,324	0	(248,324)	0	0	0	0
Airport Water Bomber Upgrade	Economic	0	0	0	0	58,800	(58,800)	0
Parry Beach Ablutions	Economic	0	36,000	(36,000)	0	24,000	(24,000)	0
CLGF Regional	Economic	53,670	0	0	53,670	0	(53,670)	0
Total		462,843	11,377,519	(10,611,047)	1,229,315	5,731,958	(6,492,089)	469,183

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions	Function/ Activity	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
		Balance ⁽¹⁾ 01/07/15	2015/16	2015/16	Balance ⁽¹⁾ 30/06/16	2016/17	2016/17	Balance 30/06/17
Restricted Creditors		\$	\$	\$	\$	\$	\$	\$
Fire Break Conditions	Law Order	4,770	0	0	4,770	0	0	4,770
Animal Equipment Hire Bonds	Law Order	0	50	(50)	0	0	0	0
Developer Contributions	Community	97,215	57,690	0	154,905	89,756	0	244,661
Tree Planting Bond	Environment	2,200	9,108	0	11,308	29,949	(2,200)	39,057
Civic Centre Bonds	Recreation	6,580	2,923	(3,796)	5,707	2,651	(2,644)	5,714
Recreation Centre Bonds	Recreation	1,520	1,000	(700)	1,820	840	(1,340)	1,320
Bus Hire Bond	Recreation	4,360	3,600	(2,700)	5,260	3,900	(5,580)	3,580
Relocated Dwelling Deposit	Transport	20,500	10,000	(2,500)	28,000	5,000	(3,000)	30,000
Contributions in lieu of Parking	Transport	20,565	0	0	20,565			20,565
Contributions to Roadworks	Transport	286,144	56,903	(98,097)	244,949	4,281		249,230
Retention on Works	Transport	280,363	9,089	(123,864)	165,588	57,436	(29,854)	193,170
Riverbend House Bonds	Transport	0	0	0	0	860	0	860
Extractive Industry Bonds	Economic	9,900	0	0	9,900	2,200		12,100
Total		734,118	150,361	(231,707)	652,771	196,873	(44,618)	805,026

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.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		319,594	1,715,943
Restricted		12,034,138	12,802,455
		<u>12,353,732</u>	<u>14,518,398</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	12	417,589	407,840
Plant Reserve	12	586,814	1,082,964
Parry Inlet Reserve	12	98,282	106,015
Cemetery Reserve	12	1,972	1,926
Lime Quarry Rehabilitation Reserve	12	166,217	211,535
Land and Building Reserve	12	379,933	371,063
Refuse Site Development Reserve	12	531,293	623,683
Kwoorabup Community Park Reserve	12	73,556	91,508
Aquatic Facility Development Reserve	12	94,862	92,709
Lionsville Reserve	12	412,625	460,932
Peaceful Bay Water Supply Reserve	12	50,148	32,987
Rivermouth Caravan Park Reserve	12	51,192	30,317
Peaceful Bay Caravan Park Reserve	12	25,596	15,159
Loan Funding Reserve	12	0	0
Recreation Centre Equipment Reserve	12	40,664	20,035
Denmark East Development Reserve	12	7,715,015	7,324,320
Unspent Grants	2(c)	469,183	1,229,315
Restricted Creditors	2(c)	805,026	652,772
Income Received in Advance		114,171	47,376
		<u>12,034,138</u>	<u>12,802,455</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates Outstanding		337,260	290,522
Sundry Debtors		250,505	673,856
GST Receivable		64,021	(35,642)
Loans - Clubs/Institutions		49,301	30,191
Accrued Income		5,659	6,698
Short Term Loan DTI		0	(251)
		<u>706,746</u>	<u>965,374</u>
Non-Current			
Rates Outstanding - Pensioners		40,529	46,546
Loans - Clubs/Institutions		635,631	249,600
		<u>676,160</u>	<u>296,146</u>
5. INVENTORIES			
Current			
Fuel and Oils		19,553	32,318
Materials		148,223	187,172
		<u>167,776</u>	<u>219,490</u>
6. INVESTMENTS			
Non-Current			
Local Govt House Units		131,226	131,226
Denmark Co-op Shares		100	100
		<u>131,326</u>	<u>131,326</u>

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$	2016 \$
7. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at 2014	0	1,371,770
- Independent Valuation 2017	3,244,308	
- Additions after Valuation - Cost	0	1,842,701
	<u>3,244,308</u>	<u>3,214,472</u>
Land Vested In and Under the Control of Council at 2014	0	1,470,320
- Independent Valuation 2017	1,470,320	0
- Cost	0	0
	<u>1,470,320</u>	<u>1,470,320</u>
Total Land	<u>4,714,628</u>	<u>4,684,792</u>
Non-Specialised Buildings at 2014	0	20,543,201
- Independent Valuation 2017	22,684,956	
- Additions after Valuation - Cost	0	2,565,993
Less: Accumulated Depreciation	(158,168)	(1,189,348)
	<u>22,526,789</u>	<u>21,919,848</u>
Specialised Buildings at:		
- Independent Valuation 2014	0	0
- Cost	0	0
Less: Accumulated Depreciation	0	0
	<u>0</u>	<u>0</u>
Total Buildings	<u>22,526,789</u>	<u>21,919,848</u>
Total Land and Buildings	<u>27,241,417</u>	<u>26,604,640</u>
Furniture and Equipment at: Management Valuation 2016	140,116	140,116
- Management Valuation 2013	0	0
- Additions after Valuation - Cost	66,984	0
Less Accumulated Depreciation	(62,668)	0
	<u>144,432</u>	<u>140,116</u>
Plant and Equipment at: Management Valuation 2016	5,591,096	6,060,302
- Management Valuation 2013	0	0
- Additions after Valuation - Cost	1,648,899	0
Less Accumulated Depreciation	(1,044,534)	0
	<u>6,195,461</u>	<u>6,060,302</u>
	<u>33,581,312</u>	<u>32,805,060</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(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.

		Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land	(Level 2)	3,214,472	29,837	0	0	0	0	3,244,309
Land Vested In and Under the Control of Council	(Level 3)	1,470,320	0	0	0	0	0	1,470,320
Total Land		4,684,792	29,837	0	0	0	0	4,714,629
Non-Specialised Buildings	(Level 2)	21,919,848	1,663,886	(50,113)	(402,026)	0	(604,806)	22,526,789
Specialised Buildings	(Level 3)	0	0	0	0	0	0	0
Total Buildings		21,919,848	1,663,886	(50,113)	(402,026)	0	(604,806)	22,526,789
Total Land and Buildings		26,604,640	1,693,723	(50,113)	(402,026)	0	(604,806)	27,241,418
Furniture and Equipment	(Level 3)	140,116	66,984	0	0	0	(62,668)	144,434
Plant and Equipment	(Level 2)	6,060,302	1,648,899	(469,206)	0	0	(1,044,534)	6,195,461
Total Property, Plant and Equipment		32,805,059	3,409,607	(519,319)	(402,026)	0	(1,712,008)	33,581,312

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

7. 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					
Freehold land	2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Using market value
Land vested in and under the control of Council	3	Cost approach	Management Valuation	June 2017	Using market value
Non-specialised buildings	2	Market	Hemsley Paterson Valuers	June 2017	Using market value and current condition, residual values and remaining useful life assessments
Specialised buildings	3	Cost	Hemsley Paterson Valuers	June 2017	Using construction costs and current condition, residual values and remaining useful life assessments
Plant & Equipment					
	2	Market approach using recent observable market data for similar items or cost approach using depreciated replacement cost	Howson Management P/L	June 2016	Price per item
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Price per item

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.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8. INFRASTRUCTURE		
Roads & Paths		
- Management Valuation 2015	246,229,001	247,923,979
- Additions after Valuation - Cost	2,013,046	1,585,900
- Cost	0	0
Less Accumulated Depreciation	<u>(3,354,696)</u>	<u>(3,280,878)</u>
	<u>244,887,351</u>	<u>246,229,001</u>
Parks & Gardens		
- Management Valuation 2015	9,028,264	8,753,163
- Additions after Valuation - Cost	849,202	469,359
- Cost	0	0
Less Accumulated Depreciation	<u>(218,023)</u>	<u>(194,258)</u>
	<u>9,659,443</u>	<u>9,028,264</u>
Airstrip		
- Management Valuation 2015	750,250	770,000
- Additions after Valuation - Cost	138,375	0
- Cost	0	0
Less Accumulated Depreciation	<u>(19,750)</u>	<u>(19,750)</u>
	<u>868,875</u>	<u>750,250</u>
Bridges		
- Management Valuation 2015	7,602,712	7,647,007
- Additions after Valuation - Cost	695,577	28,768
- Cost	0	0
Less Accumulated Depreciation	<u>(92,843)</u>	<u>(73,062)</u>
	<u>8,205,446</u>	<u>7,602,712</u>
	<u>263,621,117</u>	<u>263,610,228</u>

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

8. INFRASTRUCTURE (Continued)

(a) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Roads & Paths	246,229,001	2,013,046	0	0	0	(3,354,696)	244,887,352
Parks & Gardens	9,028,264	849,202	0	0	0	(218,023)	9,659,443
Airstrip	750,250	138,375	0	0	0	(19,750)	868,875
Bridges	7,602,712	695,577	0	0	0	(92,843)	8,205,446
Total	<u>263,610,228</u>	<u>3,696,200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,685,312)</u>	<u>263,621,117</u>

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

8. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Roads	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition, residual values and remaining useful life assessments. Used Romans software to calculate
Footpaths	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition, residual values and remaining useful life assessments. Used Romans software to calculate
Drainage	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition, residual values and remaining useful life assessments. Used Romans software to calculate
Parks and Ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Average square metre rate for redevelopment based on other shire construction rates
Other Infrastructure	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition, residual values and remaining useful life assessments
Airstrip	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition, residual values and remaining useful life assessments

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

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors and Accruals	247,506	1,849,193
Accrued Interest on Debentures	18,033	14,052
Accrued Salaries and Wages	0	0
Accrued RDO's	88,267	67,220
Accrued Expenses	(43,604)	0
Income Received in Advance	114,171	47,376
Bonds & Deposits	805,027	652,772
	<u>1,229,400</u>	<u>2,630,613</u>

10. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge Debentures	<u>270,579</u>	<u>239,966</u>
	<u>270,579</u>	<u>239,966</u>
Non-Current		
Secured by Floating Charge Debentures	<u>2,694,191</u>	<u>2,482,857</u>
	<u>2,694,191</u>	<u>2,482,857</u>

Additional detail on borrowings is provided in Note 22.

Deferred Liabilities

Peaceful Bay Caravan Park Buildings	0	82,000
Rivermouth Caravan Park Buildings	0	24,700
	<u>0</u>	<u>106,700</u>

Lease agreements provide for reimbursement of lessee capital improvements only in the event the lease is terminated and the land is re-leased for caravan park use within two years. In the event of that occurrence, it is probable that the new lessee's would purchase the capital improvements.

Accordingly the deferred liabilities have been derecognised.

11. PROVISIONS

Analysis of Total Provisions

Current	972,601	998,112
Non-Current	193,671	120,950
	<u>1,166,272</u>	<u>1,119,063</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016	641,327	477,736	1,119,063
Additional provision	(7,686)	54,896	47,210
Balance at 30 June 2017	<u>633,641</u>	<u>532,632</u>	<u>1,166,272</u>

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$	2017 Budget \$	2016 \$
12. RESERVES - CASH BACKED			
(a) Employee Entitlements Reserve			
Opening Balance	407,840	407,839	396,626
Amount Set Aside / Transfer to Reserve	9,749	8,564	11,214
Amount Used / Transfer from Reserve	0	0	0
	<u>417,589</u>	<u>416,403</u>	<u>407,840</u>
(b) Plant Reserve			
Opening Balance	1,082,964	1,082,964	1,130,256
Amount Set Aside / Transfer to Reserve	172,001	172,742	481,310
Amount Used / Transfer from Reserve	(668,151)	(706,540)	(528,602)
	<u>586,814</u>	<u>549,166</u>	<u>1,082,964</u>
(c) Parry Inlet Reserve			
Opening Balance	106,015	106,014	71,971
Amount Set Aside / Transfer to Reserve	129,368	51,932	84,044
Amount Used / Transfer from Reserve	(137,101)	(98,343)	(50,000)
	<u>98,282</u>	<u>59,603</u>	<u>106,015</u>
(d) Cemetery Reserve			
Opening Balance	1,926	1,926	1,873
Amount Set Aside / Transfer to Reserve	46	40	53
Amount Used / Transfer from Reserve	0	0	0
	<u>1,972</u>	<u>1,966</u>	<u>1,926</u>
(e) Lime Quarry Rehabilitation Reserve			
Opening Balance	211,535	211,535	157,010
Amount Set Aside / Transfer to Reserve	14,682	14,442	54,525
Amount Used / Transfer from Reserve	(60,000)	(70,000)	0
	<u>166,217</u>	<u>155,977</u>	<u>211,535</u>
(f) Land and Building Reserve			
Opening Balance	371,063	371,063	1,135,337
Amount Set Aside / Transfer to Reserve	8,870	7,792	30,726
Amount Used / Transfer from Reserve	0	0	(795,000)
	<u>379,933</u>	<u>378,855</u>	<u>371,063</u>
(g) Refuse Site Development Reserve			
Opening Balance	623,683	623,683	557,826
Amount Set Aside / Transfer to Reserve	14,110	13,097	65,857
Amount Used / Transfer from Reserve	(106,500)	(88,000)	0
	<u>531,293</u>	<u>548,780</u>	<u>623,683</u>
(h) Kwoorabup Community Park Reserve			
Opening Balance	91,508	91,517	89,002
Amount Set Aside / Transfer to Reserve	2,038	1,922	2,506
Amount Used / Transfer from Reserve	(19,990)	(19,990)	0
	<u>73,556</u>	<u>73,449</u>	<u>91,508</u>
(i) Aquatic Facility Development Reserve			
Opening Balance	92,709	90,061	87,585
Amount Set Aside / Transfer to Reserve	2,153	1,891	5,124
Amount Used / Transfer from Reserve	0	0	0
	<u>94,862</u>	<u>91,952</u>	<u>92,709</u>
(j) Lionsville Reserve			
Opening Balance	460,932	463,569	450,823
Amount Set Aside / Transfer to Reserve	10,639	9,734	10,109
Amount Used / Transfer from Reserve	(58,946)	(78,825)	0
	<u>412,625</u>	<u>394,478</u>	<u>460,932</u>
(k) Peaceful Bay Water Supply Reserve			
Opening Balance	32,987	32,987	16,250
Amount Set Aside / Transfer to Reserve	17,160	16,942	16,737
Amount Used / Transfer from Reserve	0	0	0
	<u>50,148</u>	<u>49,929</u>	<u>32,987</u>

SHIRE OF DENMARK
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	2017 \$	2017 Budget	2016 \$
12. RESERVES - CASH BACKED (continued)			
(l) Rivermouth Caravan Park Reserve			
Opening Balance	30,317	30,317	10,000
Amount Set Aside / Transfer to Reserve	20,875	20,636	20,317
Amount Used / Transfer from Reserve	0	0	0
	<u>51,192</u>	<u>50,953</u>	<u>30,317</u>
(m) Peaceful Bay Caravan Park Reserve			
Opening Balance	15,159	15,159	5,000
Amount Set Aside / Transfer to Reserve	10,437	10,318	10,159
Amount Used / Transfer from Reserve	0	0	0
	<u>25,596</u>	<u>25,477</u>	<u>15,159</u>
(n) Loan Funding Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	526,431
Amount Used / Transfer from Reserve	0	0	(526,431)
	<u>0</u>	<u>0</u>	<u>0</u>
(o) Recreation Centre Equipment Reserve			
Opening Balance	20,035	20,035	0
Amount Set Aside / Transfer to Reserve	20,629	20,420	20,035
Amount Used / Transfer from Reserve	0	0	0
	<u>40,664</u>	<u>40,455</u>	<u>20,035</u>
(p) Denmark East Development Reserve			
Opening Balance	7,324,320	7,324,320	0
Amount Set Aside / Transfer to Reserve	691,555	107,300	7,324,320
Amount Used / Transfer from Reserve	(300,860)	(2,573,320)	0
	<u>7,715,015</u>	<u>4,858,300</u>	<u>7,324,320</u>
TOTAL RESERVES	<u>10,645,758</u>	<u>7,695,744</u>	<u>10,872,992</u>
Total Opening Balance	10,872,992	10,872,992	4,109,559
Total Amount Set Aside / Transfer to Reserve	1,124,312	457,772	8,663,466
Total Amount Used / Transfer from Reserve	(1,351,548)	(3,635,018)	(1,900,033)
TOTAL RESERVES	<u>10,645,756</u>	<u>7,695,748</u>	<u>10,872,992</u>

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 funds are set aside are as follows:

- (a) Employee Entitlements Reserve**
- to be used to fund employee entitlements.
- (b) Plant Reserve**
- to be used for the purchase of major plant as per the plant replacement schedule.
- (c) Parry Inlet Reserve**
- to be utilised to carry out improvements and maintenance on the Parry Beach Reserve.
- (d) Cemetery Reserve**
- to be used for the construction of new facilities at the Denmark Cemetery.
- (e) Lime Quarry Rehabilitation Reserve**
- to be used for the rehabilitation of the Shire Lime Quarry (Reserve 46273, Ocean Beach Road).
- (f) Land and Building Reserve**
- to be used for the construction of new building or land purchases.
- (g) Refuse Site Development Reserve**
- to be used for land acquisition and development of a new refuse facility.
- (h) Kwoorabup Community Park Reserve**
- to be used for the development of the Kwoorabup Community Park.
- (i) Aquatic Facility Development Reserve**
- to be used for the development of a Aquatic Facility.

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12. RESERVES - CASH BACKED (continued)

- (j) Lionsville Reserve**
- to be used for the future repayment of loan funds.
- (k) Peaceful Bay Water Supply Reserve**
- to be used for future requirements as per asset plan.
- (l) Rivermouth Caravan Park Reserve**
- to be used for the future requirements with respect to site and end of lease conditions and adjoining reserves
- (m) Peaceful Bay Caravan Park Reserve**
- to be used for the future requirements with respect to site and end of lease conditions and adjoining reserves
- (n) Loan Funding Reserve**
- to be used to maintain non self supporting loan repayment servicing and retain repayment capacity.
- (o) Recreation Centre Equipment Reserve**
- to be used for the renewal/upgrade of equipment located at the Denmark Recreationa Centre Facility.
- (p) Denmark East Development Reserve**
- to be used for the future payment of expenses of the Denmark East Development Project.

13. REVALUATION SURPLUS

	2017	2016
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
Land & Buildings		
Opening Balance	12,703,952	12,703,952
Revaluation Increment	0	0
Revaluation Decrement	(402,026)	0
	<u>12,301,926</u>	<u>12,703,952</u>
Plant & Equipment		
Opening Balance	2,572,847	254,988
Revaluation Increment	0	2,317,859
Revaluation Decrement	0	0
	<u>2,572,847</u>	<u>2,572,847</u>
Infrastructure		
Opening Balance	203,367,236	203,367,236
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>203,367,236</u>	<u>203,367,236</u>
Other Infrastructure		
Opening Balance	53,879,201	53,879,201
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>53,879,201</u>	<u>53,879,201</u>
Investments		
Opening Balance	126,587	126,587
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>126,587</u>	<u>126,587</u>
TOTAL ASSET REVALUATION SURPLUS	<u>272,247,797</u>	<u>272,649,823</u>

SHIRE OF DENMARK
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14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2017 \$	2017 Budget \$	2016 \$
Cash and Cash Equivalents	<u>12,353,732</u>	<u>10,260,791</u>	<u>14,518,398</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	206,216	2,375,145	6,770,230
Depreciation	5,397,321	4,992,321	4,974,892
(Profit)/Loss on Sale of Asset	396,593	27,400	475,689
(Increase)/Decrease in Receivables	284,435	233,041	11,926
(Increase)/Decrease in Inventories	51,714	14,572	(112,833)
Increase/(Decrease) in Payables	(1,401,881)	78,000	672,901
Increase/(Decrease) in Employee Provisions	47,210	0	(3,387)
Grants Contributions for the Development of Assets	(3,713,637)	(5,267,549)	(10,523,781)
Loss on Revaluation of Fixed Assets	0	0	0
Non-Current Assets recognised due to changes in legislative requirements	0	0	0
Net Cash from Operating Activities	<u>1,267,971</u>	<u>2,452,930</u>	<u>2,265,637</u>
(c) Undrawn Borrowing Facilities			
	2017 \$		2016 \$
Credit Standby Arrangements			
Bank Overdraft limit	0		0
Bank Overdraft at Balance Date	0		0
Credit Card limit	(30,000)		(30,000)
Credit Card Balance at Balance Date	(1,142)		5,843
Total Amount of Credit Unused	<u>(31,142)</u>		<u>(24,157)</u>
Loan Facilities			
Loan Facilities - Current	270,579		322,328
Loan Facilities - Non-Current	2,694,191		2,400,493
Total Facilities in Use at Balance Date	<u>2,964,771</u>		<u>2,722,822</u>
Unused Loan Facilities at Balance Date	<u>0</u>		<u>0</u>

SHIRE OF DENMARK
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FOR THE YEAR ENDED 30TH JUNE 2017

15. CONTINGENT LIABILITIES

The Shire of Denmark has no current contingent liability claims.

16. CAPITAL AND LEASING COMMITMENTS	2017	2016
	\$	\$
(a) Operating Lease Commitments	<u>0</u>	<u>0</u>
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	<u>25,784</u>	<u>15,245</u>
	<u>25,784</u>	<u>15,245</u>
(b) Capital Expenditure Commitments	<u>0</u>	<u>0</u>

The Shire did not have any future capital expenditure commitments at the reporting date.

17. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	5,359,957	5,676,068
General Purpose Funding	337,260	290,522
Law, Order, Public Safety	4,260,970	4,478,976
Health	0	2,079
Education and Welfare	289,404	294,100
Housing	412,625	488,100
Community Amenities	3,329,370	3,560,596
Recreation and Culture	23,458,344	22,149,861
Transport	258,253,908	259,352,690
Economic Services	2,600,214	3,094,232
Other Property and Services	12,936,116	13,158,799
Unallocated	0	0
	<u>311,238,168</u>	<u>312,546,023</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

19. FINANCIAL RATIOS	2017	2016	2015
Current Ratio	1.05	1.15	1.35
Asset Sustainability Ratio	0.40	0.39	1.36
Debt Service Cover Ratio	4.93	3.21	3.98
Operating Surplus Ratio	(0.39)	(0.41)	(0.22)
Own Source Revenue Coverage Ratio	0.60	0.64	0.72

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 Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the Asset Consumption Ratio and the Asset Renewal Funding Ratio can be found at Supplementary Ratio Information on Page 55 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$564,986

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$537,126

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current Ratio	0.55	1.39	1.09
Operating Surplus Ratio	(0.46)	(0.36)	(0.28)
Debt Service Cover Ratio	3.59	4.47	2.83

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. TRUST FUNDS

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

	Balance 1-Jul-16 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-17 \$
DPI Licensing	0	1,541,228	(1,541,228)	0
BCITF Training Levy	12,612	51,031	(48,320)	15,323
Building Levy	5,610	46,275	(43,411)	8,473
Bushfire Command Vehicle	2,100	4,500	0	6,600
Lieu of Open Space	174,287	4,738	0	179,025
Nomination Deposits	0	240	(240)	0
Councillor Donations	2,000	0	0	2,000
	196,610	1,648,012	(1,633,199)	211,421

21. DISPOSALS OF ASSETS - 2016/17

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Land & Buildings						
Community Amenities						
Infant Health Clinic - demolished	50,113	0	0	0	(50,113)	0
Plant and Equipment						
Law & Order						
Ranger Utility DE 7	26,622	20,800	20,909	28,200	(5,713)	7,400
CESM Ford Ranger DE54	40,662	29,164	28,636	26,364	(12,026)	(2,800)
Ocean Beach Isuzu	72,000	0	0	0	(72,000)	0
1997 Hino Ranger	72,200	0	0	0	(72,200)	0
Shadforth/Scotsdale Hino	88,600	0	0	0	(88,600)	0
Transport						
Replace Mazda BT 50 CARW10	31,562	30,000	18,182	19,000	(13,380)	(11,000)
Replace Mitsubishi Single Cab CARW9	12,139	11,000	4,000	6,000	(8,139)	(5,000)
Replace Komatsu Grader GD555-3	125,422	78,000	51,000	60,000	(74,422)	(18,000)
Total Station - Survey Instrument	0	0	0	2,000		2,000
	519,321	168,964	122,727	141,564	(396,593)	(27,400)
					Profit	0
					Loss	9,400
					(396,593)	(36,800)
					(396,593)	(27,400)

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 01 July 2016	New Loans	Principal Repayments		Principal 30 June 2017		Interest Repayments	
	\$		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
153 Photovoltaic System	52,687		12,389	12,387	40,298	40,298	2,228	2,302
Housing								
123 Lionsville S/Supporting *	102,487		22,663	22,663	79,824	79,824	7,453	7,611
142 Lionsville	484,494		22,722	22,722	461,772	461,772	35,963	36,103
154 Purchase Reserve 34209			0	27,430	0	(27,430)	0	8,021
155 Remediation Reserve 34209			0	46,630	0	(46,630)	0	8,020
Community Amenities								
156 Purchase Rubbish Truck	255,288		47,384	47,384	207,904	207,904	10,409	10,692
Recreation and Culture								
129 Scouts S/Supporting	25,680		2,809	2,809	22,871	22,871	1,548	1,568
144 Recreation Centre Expansion	35,386		8,083	8,083	27,303	27,303	2,234	2,277
145 Recreation - Tennis Club	29,960		6,844	6,844	23,116	23,116	1,892	1,928
147 Recreation - Football Clubrooms	184,155		8,477	8,477	175,678	175,678	12,829	12,876
148 Football Clubrooms S/Supporting *	14,154		3,233	3,233	10,921	10,921	894	911
Transport								
143 Airport	58,814		5,043	5,043	53,771	53,771	3,999	4,027
Economic Services								
131 Visitors Centre	183,342		25,612	25,612	157,730	157,730	13,505	13,641
152 Purchase Reserve 27101	356,374		15,158	15,158	341,216	341,216	23,671	23,764
157 Riverside Club S/Supporting *	450,000		16,248	16,248	433,752	433,752	17,613	18,704
159 Riverside Club Stage 1	0	490,852	8,940	8,304	481,912	482,548	16,326	9,301
158 Purchase Lot 228 Reserve 18587	490,000		43,301	43,301	446,699	446,699	16,174	13,113
	2,722,822	490,852	248,906	322,328	2,964,768	2,891,345	166,737	174,859

(*) Self supporting loan financed by payments from third parties. All other loan repayments were financed by general purpose revenue.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
154 Purchase Reserve 34209	0	300,000	WATC	Council	5	33,559	3.95	0	300,000	
155 Remediation Reserve 34209	0	510,000	WATC	Council	5	57,050	3.95	0	510,000	
157 Purchase Land Kernutts Road	0	181,221	WATC	Council	7	27,970	3.95	0	181,221	
159 Riverside Club Stage 1	490,852	490,852	WATC	Council	20	214,333	3.11	0	490,852	
	490,852	1,482,073				332,912		0	1,482,073	0

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

Council did not utilise an overdraft facility during the 2016/17 financial year.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

(a) Rates	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
RATE TYPE											
Differential General Rate											
1 Residential Developed	9.4300	1,184	16,133,512	1,521,390	4,193	(18,028)	1,507,555	1,521,390	30,000	3,000	1,554,390
2 Business/Commercial Developed	10.1200	134	4,854,594	491,285			491,285	491,285			491,285
3 Lifestyle Developed	9.4600	431	6,249,420	591,195			591,195	591,195			591,195
4 Rural Developed	10.1500	143	2,227,132	226,054			226,054	226,054			226,054
5 Holiday Use Developed	10.5500	111	1,599,988	168,799			168,799	168,799			168,799
6 Residential Vacant	18.8000	136	1,098,660	206,548			206,548	206,548			206,548
7 Business/Commercial Vacant	13.3400	19	353,820	47,200			47,200	47,200			47,200
8 Rural Vacant	14.3000	7	119,310	17,061			17,061	17,061			17,061
9 Lifestyle Vacant	17.8000	234	1,965,180	349,802			349,802	349,802			349,802
Unimproved Value Valuations											
10 UV Base	0.4750	472	223,219,000	1,060,290			1,060,290	1,060,290			1,060,290
11 UV Additional Use 1	0.5225	31	12,672,999	66,216			66,216	66,216			66,216
12 UV Additional Use 2	0.5700	10	4,711,000	26,853			26,853	26,853			26,853
13 UV Additional Use 3	0.6175	8	3,410,000	21,057			21,057	21,057			21,057
14 UV Additional Use 4	0.6650	3	1,606,000	10,680			10,680	10,680			10,680
Sub-Totals		2,923	280,220,615	4,804,430	4,193	(18,028)	4,790,595	4,804,429	30,000	3,000	4,837,429
Minimum Payment											
	Minimum \$										
1 Residential Developed	985.00	583	4,846,732	574,255			574,255	574,255			574,255
2 Business/Commercial Developed	1095.00	127	791,553	139,065			139,065	139,065			139,065
3 Lifestyle Developed	1010.00	55	481,838	55,550			55,550	55,550			55,550
4 Rural Developed	1010.00	30	255,500	30,300			30,300	30,300			30,300
5 Holiday Use Developed	1085.00	8	68,848	8,680			8,680	8,680			8,680
6 Residential Vacant	895.00	119	411,750	106,505			106,505	106,505			106,505
7 Business/Commercial Vacant	995.00	7	17,600	6,965			6,965	6,965			6,965
8 Rural Vacant	995.00	1	6,900	995			995	995			995
9 Lifestyle Vacant	915.00	11	54,690	10,065			10,065	10,065			10,065
Unimproved Value Valuations											
10 UV Base	1205.00	108	18,644,822	130,140			130,140	130,140			130,140
11 UV Additional Use 1	1326.00	13	723,100	17,238			17,238	17,238			17,238
12 UV Additional Use 2	1446.00	2	449,000	2,892			2,892	2,892			2,892
13 UV Additional Use 3	1566.00	0	0	0			0	0			0
14 UV Additional Use 4	1687.00	0	0	0			0	0			0
Sub-Totals		1,064	26,752,333	1,082,650	0	0	1,082,650	1,082,650	0	0	1,082,650
Ex-Gratia Rates							5,873,245				5,920,079
Discounts & Waivers (refer note 26)							(46,492)				(47,951)
Total Amount Raised From General Rate							5,826,753				5,872,128
Specified Area Rate (refer note 24)							0				0
Totals							5,826,753				5,872,128

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

	2017 (30 June 2017) Carried Forward) \$	2017 (1 July 2016) Brought Forward) \$	2016 (30 June 2016) Carried Forward) \$
Surplus/(Deficit) 1 July 13 Brought Forward	<u>834,612</u>	<u>940,402</u>	<u>940,402</u>
Comprises:			
Cash and Cash Equivalents			
Unrestricted	319,594	1,715,943	1,715,943
Restricted	12,034,138	12,802,455	12,802,455
Receivables			
Rates Outstanding	337,260	290,522	290,522
Sundry Debtors	250,505	673,856	673,856
GST Receivable	64,021	(35,642)	(35,642)
Loans - Clubs/Institutions	49,301	30,191	30,191
Accrued Income	5,659	6,698	6,698
Short Term Loan DTI	0	(251)	0
Inventories			
Fuel and Oils	19,553	32,318	32,318
Materials	148,223	187,172	187,172
Less:			
Trade and other Payables			
Sundry Creditors and Accruals	(247,506)	(1,849,193)	(1,849,193)
Accrued Interest on Debentures	(18,033)	(14,052)	(14,052)
Accrued Salaries and Wages	(88,267)	(67,220)	(67,220)
Accrued Expenses	43,604	0	0
Income Received In Advance	(114,171)	(47,376)	(47,376)
Bonds & Deposits	(805,027)	(652,772)	(652,772)
Current Portion of Long Term Borrowings			
Secured by Floating Charge Debentures	(270,577)	(239,964)	(239,964)
Debentures	0	0	0
Provisions			
Provision for Annual Leave	(633,641)	(641,327)	(641,327)
Provision for Long Service Leave	(338,960)	(356,785)	(356,785)
Net Current Assets	<u>10,755,676</u>	<u>11,834,573</u>	<u>11,834,824</u>
Less:			
Reserves - Restricted Cash	(10,645,758)	(10,872,992)	(10,872,992)
Land Held for Resale - Cost			
Cost of Acquisition	0	0	0
Restricted Grants	(469,183)	(1,229,315)	(1,229,315)
Loans - Clubs/Institutions	(49,301)	(30,191)	(30,191)
Short Term Loan DTI	0	251	0
Provision for Annual Leave	633,641	641,327	641,327
Provision for Long Service Leave	338,960	356,785	356,785
Add:			
Secured by Floating Charge Debentures	270,577	239,964	239,964
Surplus/(Deficit)	<u>834,612</u>	<u>940,402</u>	<u>940,402</u>

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

24. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rate charge is applied to properties within the Shire of Denmark.

25. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No specified service charges are applied to properties within the Shire of Denmark.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, WAIVERS & WRITE-OFFS
- 2016/17 FINANCIAL YEAR**

The Shire of Denmark does not offer any discount or early payment incentives for rates paid prior to due date.

Where a small balance remains on a property assessment due to circumstances such as a delay in receipt of mail payments or monies from property settlements and additional daily interest has accumulated, amounts outstanding of \$5.00 and under have been waived, as it is not considered cost effective or equitable to recover. Estimated loss of revenue from this waiver is \$350.00.

The Shire of Denmark also administers the Rates and Charges (Rebates and Deferments) Act 1992 which enables State Government Rebates to be provided with respect to Annual Rate and Emergency Levy charges. Ratepayers who are the holders of a State Seniors Card, Pensioners Concession card or Commonwealth Senior Health card may be eligible for a rebate of up to 50%, dependant upon individual circumstances. Eligible ratepayers need to apply to register with the Shire to receive any rebate.

In accordance with Section 6.47 of the Local Government Act 1995, and Regulation 26 (1) (c) of the Local Government (Financial Management) Regulations 1996 and Council Policy P030101 and Council Resolution 100415 to waive the local government rate charge for each of the following land parcels for the 2016/2017 financial year.

	Actual 2017 \$	Budget 2017 \$
Denmark Arts Council		
A5583 – 1 (Lease of Part Lot 41) Mitchell Street, Denmark - Administration office	186.00	1,095.00
Denmark Boating & Angling Club		
A5585 – Lease of Part Lots 304 and 307 Parry Road, Parryville - Boating and angling shed and land at Parry Beach	1,326.00	1,326.00
Denmark Boating & Angling Club, & Denmark Sea Rescue Group		
A5587 – 891B (Lease of Part Lot 556) Ocean Beach Road, Ocean Beach - Sea rescue, boating and angling hall and sheds	1,326.00	1,326.00
Denmark Clay Target Club		
A3565 – Lease of Whole Lot 7399, Sunny Glen Road, Hay - Clay target shooting range	1,326.00	1,326.00
Denmark Cottage Crafts Inc.		
A5584 – Lease of Part Lot 41 Mitchell Street, Denmark - Craft hall and Denmark Family Centre Church building	1,095.00	1,095.00
Denmark Country Club Inc.		
A3088 – 925 (Lease of Whole Lots 154, 155, 156, 157, 158, 159, 1072, and 1073) South Coast Highway, Hay - Golf Course, Tennis Courts and facilities	3,440.80	3,441.00
Denmark Environment Centre Incorporated		
A2622 – 1/35 (Strata Lot 1) Strickland Street, Denmark	1,095.00	1,095.00
A3747 – 4/35 (Strata Lot 4) Strickland Street, Denmark - Shop and administration centre	2,499.64	2,500.00
Denmark Machinery Restoration Group Inc.		
A5599 – 2 (Lease of Part Lot 952) Inlet Drive, Denmark - Shed and displays	1,095.00	1,095.00
Denmark Occasional Day Care Centre Inc. and Denmark Playgroup		
A3179 – 81 (Lease of Whole Lot 500) South Coast Highway, Denmark - Day care and playgroup building	1,095.00	1,095.00

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

26. DISCOUNTS, INCENTIVES, CONCESSIONS, WAIVERS & WRITE-OFFS
- 2016/17 FINANCIAL YEAR cont'd

	Actual 2017 \$	Budget 2017 \$
Denmark Pistol Club		
A3167 – 223 (Lease of Whole Lot 7441) Churchill Road, Scotsdale - Pistol shooting range	1,326.00	1,326.00
Denmark Equestrian Club Inc.		
A3189 – 73 (Lease of Whole Lot 1004) Beveridge Road, Denmark - Horse racing track and facilities	1,095.00	1,095.00
Denmark Riverside Club		
A5601 – Lease of Part Lot 1002 Bambrey Road, Denmark	1,095.00	1,095.00
A3069 – 3 (Lease of Whole Lot 1110) Morgan Road, Denmark - Bowling green, canoeing, kayaking and dragon boating launching site and facilities	2,125.20	2,126.00
Denmark Surf Lifesaving Club		
A5588 – 891A (Lease of Part Lot 556) Ocean Beach Road, Ocean Beach - Clubrooms and facilities	1,326.00	1,326.00
Denmark Tourism Incorporated		
A3186 – 73 (Lease of Lot 501) South Coast Hwy, Denmark - Denmark Visitor Centre	5,819.00	5,819.00
Green Skills Inc.		
A5590 – 46 (Lease of Part Lot 326) McIntosh Road, Hay - Recycling Centre and Tip Shop	1,326.00	1,326.00
Kentdale Community Hall Committee Inc.		
A5593 – 518 (Lease of Part Lot 300) Parker Road, Kentdale - Kentdale Hall	1,326.00	1,326.00
Lions Club of Denmark Inc.		
A5600 – 2 (Lease of Part Lot 952) Inlet Drive, Denmark - Clubroom	1,095.00	1,095.00
Nornalup Residents and Ratepayers Association		
A5591 – 3 (Lease of Part Lot 2368) Riverside Drive, Nornalup - Nornalup Community Hall	1,095.00	1,095.00
Parry's Beach Voluntary Management Group Inc.		
A5592 – 2830 (Lease of Part Lot 5393) South Coast Highway, William Bay - Parryville Hall	1,326.00	1,326.00
Peaceful Bay Progress Association Inc.		
A5615 – 30 (Lease of Whole Site 300) First Avenue, Peaceful Bay	1,095.00	1,095.00
A5616 – 3 (Lease of Whole Site 302) West Avenue, Peaceful Bay - Peaceful Bay Community Hall and Les Carpenter Fire Station	1,095.00	1,095.00
Peaceful Bay Returned Services League (RSL) Sub Branch		
A5596 – 28 (Lease of Whole Site 400) First Avenue, Peaceful Bay - Clubroom	1,095.00	1,095.00
Peaceful Bay Sea Rescue Group Inc.		
A5595 – Lease of Whole Lots 401 and 402 Old Peaceful Bay Road, Peaceful Bay - Sea rescue facilities	1,095.00	1,095.00
Scout Association of Australia		
A5597 – 53 (Lease of Part Lot 1087) Brazier Street, Denmark - Scout Hall and facilities	1,095.00	1,095.00
The Returned & Services League of Australia WA Branch Inc		
A3097 – 54 (Lease of Whole Lot 40) Strickland Street, Denmark - RSL Hall	1,095.00	1,095.00
Tingledale Hall Committee Inc.		
A5594 – 976 (Lease of Part Lot 2381) Valley of the Giants Road, Tingledale - Tingledale Hall and Community Centre	1,326.00	1,326.00
Denmark Historical Society Inc.		
A3256 – 16 (Lease of Lot 1021) Mitchell Street Denmark	1,641.54	1,095.00

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

26. DISCOUNTS, INCENTIVES, CONCESSIONS, WAIVERS & WRITE-OFFS
- 2016/17 FINANCIAL YEAR cont'd

	Actual 2017 \$	Budget 2017 \$
Trustees: Richard John Marshall and Richard William Mumford and Eric Rose		
A3041 – 891 (Lot 583) Scotsdale Road, Scotsdale Scotsdale Hall and tennis courts	1,326.00	1,326.00
Denmark Community Resource Centre Inc. A5729 - Part Lot 228, 2 Strickland Street Denmark	1,095.00	1,095.00
Denmark Over 50's Association A5730 - Part Lot 228, 2 Strickland Street Denmark Morgan Richards Community Centre	1,095.00	1,095.00
Denmark Arts Council Inc. A5731 - Part Lot 228 and Part Lot 1093, 2 Strickland Street Denmark Morgan Richards Community Centre	0.00	1,095.00
Total	46,492.18	47,951.00

Photocopy charges are waived for Volunteer Bushfire Brigades as they are considered to be the responsibility of Council under the Bush Fires Act 1954.

27. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		23,093	23,000
Interest on Instalments Plan	5.50%			17,000
Charges on Instalment Plan		8.00	18,000	18,000
Pensioner Deferred Rate Interest	0		0	0
			41,093	58,000

Ratepayers had the option of paying rates in four equal instalments, due on 9 September 2016, 11 November 2016, 13 January 2017 and 17 March 2017. Administration charges and interest applied for the final three instalments.

	2017 \$	2016 \$
28. FEES & CHARGES		
Governance	38,959	46,087
General Purpose Funding	0	0
Law, Order, Public Safety	41,306	44,815
Health	37,688	38,778
Education and Welfare	10,500	10,500
Housing	0	0
Community Amenities	1,434,480	1,490,262
Recreation and Culture	234,305	200,200
Transport	19,117	14,174
Economic Services	687,746	1,026,536
Other Property and Services	25,401	17,542
	2,529,502	2,888,894

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

29. GRANT REVENUE

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

	2017	2016
	\$	\$
By Nature or Type:		
Operating Grants, Subsidies and Contributions	2,018,321	853,737
Non-Operating Grants, Subsidies and Contributions	3,713,637	10,523,781
	<u>5,731,958</u>	<u>11,377,518</u>
By Program:		
Governance	9,750	0
General Purpose Funding	1,649,016	508,287
Law, Order, Public Safety	941,721	396,028
Health	0	0
Education and Welfare	7,750	37,088
Housing	0	0
Community Amenities	25,000	0
Recreation and Culture	1,542,039	970,104
Transport	1,532,682	9,430,012
Economic Services	24,000	36,000
Other Property and Services	0	0
	<u>5,731,958</u>	<u>11,377,518</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>61.03</u>	<u>63.57</u>
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31. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
		\$	
Meeting Fees	84,603	90,000	65,731
President's Allowance	11,000	11,000	10,815
Deputy President's Allowance	2,605	2,750	2,704
Travelling Expenses	5,037	21,600	7,455
Telecommunications Allowance	20,305	12,000	17,126
	<u>123,550</u>	<u>137,350</u>	<u>103,831</u>

32. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2017
	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:	
Short-term employee benefits	656,178
Post-employment benefits	68,872
Other long-term benefits	89,267
Termination benefits	24,729
	<u>839,045</u>

Short-term employee benefits

These amounts include all salary, paid leave, 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 at Note 31

Post-employment benefits

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

32. RELATED PARTY TRANSACTIONS Cont'd

Key Management Personnel (KMP) Compensation Disclosure Cont'd

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

iii. Joint venture entities accounted for under the equity method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note

Transactions with related parties

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

The following transactions occurred with related parties:

	2017
	\$
Associated companies/individuals:	
Sale of goods and services	504,432
Purchase of goods and services	258,990
Joint venture entities:	
Distributions received from joint venture entities	0
Amounts outstanding from related parties:	
Trade and other receivables	0
Loans to associated entities	0
Loans to key management personnel	0
Amounts payable to related parties:	
Trade and other payables	0
Loans from associated entities	0

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

33. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2016/17.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2016/17 financial year.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

35. FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017 \$	2016 \$	2017 \$	2016 \$
Financial Assets				
Cash and cash equivalents	12,353,732	14,518,398	12,353,732	14,518,398
Receivables	1,382,906	1,261,520	1,382,906	1,261,521
	<u>13,736,639</u>	<u>15,779,918</u>	<u>13,736,639</u>	<u>15,779,919</u>
Financial Liabilities				
Payables	1,229,400	2,631,281	1,229,400	2,630,613
Borrowings	2,964,770	2,722,823	2,449,198	2,278,856
	<u>4,194,170</u>	<u>5,354,104</u>	<u>3,678,598</u>	<u>4,909,469</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets – based on quoted market prices at the reporting date or independent valuation.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2017		2016
	\$		\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash			
- Equity	0		0
- Statement of Comprehensive Income	265,530	⁽²⁾	223,942 ^(*)

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

⁽²⁾ Maximum impact.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Council's credit risk at balance date was:

	2017	2016
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	94.36%	96.93%
- Overdue	5.64%	3.07%

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

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. Council 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.

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	1,229,400	0	0	1,229,400	1,229,400
Borrowings	408,497	1,442,047	2,082,202	3,932,745	2,964,770
	<u>1,637,897</u>	<u>1,442,047</u>	<u>2,082,202</u>	<u>5,162,145</u>	<u>4,194,170</u>
<u>2016</u>					
Payables	2,630,613	0	0	2,630,613	2,630,613
Borrowings	375,351	1,433,727	1,852,673	3,661,751	2,722,823
	<u>3,005,964</u>	<u>1,433,727</u>	<u>1,852,673</u>	<u>6,292,364</u>	<u>5,353,436</u>

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

35. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (Continued)**

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. Council 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 following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year Ended 30 June 2017</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	1,881,463	207,904	0	2,575,403	2,964,769	4.72%
Weighted Average Effective Interest Rate	0.00%	0.00%	6.47%	3.70%	0.00%	4.68%		
<u>Year Ended 30 June 2016</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	0	234,674	255,288	2,232,860	2,722,821	5.03%
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	6.46%	3.70%	5.03%		

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF DENMARK**



Opinion

We have audited the accompanying financial report of the Shire of Denmark, which comprises the statement of financial position as at 30 June 2017, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

In our opinion the financial report of the Shire of Denmark is in accordance with the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996, including:

- (a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Report section of our report. We are independent of the Shire in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the "Code")* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

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

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- (b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were noted during the course of our audit.
- (c) All necessary information and explanations were obtained by us.
- (d) All audit procedures were satisfactorily completed in conducting our audit.
- (e) In relation to the Asset Consumption Ratio and Asset Renewal Funding Ratio, we note that the information required for the ratios has not been completed.
- (f) The Shire has not completed the Asset Management Plan or Long Term Financial Plan as required by Administration Regulation 19D.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

Responsibilities of Management and Council for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud and error.

In preparing the financial report, management is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standard Board website at <http://www.ausb.gov.au/auditors/files/ar3.pdf>. This description forms part of our audit report.



Russell Harrison, Partner

Lincolns Accountants and Business Advisers

70 - 74 Frederick Street, Albany WA

Dated this 21st day of December 2017.

**SHIRE OF DENMARK
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report

	2017	2016	2015
Asset Consumption Ratio	N/A	N/A	N/A
Asset Renewal Funding Ratio	N/A	N/A	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

N/A - In keeping with amendments to Local Government (Financial Management) Regulations 50, comparatives for the two preceding years (being 2016 and 2015) have not been reported as financial information is not available.