

# Minutes

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## SHIRE OF DENMARK AUDIT ADVISORY COMMITTEE

HELD IN THE COUNCIL CHAMBERS,  
953 SOUTH COAST HIGHWAY, DENMARK,  
TUESDAY, 9 MARCH 2021.

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## DISCLAIMER

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## 1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

10.04am – The Presiding Person, Cr Bowley, declared the meeting open.

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

### MEMBERS:

Cr Geoff Bowley (Presiding Person)  
 Cr Mark Allen (Deputy Shire President) – (from 10.11am)  
 Cr Kingsley Gibson  
 Cr Ian Osborne  
 Vacant

### STAFF:

Mr David Schober (Acting Chief Executive Officer Acting)  
 Mr Lee Sounness (Acting Director Corporate and Community Services)  
 Ms Gina McPharlin (Manager Corporate Services)  
 Ms Claire Thompson (Governance Coordinator)  
 Ms Lisa Sanders (Executive Support Officer)

### APOLOGIES:

Cr Ceinwen Gearon (Shire President)

### ON LEAVE OF ABSENCE:

Nil

### ABSENT:

Nil

### VISITORS:

Ms Renuka Venkatraman (Office of Auditor General) – via teleconference

## 3. DECLARATIONS OF INTEREST

Nil

## 4. ANNOUNCEMENTS BY THE PERSON PRESIDING

*Cr Bowley acknowledged the traditional custodians of the land on which the meeting was being held.*

## 5. CONFIRMATION OF MINUTES

### 5.1 AUDIT COMMITTEE MEETING

<b>COMMITTEE RESOLUTION &amp; OFFICER RECOMMENDATION</b>	<b>ITEM 5.1</b>
MOVED: CR OSBORNE	SECONDED: CR GIBSON
That the Minutes of the Shire of Denmark Audit Advisory Committee meeting held on 1 September 2020, be confirmed as a true and correct record of the proceedings.	
CARRIED: 3/0	

## 6. PUBLIC QUESTION TIME

Public Question Time shall be held in accordance with section 5.24 of the Local Government Act 1995 and Regulations 5, 6 and 7 of the Local Government (Administration) Regulations 1996.

Public question time enables members of the public to address the Committee or ask questions of Committee. The procedure for public question time can be found on the wall near the entrance to the Council Chambers or can be downloaded from the Shire's website at <http://www.denmark.wa.gov.au/council-meetings>.

Questions from the public are invited and welcomed at this point of the Agenda.

Questions from the Public

*There were no members of the public in attendance.*

## 7. OFFICER REPORTS

### 7.1 CONDUCT OF MEETING WITH AUDITOR – 2019/2020 ANNUAL FINANCIAL REPORT AND AUDITORS REPORT

<b>File Ref:</b>	FIN.31
<b>Applicant / Proponent:</b>	Shire of Denmark
<b>Subject Land / Locality:</b>	Nil
<b>Disclosure of Officer Interest:</b>	Nil
<b>Date:</b>	21 February 2021
<b>Author:</b>	Lee Sounness, Director Corporate & Community Services Acting
<b>Authorising Officer:</b>	Lee Sounness, Director Corporate & Community Services Acting
<b>Attachments:</b>	Nil

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**Summary:**

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

**Background:**

Nil

**Consultation:**

The Annual Financial Report has been the subject of close examination by the Office of the Auditor General and the appointed auditor Russell Harrison of Lincolns Beyond Numbers.

**Statutory Obligations:**

Local Government Act 1995 Section 7.12A (2)

**Policy Implications:**

There are no policy implications

**Budget / Financial Implications:**

Nil

**Strategic & Corporate Plan Implications:**

The report and officer recommendation are 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

**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.

➤ **Risk:**

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Audit Advisory Committee do not agree to meet with the Auditor	Rare (1)	Minor (2)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

**Comment/Conclusion:**

The Office of the Auditor General have produced an Independent Auditor’s Report for the 2019/2020 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.”*

The Office of the Audit General Council’s Auditor has advised that they will be available from 10.00am to liaise with members of the Audit Committee via teleconference

**Voting Requirements:**

Simple Majority

<p><b>COMMITTEE RESOLUTION &amp; OFFICER RECOMMENDATION</b> <span style="float: right;">ITEM 7.1</span>                  MOVED: CR GIBSON <span style="float: right;">SECONDED: CR OSBORNE</span>                  That the Shire of Denmark Audit Committee RESOLVES to conduct a meeting with the Office of the Auditor General via telephone conference.                  CARRIED: 3/0</p>
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10.11am - Cr Allen entered the room.

## 7.2 SHIRE OF DENMARK 2019/20 ANNUAL FINANCIAL REPORT AND AUDIT REPORT

<b>File Ref:</b>	FIN.31
<b>Applicant / Proponent:</b>	Shire of Denmark
<b>Subject Land / Locality:</b>	Nil
<b>Disclosure of Officer Interest:</b>	Nil
<b>Date:</b>	21 February 2021
<b>Author:</b>	Lee Sounness, Director Corporate & Community Services Acting
<b>Authorising Officer:</b>	David Schober, Chief Executive Officer Acting
<b>Attachments:</b>	7.2 a – 2019/2020 Annual Financial Report 7.2 b – Independent Auditor's Report 7.2 c – Management Letter 7.2 d – Auditor's Report to the Audit Committee

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### Summary:

The 2019/2020 Annual Financial Statement, Auditors Report and Management Letter has been received from the Office of the Auditor General's (OAG) Director of Financial Audit, Ms Renuka Venkatraman and the appointed Auditor, Mr Russell Harrison from Lincolns beyond Numbers and is provided to Committee Members with the Agenda documents.

### Consultation:

Nil

### Statutory Obligations:

Local Government Act 1995 - Part 7.

Local Government (Financial Management) Regulations 1996.

Local Government (Audit) Regulations 1996 – Regulation 16.

### Policy Implications:

The Audit Advisory Committee have delegated authority under Delegation D040231.

Policy P040232 – Municipal Budget Policies relates to annual financial budgets.

### Budget / Financial Implications:

The indicative fee of the Audit conducted by OAG is \$32,000 (ex GST) and the preparation, collation and printing of statements was undertaken in-house by Council Officers. Both of these costs have been covered in the 2020/2021 Budget.

### Strategic & Corporate Plan Implications:

The report and officer recommendation are 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.

### Sustainability Implications:

#### ➤ Governance:

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

#### ➤ Environmental:

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

#### ➤ Economic:

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

➤ **Social:**

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

➤ **Risk:**

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Committee not consider and make recommendation on the 2019/2020 Financial Statements and Audit Report	Rare (1)	Minor (2)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

**Comment/Conclusion:**

The 2019/2020 Annual Financial Report, Independent Auditor's 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.

## INDEPENDENT AUDITORS REPORT (EXTRACT)

### Opinion

In the opinion of the Office of the Auditor General, the annual financial report of the Shire of Denmark:

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

### Report on Other Legal and Regulatory Requirements

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

- i. In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years. The financial ratios are reported at Note 31 to the financial report.
- ii. The following material matter 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 was identified during the course of my audit:
  - a. The Shire has not reported the Asset Renewal Funding Ratio for 2018 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as planned

- capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively in that year;
- iii. All required information and explanations were obtained by me.
  - iv. All audit procedures were satisfactorily completed.  
In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

## ANNUAL REPORT AND AGM OF ELECTORS

An Annual Report has been prepared in accordance with Section 5.53 of the Local Government Act 1995 and will be presented to Council for consideration on Tuesday, 16 March 2021. If accepted, the Council must then set a date to hold an Annual General Meeting of electors in accordance with the Local Government Act 1995 Section 5.27 (2)

### Voting Requirements:

Simple majority.

<b>COMMITTEE &amp; OFFICER RECOMMENDATION</b>	<b>ITEM 7.2</b>
<b>MOVED: CR GIBSON</b>	<b>SECONDED: CR ALLEN</b>
That the Shire of Denmark Audit Advisory Committee have reviewed and RECOMMEND Council adopt the 2019/2020 Annual Financial Statements including Auditors Report, noting that there are no actions proposed to be taken by the Chief Executive Officer	
<b>CARRIED: 4/0</b>	

10.22am – The Office of the Auditor General representative left the meeting.

## 7.3 2020 COMPLIANCE AUDIT RETURN

<b>File Ref:</b>	FIN.8A
<b>Applicant / Proponent:</b>	Not applicable
<b>Subject Land / Locality:</b>	Not applicable
<b>Disclosure of Officer Interest:</b>	Nil
<b>Date:</b>	5 March 2021
<b>Author:</b>	Claire Thompson, Governance Coordinator
<b>Authorising Officer:</b>	David Schober, Acting Chief Executive Officer
<b>Attachments:</b>	7.3 – Compliance Audit Return

### Summary:

The Audit Advisory Committee are requested to review the 2020 Compliance Audit Return and report to Council the results of the review.

### Background:

Each year a local government is required to carry out a compliance audit for the period 1 January to 31 December against the requirements of the Compliance Audit Return provided by the Department of Local Government, Sport and Cultural Industries.

The information derived from the CAR is retained by the Department for future reference.

### Consultation:

- Internal consultation with relevant employees.
- Department of Local Government, Sport and Cultural Industries.



**Statutory Obligations:**

- Section 7.13 (1) (i) of the Local Government Act 1995 requires that the audit of compliance is to be carried out in a prescribed manner and in a form approved by the Minister.
- Regulation 13 sets out the prescribed manner and form of a compliance audit return, which has been approved by the Minister.
- Regulation 14 refers to the compliance audit period, the format and states that the compliance audit return is to be reviewed by the local government's audit committee and that the audit committee must report the result of that review to Council. The audit committee's report must be presented to and adopted by the Council.
- Regulation 15 refers to the requirement that a certified copy of the compliance audit return is presented to the Director General of the Department by 31 March.

**Policy Implications:**

There are no policy implications.

**Budget / Financial Implications:**

There are no known financial implications upon either the Council's current Budget or Long Term Financial Plan.

**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

L5.0 Our Local Government

*The Shire of Denmark is recognised as a transparent, well governed and effectively managed Local Government.*

L5.1 To be a high functioning, open, transparent, ethical and responsive.

**Sustainability Implications:**➤ **Governance:**

A report and the Committee's recommendation will be submitted to Council on 16 March 2021 to allow sufficient time for the Compliance Audit Return to be submitted to the Department by 31 March.

➤ **Environmental:**

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

➤ **Economic:**

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

➤ **Social:**

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

➤ **Risk:**

Nil

**Comment/Conclusion:**

The draft 2020 Compliance Audit Return is attached for the Audit Advisory Committee's review and report to Council.

No areas of non-compliance have been identified.

**Voting Requirements:**

Simple majority.

<b>COMMITTEE &amp; OFFICER RECOMMENDATION</b>	ITEM 7.3
MOVED: CR GIBSON	SECONDED: CR OSBORNE
That the Audit Advisory Committee recommend that Council endorse the 2020 Compliance Audit Return and submit a certified copy to the Director General of the Department of Local Government, Sport and Cultural Industries by 31 March 2021.	
CARRIED: 4/0	

**8. GENERAL BUSINESS****8.1 OUTSTANDING ITEMS**

*Cr Bowley requested a progress report from the Acting Director of Corporate and Community Services on the implementation of the recommendations from the review of the financial management, risk management, legislative compliance and internal controls.*

The Acting Director of Corporate and Community Services advised the Committee of amended completion dates on the outstanding actions from the Regulation 17 and Financial Management Review:

1. Risk Management Policy – May 2021
2. Elected Member reimbursements policy - June 2021
3. Credit Card policy - May 2021
4. Business Continuity Plan – August 2021
5. IC Strategy – May 2021

**8.2 FINANCIAL RATIOS AND FINANCIAL HEALTH INDICATOR**

The Acting Director of Corporate and Community Services advised the Committee that the Shire of Denmark will have a calculated Financial Health Indicator (FHI) score of 68 based on the calculated ratios from the adopted 2019/2020 Annual Financials. The Shire had a Financial Health Indicator score of 66 in 2018/2019.

The Members noted the improvement in the Shire's Financial Health Indicator Score.

**9. NEXT MEETING**

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

**10. CLOSURE OF MEETING**

*10.32am – there being no further business to discuss the Presiding Person, Cr Bowley 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.)*

**SHIRE OF DENMARK**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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



**SHIRE OF DENMARK  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

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

Signed on the

18th day of February 2021



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Chief Executive Officer (Acting)

David Schober

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Chief Executive Officer (Acting)



**SHIRE OF DENMARK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	23(a)	6,679,282	6,725,471	6,443,951
Operating grants, subsidies and contributions	2(a)	2,321,797	1,908,268	2,488,653
Fees and charges	2(a)	3,075,245	3,043,766	2,984,580
Interest earnings	2(a)	180,274	216,229	303,742
Other revenue	2(a)	137,555	694,760	375,450
		<u>12,394,153</u>	<u>12,588,494</u>	<u>12,596,376</u>
<b>Expenses</b>				
Employee costs		(6,161,811)	(6,192,403)	(6,017,644)
Materials and contracts		(3,013,910)	(3,870,331)	(2,779,873)
Utility charges		(213,221)	(207,335)	(254,211)
Depreciation on non-current assets	11(b)	(4,711,784)	(4,469,600)	(4,351,003)
Interest expenses	2(b)	(128,833)	(123,010)	(138,869)
Insurance expenses		(426,654)	(428,567)	(398,117)
Other expenditure		(498,122)	(563,095)	(792,172)
		<u>(15,154,335)</u>	<u>(15,854,341)</u>	<u>(14,731,889)</u>
		<u>(2,760,182)</u>	<u>(3,265,847)</u>	<u>(2,135,513)</u>
Refund - Non operating grant		0	0	(4,310,344)
Non-operating grants, subsidies and contributions	2(a)	2,771,295	2,715,774	4,457,299
Profit on asset disposals	11(a)	1,760	1,000	400
(Loss) on asset disposals	11(a)	(277,776)	(175,900)	(91,334)
Fair value adjustments to financial assets at fair value through profit or loss		865	0	6,151
		<u>2,496,144</u>	<u>2,540,874</u>	<u>4,372,516</u>
<b>Net result for the period</b>		<b>(264,038)</b>	<b>(724,973)</b>	<b>(2,073,341)</b>
<b>Total comprehensive income for the period</b>		<b>(264,038)</b>	<b>(724,973)</b>	<b>(2,073,341)</b>

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 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		70,843	52,807	86,038
General purpose funding		7,994,444	7,539,781	7,822,808
Law, order, public safety		619,440	772,111	646,642
Health		21,870	42,000	26,012
Education and welfare		88,209	69,300	61,035
Housing		97	450,698	3,140
Community amenities		1,523,159	1,529,452	1,566,526
Recreation and culture		470,846	554,351	422,611
Transport		201,749	230,361	569,564
Economic services		1,154,134	1,160,133	1,171,066
Other property and services		249,362	187,500	220,934
		<u>12,394,153</u>	<u>12,588,494</u>	<u>12,596,376</u>
<b>Expenses</b>				
	2(b)			
Governance		(821,810)	(877,614)	(743,938)
General purpose funding		(494,226)	(506,992)	(596,647)
Law, order, public safety		(2,399,498)	(2,356,208)	(1,814,496)
Health		(198,384)	(202,011)	(225,612)
Education and welfare		(337,793)	(338,212)	(245,520)
Housing		(88,985)	(48,492)	(90,031)
Community amenities		(2,690,395)	(2,639,285)	(2,465,337)
Recreation and culture		(2,848,675)	(3,094,946)	(2,940,348)
Transport		(3,917,898)	(4,310,928)	(4,212,753)
Economic services		(1,023,308)	(1,169,570)	(1,067,876)
Other property and services		(204,530)	(187,073)	(190,462)
		<u>(15,025,502)</u>	<u>(15,731,331)</u>	<u>(14,593,020)</u>
<b>Finance Costs</b>				
	2(b)			
Governance		(4,247)	(1,015)	(1,020)
Law, order, public safety		(170)	0	0
Health		(180)	0	0
Housing		(31,061)	(31,060)	(35,493)
Community amenities		(4,121)	(3,982)	(6,201)
Recreation and culture		(58,502)	(56,404)	(61,936)
Transport		(2,877)	(2,875)	(3,274)
Economic services		(27,674)	(27,674)	(30,945)
		<u>(128,833)</u>	<u>(123,010)</u>	<u>(138,869)</u>
		<u>(2,760,182)</u>	<u>(3,265,847)</u>	<u>(2,135,513)</u>
Refund - Non-operating grant		0	0	(4,310,344)
Non-operating grants, subsidies and contributions	2(a)	2,771,295	2,715,774	4,457,299
Profit on disposal of assets	11(a)	1,760	1,000	400
(Loss) on disposal of assets	11(a)	(277,776)	(175,900)	(91,334)
Fair value adjustments to financial assets at fair value through profit or loss		865	0	6,151
		<u>2,496,144</u>	<u>2,540,874</u>	<u>62,172</u>
<b>Net result for the period</b>		<b>(264,038)</b>	<b>(724,973)</b>	<b>(2,073,341)</b>
<b>Total comprehensive income for the period</b>		<b>(264,038)</b>	<b>(724,973)</b>	<b>(2,073,341)</b>

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



**SHIRE OF DENMARK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	NOTE	2020	2019
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	6,802,245	8,384,751
Trade and other receivables	6	658,569	1,006,955
Other financial assets	5(a)	22,048	53,853
Inventories	7	160,415	62,995
Contract assets	2(a)	213,775	0
Other assets	8	50,279	232,988
<b>TOTAL CURRENT ASSETS</b>		7,907,331	9,741,542
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	45,367	38,745
Other financial assets	5(b)	561,280	582,463
Property, plant and equipment	9	30,999,214	33,630,287
Infrastructure	10	60,283,474	59,902,490
Right of use assets	12(a)	240,456	0
<b>TOTAL NON-CURRENT ASSETS</b>		92,129,791	94,153,985
<b>TOTAL ASSETS</b>		100,037,122	103,895,527
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,529,621	4,170,549
Contract liabilities	15	200,789	0
Lease liabilities	16(a)	119,315	0
Borrowings	17(a)	245,164	298,573
Employee related provisions	18	1,199,636	1,124,174
<b>TOTAL CURRENT LIABILITIES</b>		3,294,525	5,593,296
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities	15	424,747	0
Lease liabilities	16(a)	121,141	0
Borrowings	17(a)	1,866,268	2,111,432
Employee related provisions	18	109,851	103,881
<b>TOTAL NON-CURRENT LIABILITIES</b>		2,522,007	2,215,313
<b>TOTAL LIABILITIES</b>		5,816,532	7,808,609
<b>NET ASSETS</b>		94,220,590	96,086,918
<b>EQUITY</b>			
Retained surplus		24,583,041	26,320,892
Reserves - cash backed	4	4,376,065	4,504,542
Revaluation surplus	13	65,261,484	65,261,484
<b>TOTAL EQUITY</b>		94,220,590	96,086,918

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



**SHIRE OF DENMARK**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2018</b>		<b>22,890,850</b>	<b>9,966,164</b>	<b>65,303,245</b>	<b>98,160,259</b>
Adj. for change in classification of Financial Assets		41,761	0	(41,761)	0
<b>Restated Balance as at 1 July 2018</b>		<b>22,932,611</b>	<b>9,966,164</b>	<b>65,261,484</b>	<b>98,160,259</b>
Comprehensive income					
Net result for the period		(2,073,341)	0	0	(2,073,341)
Total comprehensive income		(2,073,341)	0	0	(2,073,341)
Transfers from reserves	4	6,421,342	(6,421,342)	0	0
Transfers to reserves	4	(959,721)	959,721	0	0
<b>Balance as at 30 June 2019</b>		<b>26,320,892</b>	<b>4,504,542</b>	<b>65,261,484</b>	<b>96,086,918</b>
Change in accounting policy	27(c)	(131,968)	0	0	(131,968)
De-recognition of Vested Land Assets		(1,470,320)	0	0	(1,470,320)
<b>Restated total equity at 1 July 2019</b>		<b>24,718,604</b>	<b>4,504,542</b>	<b>65,261,484</b>	<b>94,484,630</b>
Comprehensive income					
Net result for the period		(264,038)	0	0	(264,038)
Total comprehensive income		(264,038)	0	0	(264,038)
Transfers from reserves	4	448,886	(448,886)	0	0
Transfers to reserves	4	(320,409)	320,409	0	0
<b>Balance as at 30 June 2020</b>		<b>24,583,041</b>	<b>4,376,065</b>	<b>65,261,484</b>	<b>94,220,590</b>

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





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

	NOTE	2020 Actual	2020 Budget	2019 Actual (Restated*)
		\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		6,636,871	6,725,471	6,544,655
Operating grants, subsidies and contributions		2,758,687	1,908,268	2,206,770
Fees and charges		3,075,245	3,062,616	2,984,580
Interest received		180,274	216,229	303,742
Other revenue		137,555	694,760	375,450
		<u>12,788,632</u>	<u>12,607,344</u>	<u>12,415,197</u>
<b>Payments</b>				
Employee costs		(6,042,541)	(6,192,403)	(5,967,692)
Materials and contracts		(2,986,012)	(3,413,866)	(2,729,513)
Utility charges		(213,221)	(207,335)	(254,211)
Interest expenses		(128,833)	(123,010)	(149,649)
Insurance paid		(426,654)	(428,567)	(398,117)
Goods and services tax paid		(240,792)	0	(332,521)
Other expenditure		(498,122)	(563,095)	(792,172)
		<u>(10,536,175)</u>	<u>(10,928,276)</u>	<u>(10,623,875)</u>
<b>Net cash provided by (used in) operating activities</b>	19	<u>2,252,457</u>	<u>1,679,068</u>	<u>1,791,322</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	9(a)	(1,291,080)	(2,038,857)	(3,485,266)
Payments for construction of infrastructure	10(a)	(2,947,085)	(3,887,956)	(4,331,052)
Non-operating grants, subsidies and contributions	2(a)	2,771,295	2,715,774	4,457,299
Proceeds from financial assets at amortised cost - self supporting loans		53,853	53,853	50,683
Proceeds from sale of property, plant & equipment	11(a)	149,449	156,000	173,786
Refund Non-Operating Grant		(2,153,504)	(2,153,504)	(2,153,504)
<b>Net cash provided by (used in) investment activities</b>		<u>(3,417,072)</u>	<u>(5,154,690)</u>	<u>(5,288,054)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(298,573)	(298,573)	(284,185)
Payments for principal portion of lease liabilities	16(b)	(119,315)	0	0
<b>Net cash provided by (used in) financing activities</b>		<u>(417,888)</u>	<u>(298,573)</u>	<u>(284,185)</u>
<b>Net increase (decrease) in cash held</b>		<u>(1,582,506)</u>	<u>(3,774,195)</u>	<u>(3,780,914)</u>
Cash at beginning of year		8,384,751	8,289,948	12,165,665
<b>Cash and cash equivalents at the end of the year</b>	19	<u><u>6,802,245</u></u>	<u><u>4,515,753</u></u>	<u><u>8,384,751</u></u>

\* Refer to the restatement of prior year comparatives in Note 19

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

**SHIRE OF DENMARK**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	24 (b)	829,667	850,243	812,808
		<u>829,667</u>	<u>850,243</u>	<u>812,808</u>
<b>Revenue from operating activities (excluding rates)</b>				
Governance		71,708	52,807	92,189
General purpose funding		1,268,256	814,310	1,378,857
Law, order, public safety		619,440	772,111	647,042
Health		21,870	42,000	26,012
Education and welfare		88,209	69,300	61,035
Housing		97	450,698	3,140
Community amenities		1,523,159	1,529,452	1,566,526
Recreation and culture		470,846	554,351	422,611
Transport		203,510	230,361	569,564
Economic services		1,154,134	1,161,133	1,171,066
Other property and services		249,362	187,500	220,934
		<u>5,670,591</u>	<u>5,864,023</u>	<u>6,158,976</u>
<b>Expenditure from operating activities</b>				
Governance		(826,057)	(878,629)	(756,806)
General purpose funding		(494,226)	(506,992)	(596,647)
Law, order, public safety		(2,506,450)	(2,356,208)	(1,814,496)
Health		(198,564)	(202,011)	(225,612)
Education and welfare		(337,793)	(338,212)	(245,520)
Housing		(120,046)	(79,552)	(125,524)
Community amenities		(2,694,516)	(2,643,267)	(2,471,538)
Recreation and culture		(2,907,177)	(3,164,050)	(3,004,536)
Transport		(4,091,769)	(4,477,003)	(4,293,261)
Economic services		(1,050,982)	(1,197,244)	(1,098,821)
Other property and services		(204,530)	(187,073)	(190,462)
		<u>(15,432,110)</u>	<u>(16,030,241)</u>	<u>(14,823,223)</u>
Non-cash amounts excluded from operating activities	24(a)	5,235,206	4,644,500	4,321,682
<b>Amount attributable to operating activities</b>		<u>(3,696,646)</u>	<u>(4,671,475)</u>	<u>(3,529,757)</u>
<b>INVESTING ACTIVITIES</b>				
Refund Non-Operating Grant		0	0	(4,310,344)
Non-operating grants, subsidies and contributions	2(a)	2,771,295	2,715,774	4,457,299
Proceeds from disposal of assets	11(a)	149,449	156,000	173,786
Proceeds from financial assets at amortised cost - self supporting loans		53,853	53,853	50,683
Purchase of property, plant and equipment	9(a)	(1,291,080)	(2,038,857)	(3,485,266)
Purchase and construction of infrastructure	10(a)	(2,947,085)	(3,887,956)	(4,331,052)
<b>Amount attributable to investing activities</b>		<u>(1,263,568)</u>	<u>(3,001,186)</u>	<u>(7,444,894)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(298,573)	(298,573)	(284,185)
Payments for principal portion of lease liabilities	16(b)	(119,315)	0	0
Transfers to reserves (restricted assets)	4	(320,409)	(317,170)	(959,721)
Transfers from reserves (restricted assets)	4	448,886	1,380,000	6,421,342
Transfer back Grants Unspent		182,931	182,931	182,931
<b>Amount attributable to financing activities</b>		<u>(106,480)</u>	<u>947,188</u>	<u>5,360,367</u>
<b>Surplus/(deficit) before imposition of general rates</b>		<u>(5,066,694)</u>	<u>(6,725,471)</u>	<u>(5,614,284)</u>
<b>Total amount raised from general rates</b>	23(a)	6,726,188	6,725,471	6,443,951
<b>Surplus/(deficit) after imposition of general rates</b>	24(b)	<u><b>1,659,493</b></u>	<u><b>0</b></u>	<u><b>829,667</b></u>

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

**SHIRE OF DENMARK**  
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**FOR THE YEAR ENDED 30 JUNE 2020**

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## **1. BASIS OF PREPARATION**

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

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

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

The Shire has accounted for the removal of the vested land values associated with the golf course by removing the land value from the retained surplus as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

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

### **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**

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

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

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

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

### **CRITICAL ACCOUNTING ESTIMATES**

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

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

### **THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 to these financial statements.

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

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

**2. REVENUE AND EXPENSES**

**(a) Grant revenue**

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	17,135	9,900	36,638
General purpose funding	1,059,775	571,310	1,087,434
Law, order, public safety	585,418	732,311	605,437
Education and welfare	71,909	53,000	49,022
Community amenities	3,007	4,247	26,773
Recreation and culture	219,005	240,000	76,179
Transport	119,732	116,500	381,121
Economic services	42,000	42,000	81,138
Other property and services	203,816	139,000	144,911
	2,321,797	1,908,268	2,488,653
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	350,280	385,135	951,826
Community amenities	6,004	6,004	23,219
Recreation and culture	232,777	345,800	367,570
Transport	2,182,234	1,978,835	3,114,684
	2,771,295	2,715,774	4,457,299
	5,093,092	4,624,042	6,945,952
<b>Total grants, subsidies and contributions</b>			
<b>Fees and charges</b>			
Governance	28,550	27,247	26,647
General purpose funding	71,014	20,000	0
Law, order, public safety	30,909	34,200	34,867
Health	21,870	42,000	26,011
Education and welfare	16,300	16,300	12,013
Community amenities	1,484,902	1,475,205	1,477,702
Recreation and culture	234,996	293,951	299,869
Transport	73,599	10,230	8,501
Economic services	1,106,865	1,118,133	1,088,494
Other property and services	6,240	6,500	10,476
	3,075,245	3,043,766	2,984,580

**Grants, subsidies and contributions**

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

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

**Fees and Charges**

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

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

**2. REVENUE AND EXPENSES (Continued)**

(a) Revenue (Continued)	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Operating grants, subsidies and contributions	603,148	1,908,268	2,488,653
Fees and charges	2,464,185	3,043,766	2,984,580
Other revenue	4,000	694,760	375,450
Non-operating grants, subsidies and contributions	2,771,295	2,715,774	4,457,299
	5,842,628	8,362,568	10,305,982
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:			
Contracts with customers included as a contract liability at the start of the period			
	0	0	0
Performance obligations satisfied in the previous year	0	0	0
Other revenue from contracts with customers recognised during the year	3,071,333	5,646,794	5,848,683
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period			
	131,968	0	0
Other revenue from performance obligations satisfied during the year	2,639,327	2,715,774	4,457,299
	5,842,628	8,362,568	10,305,982
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	200,541		0
Contract assets	213,775		0
Contract liabilities from contracts with customers	(625,537)		0

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

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

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

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

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

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

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

**2. REVENUE AND EXPENSES (Continued)**

**(a) Revenue (Continued)**

**Revenue from statutory requirements**

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	6,679,282	6,725,471	6,443,951
Statutory permits and licences	161,674	188,000	178,778
Fines	12,347	11,000	10,573
Developer contributions	0	0	0
Public open space contributions	161,917	161,500	25,763
Cash in lieu of parking contributions	0	0	0
	<u>7,015,220</u>	<u>7,085,971</u>	<u>6,659,065</u>

**Other revenue**

Reimbursements and recoveries	137,555	244,760	375,450
Other	0	450,000	0
	<u>137,555</u>	<u>694,760</u>	<u>375,450</u>

**Interest earnings**

Financial assets at amortised cost - self supporting loans	15,780	15,598	21,034
Interest on reserve funds	65,409	62,169	186,974
Rates instalment and penalty interest (refer Note 23(c))	59,985	73,000	72,736
Other interest earnings	39,100	65,462	22,998
	<u>180,274</u>	<u>216,229</u>	<u>303,742</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (continued)**

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



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**2. REVENUE AND EXPENSES (Continued)**

**(b) Expenses**

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Auditors remuneration</b>			
- Audit of the Annual Financial Report	32,000	36,000	33,500
- Other services	5,100	2,000	2,900
	37,100	38,000	36,400
<b>Interest expenses (finance costs)</b>			
Borrowings	122,671	123,010	138,869
Lease liabilities	6,162	0	0
	128,833	123,010	138,869
<b>Other expenditure</b>			
Sundry expenses	498,122	563,095	792,172
	498,122	563,095	792,172

**SHIRE OF DENMARK**  
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**3. CASH AND CASH EQUIVALENTS**

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
		\$	\$
Cash at bank and on hand		925,190	1,520,254
Term deposits		5,877,055	6,864,497
<b>Total cash and cash equivalents</b>		<u>6,802,245</u>	<u>8,384,751</u>

**Restrictions**

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

- Cash and cash equivalents		5,001,601	4,504,542
- Financial assets at amortised cost		0	0
		<u>5,001,601</u>	<u>4,504,542</u>

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

Reserves - cash backed	4	4,376,065	4,504,542
Contract liabilities from contracts with customers	15	625,536	0
Contract liabilities from transfers for recognisable non financial assets	15	0	0
Unspent grants, subsidies and contributions		0	0
<b>Total restricted assets</b>		<u>5,001,601</u>	<u>4,504,542</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

**Restricted assets**

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



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**5. OTHER FINANCIAL ASSETS**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>(a) Current assets</b>		
Financial assets at amortised cost	22,048	53,853
	<u>22,048</u>	<u>53,853</u>
<b>Other financial assets at amortised cost</b>		
Self supporting loans	22,048	53,853
	<u>22,048</u>	<u>53,853</u>
<b>(b) Non-current assets</b>		
Financial assets at amortised cost	507,764	529,812
Financial assets at fair values through profit and loss	53,516	52,651
	<u>561,280</u>	<u>582,463</u>
<b>Financial assets at amortised cost</b>		
Self supporting loans	373,065	395,113
Other Financial Assets	134,699	134,699
	<u>507,764</u>	<u>529,812</u>
<b>Financial assets at fair values through profit and loss</b>		
Units in Local Government House Trust	53,416	52,551
Denmark Co-op - Shares	100	100
	<u>53,516</u>	<u>52,651</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 17(b) as self supporting loans.

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

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

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

**Financial assets at fair value through profit and loss**

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

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

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 25.

## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable

Trade and other receivables

GST receivable

### Non-current

Pensioner's rates and ESL deferred

	2020	2019
	\$	\$
	427,212	369,681
	200,541	143,862
	30,816	493,412
	<u>658,569</u>	<u>1,006,955</u>
	45,367	38,745
	<u>45,367</u>	<u>38,745</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other receivables

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

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

#### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Classification and subsequent measurement

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

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

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

## 7. INVENTORIES

	2020	2019
	\$	\$
<b>Current</b>		
Fuel and materials	160,415	62,995
	<u>160,415</u>	<u>62,995.00</u>

The following movements in inventories occurred during the year:

<b>Carrying amount at beginning of period</b>	62,995	62,990
Inventories expensed during the year	(433,413)	(406,455)
Additions to inventory	530,833	406,460
<b>Carrying amount at end of period</b>	<u>160,415</u>	<u>62,995</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### General

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

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

## 8. OTHER ASSETS

	2020	2019
	\$	\$
Accrued income	50,279	232,988
	<u>50,279</u>	<u>232,988</u>

### Other assets - current

Accrued income

### SIGNIFICANT ACCOUNTING POLICIES

#### Other current assets

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

#### Accrued Income

Accrued income is income which has been earned but not yet received. Income must be recorded in the accounting period in which it is earned. Therefore, accrued income must be recognized in the accounting period in which it arises rather than in a subsequent period in which it will be received.

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	3,244,309	1,470,320	4,714,629	21,999,216	21,999,216	26,713,845	135,136	5,492,053	32,341,034
Additions	0	0	0	1,829,725	1,829,725	1,829,725	27,696	1,627,845	3,485,266
(Disposals)	0	0	0	0	0	0	0	(264,720)	(264,720)
Depreciation (expense)	0	0	0	(600,240)	(600,240)	(600,240)	(62,094)	(1,268,959)	(1,931,293)
<b>Carrying amount at 30 June 2019</b>	3,244,309	1,470,320	4,714,629	23,228,701	23,228,701	27,943,330	100,738	5,586,219	33,630,287
<b>Comprises:</b>									
Gross carrying amount at 30 June 2019	3,244,309	1,470,320	4,714,629	24,571,742	24,571,742	29,286,371	283,874	9,120,927	38,691,172
Accumulated depreciation at 30 June 2019	0	0	0	(1,343,041)	(1,343,041)	(1,343,041)	(183,136)	(3,534,708)	(5,060,885)
<b>Carrying amount at 30 June 2019</b>	3,244,309	1,470,320	4,714,629	23,228,701	23,228,701	27,943,330	100,738	5,586,219	33,630,287
Change in Accounting policy	0	(1,470,320)	(1,470,320)	0	0	(1,470,320)	0	0	(1,470,320)
<b>Carrying amount at 1 July 2019</b>	3,244,309	0	3,244,309	23,228,701	23,228,701	26,473,010	100,738	5,586,219	32,159,967
Additions	0	0	0	825,222	825,222	825,222	52,741	413,117	1,291,080
(Disposals)	0	0	0	0	0	0	0	(425,465)	(425,465)
Depreciation (expense)	(37,792)	0	(37,792)	(632,687)	(632,687)	(670,479)	(44,057)	(1,311,832)	(2,026,368)
<b>Carrying amount at 30 June 2020</b>	3,206,517	0	3,206,517	23,421,236	23,421,236	26,627,753	109,422	4,262,039	30,999,214
<b>Comprises:</b>									
Gross carrying amount at 30 June 2020	3,206,517	0	3,206,517	25,396,964	25,396,964	28,603,481	336,615	9,070,509	38,010,605
Accumulated depreciation at 30 June 2020	0	0	0	(1,975,728)	(1,975,728)	(1,975,728)	(227,193)	(4,808,470)	(7,011,391)
<b>Carrying amount at 30 June 2020</b>	3,206,517	0	3,206,517	23,421,236	23,421,236	26,627,753	109,422	4,262,039	30,999,214



**9. PROPERTY, PLANT AND EQUIPMENT (Continued)**

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - 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	Cost approach
Buildings - non-specialised	2	Market	Hemsley Paterson Valuers	June 2017	Using market value and current condition, residual values and remaining useful life assessments
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Cost Approach	June 2016	Price per item
<b>Plant and equipment</b>					
- Management Valuation 2016	3	Cost approach using depreciated replacement cost	Cost Approach	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.

Following a change to Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

## 10. INFRASTRUCTURE

### (a) Movements in Carrying Amounts

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

	Infrastructure - Roads & Paths	Infrastructure - Parks & Reserves	Infrastructure - Airstrip	Infrastructure - Bridges	Total Infrastructure
<b>Balance at 1 July 2018</b>	\$ 47,104,068	\$ 2,855,651	\$ 766,936	\$ 7,264,493	\$ 57,991,148
Additions	3,849,426	31,618	0	450,008	4,331,052
Depreciation (expense)	(2,063,276)	(195,900)	(18,152)	(142,382)	(2,419,710)
<b>Carrying amount at 30 June 2019</b>	<b>48,890,218</b>	<b>2,691,369</b>	<b>748,784</b>	<b>7,572,119</b>	<b>59,902,490</b>
<b>Comprises:</b>					
Gross carrying amount at 30 June 2019	93,867,795	4,547,972	912,145	11,786,167	111,114,079
Accumulated depreciation at 30 June 2019	(44,977,577)	(1,856,603)	(163,361)	(4,214,048)	(51,211,589)
<b>Carrying amount at 30 June 2019</b>	<b>48,890,218</b>	<b>2,691,369</b>	<b>748,784</b>	<b>7,572,119</b>	<b>59,902,490</b>
Additions	2,134,428	42,068	50,589	720,000	2,947,085
Depreciation (expense)	(2,198,306)	(197,832)	(18,507)	(151,456)	(2,566,101)
<b>Carrying amount at 30 June 2020</b>	<b>48,826,340</b>	<b>2,535,605</b>	<b>780,866</b>	<b>8,140,663</b>	<b>60,283,474</b>
<b>Comprises:</b>					
Gross carrying amount at 30 June 2020	96,002,223	4,590,040	962,734	12,506,167	114,061,164
Accumulated depreciation at 30 June 2020	(47,175,883)	(2,054,435)	(181,868)	(4,365,504)	(53,777,690)
<b>Carrying amount at 30 June 2020</b>	<b>48,826,340</b>	<b>2,535,605</b>	<b>780,866</b>	<b>8,140,663</b>	<b>60,283,474</b>

SHIRE OF DENMARK  
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 FOR THE YEAR ENDED 30 JUNE 2020

10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads & Paths	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Parks & Reserves	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Airstrip	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	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.

## 11. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

ROU Assets are measured at cost. This means that all ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

#### Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

#### Revaluation

The fair value of land, buildings and infrastructure is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure and vested improvements to be shown at fair value.

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

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under control prior to 1 July 2019

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

#### Land under roads prior to 1 July 2019

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

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

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

Whilst such treatment was 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 was not included as an asset of the Shire.

#### Land under roads from 1 July 2019

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

The Shire has accounted for the removal of the vested land values associated with the golf course by removing the land value from the retained surplus as at 1 July 2019. The comparatives have not been restated.

#### Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related ROU assets at zero cost.

Refer to Note 12 that details the significant accounting policies applying to leases (including ROU) assets).

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**11. FIXED ASSETS**

**(a) Disposals of Assets**

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	425,465	149,449	1,760	(277,776)	330,900	156,000	1,000	(175,900)	264,720	173,786	400	(91,334)
	425,465	149,449	1,760	(277,776)	330,900	156,000	1,000	(175,900)	264,720	173,786	400	(91,334)

The following assets were disposed of during the year:

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
<b>By Program</b>				
<b>Law, order, public safety</b>				
Bushfire Truck - Nornalup	62,225	0	0	(62,225)
Bushfire Truck - Peaceful Bay	44,558	0	0	(44,558)
<b>Recreation and culture</b>				
Toyota Coaster Bus - DE 2044	21,712	12,307	0	(9,405)
<b>Transport</b>				
Mitsubishi Utility - DE 6226	13,509	10,000	0	(3,509)
Hino Tip Truck - DE 1490	17,519	18,337	818	0
Skid Steer Loader - DE 10863	26,999	15,630	0	(11,369)
Loader - DE 896	74,700	47,456	0	(27,244)
Grader - DE 245	164,243	44,776	0	(119,467)
<b>Economic services</b>				
Outlander ATV Bike - DE 6643	0	942	942	0
	425,465	149,449	1,760	(277,776)
	425,465	149,449	1,760	(277,776)

## 11. FIXED ASSETS

### (b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	670,479	649,932	600,240
Furniture and equipment	44,057	56,395	62,094
Plant and equipment	1,311,832	1,200,848	1,268,959
Infrastructure - Roads & Paths	2,198,306	2,193,236	2,063,276
Infrastructure - Parks & Reserves	197,832	200,355	195,900
Infrastructure - Airstrip	18,507	18,151	18,152
Infrastructure - Bridges	151,456	150,683	142,382
Right of use assets - plant and equipment	119,315	0	0
	<u>4,711,784</u>	<u>4,469,600</u>	<u>4,351,003</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Depreciation

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

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

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

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

#### Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease

#### Depreciation on revaluation

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

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

## 12. LEASES

### (a) Right of Use Assets

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

	Right of use assets - plant and equipment \$	Right of use assets Total
<b>Carrying amount at 30 June 2019</b>	0	0
Recognised on initial application of AASB 16	333,529	333,529
<b>Restated total equity at the beginning of the financial year</b>	333,529	333,529
Additions	26,242	26,242
Depreciation (expense)	(119,315)	(119,315)
<b>Carrying amount at 30 June 2020</b>	240,456	240,456
<b>(b) Cash outflow from leases</b>		
Interest expense on lease liabilities	6,162	6,162
Lease principal expense	119,315	119,315
<b>Total cash outflow from leases</b>	125,477	125,477

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

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

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

### Right of Use Assets - Valuation

Right of use assets are measured at cost. This means that all ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value. The Shire does not have any vested improvements.

### Leases (continued)

#### Right of Use Assets - Depreciation

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

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

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

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**13. REVALUATION SURPLUS**

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance
Revaluation surplus - Land & Buildings	12,301,927	0	0	0	12,301,927	12,301,927	0	0	0	12,301,927
Revaluation surplus - Plant and equipment	2,572,846	0	0	0	2,572,846	2,572,846	0	0	0	2,572,846
Revaluation surplus - Other Infrastructure	50,386,711	0	0	0	50,386,711	50,386,711	0	0	0	50,386,711
	65,261,484	0	0	0	65,261,484	65,261,484	0	0	0	65,261,484

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



#### 14. TRADE AND OTHER PAYABLES

##### Current

Sundry creditors	
Prepaid rates	
Accrued salaries and wages	
ATO liabilities	
Bonds and deposits held	
Accrued Interest on Loans	
Income in Advance	
Accrued Expenses	

	2020	2019
	\$	\$
	655,509	3,402,303
	111,188	89,446
	142,517	103,944
	0	735
	114,433	449,224
	11,791	13,990
	3,409	46,344
	490,774	64,563
	<u>1,529,621</u>	<u>4,170,549</u>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Trade and other payables

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

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

##### Prepaid rates

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

## 15. CONTRACT LIABILITIES

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Current</b>		
Contract liabilities from contracts with customers	200,789	0
	<u>200,789</u>	<u>0</u>
<b>Non-current</b>		
Contract liabilities from contracts with customers	424,747	0
	<u>424,747</u>	<u>0</u>
	<u>625,536</u>	<u>0</u>
<p>Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:</p>		
Less than 1 year	200,789	
1 to 2 years	0	
2 to 3 years	0	
3 to 4 years	205,295	
4 to 5 years	0	
> 5 years	219,452	
	<u>625,536</u>	

### SIGNIFICANT ACCOUNTING POLICIES

#### Contract Liabilities

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

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



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**17. INFORMATION ON BORROWINGS**

(a) Borrowings

	2020	2019
	\$	\$
Current	245,164	298,573
Non-current	1,866,268	2,111,432
	<u>2,111,432</u>	<u>2,410,005</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020		30 June 2020		30 June 2020		30 June 2020		30 June 2019		30 June 2019		30 June 2019		
				Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest	
<b>Governance</b>																		
Photovoltaic System	153	WATC	4.06%	13,976	371	13,976	1,015	13,976	0	27,401	13,425	1,020	13,976					
<b>Housing</b>																		
Lionsville	142	WATC	6.88%	411,447	30,362	27,834	30,362	411,447	383,613	437,460	26,013	32,353	411,447					
<b>Community Amenities</b>																		
Rubbish Truck	156	WATC	3.70%	107,761	3,982	52,893	3,982	107,761	54,868	158,752	50,991	6,202	107,761					
<b>Recreation and Culture</b>																		
Recreation Centre	144	WATC	5.96%	9,640	520	9,640	516	9,640	0	18,731	9,091	1,125	9,640					
Tennis Club	145	WATC	5.96%	8,162	441	8,162	437	8,162	0	15,858	7,696	953	8,162					
Football Clubrooms	147	WATC	6.37%	157,042	10,912	10,232	10,907	157,042	146,810	166,652	9,610	11,590	157,042					
Riverside Club - Stage 1	158	WATC	3.11%	444,739	16,482	19,465	16,482	444,739	425,274	463,612	18,873	17,208	444,739					
Purchase Lot 228 Res. 18587	159	WATC	2.70%	356,535	11,603	46,929	13,162	356,535	309,606	402,222	45,687	13,165	356,535					
<b>Transport</b>																		
Airport	143	WATC	6.26%	42,703	2,877	6,067	2,875	42,703	36,636	48,408	5,705	3,274	42,703					
<b>Economic services</b>																		
Visitors Centre	131	WATC	6.91%	100,980	7,255	31,401	7,255	100,980	69,579	130,319	29,339	9,380	100,980					
Purchase Reserve 27101	152	WATC	6.04%	308,054	20,419	18,121	20,419	308,054	289,933	325,128	17,074	21,565	308,054					
				<u>1,961,039</u>	<u>105,224</u>	<u>244,720</u>	<u>107,412</u>	<u>1,961,039</u>	<u>1,716,319</u>	<u>2,194,543</u>	<u>233,502</u>	<u>117,835</u>	<u>1,961,039</u>					
<b>Self Supporting Loans</b>																		
<b>Housing</b>																		
Lionsville (Self Supporting)	123	WATC	7.98%	28,741	698	28,741	698	28,741	0	55,293	26,552	3,140	28,741					
<b>Recreation and culture</b>																		
Scouts (Self Supporting)	129	WATC	5.84%	16,736	944	3,348	944	16,736	13,388	19,893	3,157	1,158	16,736					
F/Ball Clubrooms (Self Supporting)	148	WATC	5.96%	3,856	208	3,856	206	3,856	0	7,492	3,636	450	3,856					
Riverside Club (Self Supporting)	157	WATC	3.27%	399,633	15,597	17,908	13,750	399,633	381,725	416,969	17,336	16,286	399,633					
				<u>448,966</u>	<u>17,447</u>	<u>53,853</u>	<u>15,598</u>	<u>448,966</u>	<u>395,113</u>	<u>499,647</u>	<u>50,683</u>	<u>21,034</u>	<u>448,966</u>					
				<u>2,410,005</u>	<u>122,671</u>	<u>298,573</u>	<u>123,010</u>	<u>2,410,005</u>	<u>2,111,432</u>	<u>2,694,190</u>	<u>284,185</u>	<u>138,869</u>	<u>2,410,005</u>					

\* WATC = WA Treasury Corporation

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

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**17. INFORMATION ON BORROWINGS (Continued)**

**(c) New Borrowings - 2019/20**

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed	Amount (Used)	Total	Actual
					2020 Actual	2020 Budget	Interest & Charges	Balance Unspent
					\$	\$	\$	\$
					0	0	0	0

There were no new borrowings during 2019/2020.

**(c) Unspent Borrowings**

Particulars	Date Borrowed	Unspent Balance	Borrowed During	Expended During	Unspent Balance
		1 July 2019	Year	Year	30 June 2020
		\$	\$	\$	\$
		0	0	0	0

There were no unspent borrowings during 2019/2020

(c) Undrawn Borrowing Facilities	2020	2019
	\$	\$
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	20,000	30,000
Credit card balance at balance date	0	(1,366)
<b>Total amount of credit unused</b>	<b>20,000</b>	<b>28,634</b>

**Loan facilities**

Loan facilities - current	245,164	298,573
Loan facilities - non-current	1,866,268	2,111,432
Lease liabilities - current	119,315	0
Lease liabilities - non-current	121,141	0
<b>Total facilities in use at balance date</b>	<b>2,351,888</b>	<b>2,410,005</b>

**Unused loan facilities at balance date** 0 0

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale. The Shire has elected not to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

**Risk**

Information regarding exposure to risk can be found at Note 25.

## 18. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

	Provision for Annual Leave & RDO's \$	Provision for Long Service Leave \$	Total \$
<b>Opening balance at 1 July 2019</b>			
Current provisions	740,158	384,016	1,124,174
Non-current provisions	0	103,881	103,881
	<u>740,158</u>	<u>487,897</u>	<u>1,228,055</u>
Additional provision	11,396	70,036	81,432
<b>Balance at 30 June 2020</b>	<u>751,554</u>	<u>557,933</u>	<u>1,309,487</u>
<b>Comprises</b>			
Current	751,554	448,082	1,199,636
Non-current	0	109,851	109,851
	<u>751,554</u>	<u>557,933</u>	<u>1,309,487</u>
<b>Amounts are expected to be settled on the following basis:</b>	<u>2020</u>	<u>2019</u>	
	\$	\$	
Less than 12 months after the reporting date	492,602	580,471	
More than 12 months from reporting date	752,892	647,584	
Expected reimbursements from other WA local governments	63,993	0	
	<u>1,309,487</u>	<u>1,228,055</u>	

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

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

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

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

##### Other long-term employee benefits

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

##### Other long-term employee benefits (Continued)

Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

##### Provisions

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

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

## 19. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual (Restated)
	\$	\$	\$
Cash and cash equivalents	6,802,245	4,515,753	8,384,751

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

Net result	(264,038)	(724,973)	(2,073,341)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(865)	0	(6,151)
Depreciation on non-current assets	4,711,784	4,469,600	4,351,003
(Profit)/loss on sale of asset	276,016	174,900	90,934
Changes in assets and liabilities:			
(Increase)/decrease in receivables	341,764	18,850	(513,700)
(Increase)/decrease in other assets	182,709	0	0
(Increase)/decrease in inventories	(97,420)	20,024	(5)
(Increase)/decrease in contract assets	(213,775)	0	0
Increase/(decrease) in payables	(2,640,928)	436,441	2,165,866
Increase/(decrease) in provisions	81,432	0	80,511
Increase/(decrease) in contract liabilities	493,569	0	0
Refund Non-Operating Grant	2,153,504	0	2,153,504
Non-operating grants, subsidies and contributions	(2,771,295)	(2,715,774)	(4,457,299)
Net cash from operating activities	2,252,457	1,679,068	1,791,322

Note : The 2019 comparatives have been restated because a non-operating grant was incorrectly disclosed as being fully repaid as at June 2019, whereas it was refunded in two instalments, the second one being in the 2019/2020 financial year. This resulted in the understatement of the payment of materials and contract costs and net cash provided by/(used in) investing activities and the overstatement of the refund of non-operating grants and net cash provided by/(used in) operating activities for the year ended 30 June 2019 in the Statement of Cash Flows.

## 20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2020</u>	<u>2019</u>
	\$	\$
Governance	4,066,721	4,906,377
General purpose funding	472,580	408,426
Law, order, public safety	3,703,077	4,329,514
Health	2,290	0
Education and welfare	258,743	265,736
Housing	262,326	28,741
Community amenities	2,588,573	2,447,946
Recreation and culture	19,220,438	21,117,893
Transport	58,636,119	58,688,854
Economic services	3,296,077	2,373,852
Other property and services	2,853,732	3,004,193
Unallocated	4,676,446	6,323,995
	<u>100,037,122</u>	<u>103,895,527</u>



## 21. CAPITAL AND LEASING COMMITMENTS

	2020	2019
	\$	\$
<b>(a) Capital Expenditure Commitments</b>		
Contracted for:		
- capital expenditure projects	119,198	234,138
	<u>119,198</u>	<u>234,138</u>
Payable:		
- not later than one year	119,198	234,138

The Shire had a capital commitment in relation to the construction of a new fire shed at Ocean Beach as at 30 June 2019. This work was budgeted for and completed during the 2019/2020 financial year.

As at 30 June 2020 the Shire has a capital commitment in relation to ongoing works being undertaken by two suppliers for upgrades to and development of the Plane Tree Precinct.

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

	2020	2019
	\$	\$
Payable:		
- not later than one year	0	109,846
- later than one year but not later than five years	0	167,967
- later than five years	0	9,670
	<u>0</u>	<u>287,483</u>

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

Up to 30 June 2019, operating leases were expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from leased assets.

From 1 July 2019, the Shire has recognised right of use assets and corresponding lease liabilities for all non-cancellable operating lease commitments, apart from short term and low value.

## 22. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President.			
Meeting fees	92,704	92,718	90,900
President's allowance	12,671	12,671	11,110
Deputy President's allowance	3,148	3,168	2,778
Travelling expenses	3,459	8,000	5,445
Telecommunications allowance	22,245	22,248	21,676
	134,227	138,805	131,909

### Key Management Personnel (KMP) Compensation Disclosure

	2020 Actual	2019 Actual
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	564,464	669,004
Post-employment benefits	57,028	53,499
Other long-term benefits	14,115	9,034
Termination benefits	0	113,767
	635,607	845,304

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

#### *Termination benefits*

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

## 22. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	101,788	103,677
Purchase of goods and services	50,113	65,680

### 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. Other Related Parties*

The associate person of KMP was employed by the Shire under normal employment terms and conditions.

*iii. 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.

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23. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2019/20		2019/20		2019/20		2019/20		2019/20		2019/20		2018/19	
				Actual Rateable Value	Actual Rate	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue	Budget Total Revenue			
<b>Gross rental valuations</b>																	
1. Residential Developed		0.096428	1,456	22,181,830	2,138,948	14,050				2,152,665	2,138,948	10,000	3,000	2,151,948	1,710,836		
2. Business/Commercial Developed		0.103483	130	5,117,977	529,626		(333)		529,626	529,626	529,626			529,626	535,018		
3. Lifestyle Developed		0.096735	507	8,473,010	819,640				819,640	819,640	819,640			819,640	706,583		
4. Rural Developed		0.103791	148	2,493,366	258,788				258,788	258,788	258,788			258,788	240,917		
5. Holiday Use Developed		0.107881	117	1,927,952	207,990				207,990	207,990	207,990			207,990	173,490		
6. Residential Vacant		0.192243	117	994,260	191,140				191,140	191,140	191,140			191,140	217,350		
7. Business/Commercial Vacant		0.146228	18	235,575	34,448				34,448	34,448	34,448			34,448	52,289		
8. Rural Vacant		0.146228	6	106,100	15,515				15,515	15,515	15,515			15,515	16,897		
9. Lifestyle Vacant		0.182017	160	1,244,270	226,478				226,478	226,478	226,478			226,478	332,383		
<b>Unimproved valuations</b>																	
10. UV Base		0.004857	458	228,200,000	1,108,368				1,108,368	1,108,368	1,108,368			1,108,368	1,184,746		
11. UV Additional Use 1		0.005343	34	14,291,999	76,361				76,361	76,361	76,361			76,361	71,826		
12. UV Additional Use 2		0.005829	10	4,856,000	28,305				28,305	28,305	28,305			28,305	28,863		
13. UV Additional Use 3		0.006315	8	3,532,000	22,303				22,303	22,303	22,303			22,303	22,749		
14. UV Additional Use 4		0.006800	3	1,557,000	10,587				10,587	10,587	10,587			10,587	10,706		
<b>Sub-Total</b>			<b>3,172</b>	<b>295,211,339</b>	<b>5,668,497</b>	<b>14,050</b>	<b>(333)</b>		<b>5,682,214</b>	<b>5,668,497</b>	<b>5,668,497</b>	<b>10,000</b>	<b>3,000</b>	<b>5,681,497</b>	<b>5,304,653</b>		

**SHIRE OF DENMARK**  
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**23. RATING INFORMATION (Continued)**

(a) Rates (continued)

RATE TYPE	Rate in \$	Number of Properties	2019/20		2019/20		2019/20		2019/20		2019/20		2019/20		2018/19	
			Actual Rateable Value	Rate	Actual Interim Rates	Actual Back Rates	Budget Interim Rate	Budget Back Rate	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue	Budget Total Revenue	Actual Total Revenue		
Differential general rate / general rate			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Minimum payment</b>	Minimum \$															
<b>Gross rental valuations</b>																
1. Residential Developed	1,097	394	2,968,598	432,218	432,218					432,218				432,218		615,065
2. Business/Commercial Developed	1,220	125	670,970	152,500	152,500					152,500				152,500		145,452
3. Lifestyle Developed	1,125	45	361,516	50,625	50,625					50,625				50,625		58,428
4. Rural Developed	1,125	28	179,261	31,500	31,500					31,500				31,500		34,624
5. Holiday Use Developed	1,208	6	37,505	7,248	7,248					7,248				7,248		8,134
6. Residential Vacant	997	115	385,069	114,655	114,655					114,655				114,655		110,285
7. Business/Commercial Vacant	950	6	14,050	5,700	5,700					5,700				5,700		6,396
8. Rural Vacant	1,109	1	6,550	1,109	1,109					1,109				1,109		1,066
9. Lifestyle Vacant	1,020	45	222,292	45,900	45,900					45,900				45,900		11,772
<b>Unimproved valuations</b>																
10. UV Base	1,343	133	26,291,101	178,619	178,619					178,619				178,619		126,518
11. UV Additional Use 1	1,477	14	1,018,100	20,678	20,678					20,678				20,678		18,460
12. UV Additional Use 2	1,611	2	477,000	3,222	3,222					3,222				3,222		3,098
13. UV Additional Use 3	1,745	0	0	0	0					0				0		0
14. UV Additional Use 4	1,879	0	0	0	0					0				0		0
<b>Sub-Total</b>		914	32,632,012	1,043,974	1,043,974	0	0	0	0	1,043,974	0	0	0	1,043,974	0	1,139,298
Discounts (Note 23(b))		4,086	327,843,351	6,712,471	6,726,188	14,050	(333)	10,000	3,000	6,725,471	0	0	0	6,725,471	0	6,443,951
<b>Total amount raised from general rate</b>																
Concessions or Waivers (Note 23(b))																
<b>Totals</b>																

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

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

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

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**23. RATING INFORMATION (Continued)**

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

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2020		2019	
				Actual \$	Budget \$	Actual \$	Actual \$
Rates A5731 - Denmark Arts Council	Waiver	100.00%	0	0	1,220	0	
Rates A5585 - Denmark Boating & Angling Club	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A5587 - DB&AC, Denmark Sea Rescue Group	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A3565 - Denmark Clay Target Club	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A5584 - Denmark Cottage Crafts Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A3088 - Denmark Country Club Inc.	Waiver	100.00%	2,805	2,805	3,835	3,686	3,686
Rates A5960 - Denmark Environment Centre Inc.	Waiver	100.00%	2,687	2,687	2,678	3,850	3,850
Rates A5599 - Denmark Machinery Restoration Group Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A3179 - Denmark Occ. Day Care Centre & Playgroup	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A3167 - Denmark Pistol Club	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A3189 - Denmark Equestrian Club Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5601 - Denmark Riverside Club	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A3069 - Denmark Riverside Club	Waiver	100.00%	1,217	1,217	2,368	2,277	2,277
Rates A5588 - Denmark Surf Life Saving Club	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A3186 - Denmark Tourism Inc.	Waiver	100.00%	5,907	5,907	6,486	6,233	6,233
Rates A5590 - Green Skills Inc.	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A5593 - Kentdale Community Hall Committee Inc.	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A5600 - Lions Club of Denmark Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5591 - Nornalup Residents & Ratepayers Assoc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5592 - Parry's Beach Volunteers Management Group	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A5615 - Peaceful Bay Progress Association Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5616 - Peaceful Bay Progress Association Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5596 - Peaceful Bay RSL Sub Branch	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5595 - Peaceful Bay Sea Rescue Group Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5597 - Scouts Association of Australia	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A3097 - RSL of Australia (WA Branch) Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5594 - Tingledale Hall Committee Inc.	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A3041 - Scotsdale Hall & Tennis Courts	Waiver	100.00%	1,477	1,477	1,477	1,420	1,420
Rates A5729 - Denmark Community Resource Centre Inc.	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A5730 - Denmark Over 50's Association	Waiver	100.00%	1,220	1,220	1,220	1,173	1,173
Rates A3256 - Denmark Historical Society Inc.	Waiver	100.00%	1,220	1,220	1,308	1,258	1,258
			46,906	46,906	50,965	49,099	49,099
<b>Total discounts/concessions (Note 23(a))</b>			<b>46,906</b>	<b>46,906</b>	<b>50,965</b>	<b>49,099</b>	<b>49,099</b>

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**23. RATING INFORMATION (Continued)**

**(b) Discounts, Incentives, Concessions, & Write-offs (continued)  
Waivers or Concessions (continued)**

<b>Rate or Fee and Charge to which the Waiver or Concession is Granted</b>	<b>Circumstances in which the Waiver or Concession is Granted and to whom it was available</b>	<b>Objects of the Waiver or Concession</b>	<b>Reasons for the Waiver or Concession</b>
Rates A5731 - Denmark Arts Council	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5585 - Denmark Boating & Angling Club	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5587 - DB&AC, Denmark Sea Rescue Group	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3565 - Denmark Clay Target Club	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5584 - Denmark Cottage Crafts Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3088 - Denmark Country Club Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5960 - Denmark Environment Centre Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5599 - Denmark Machinery Restoration Group Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3179 - Denmark Occ. Day Care Centre & Playgroup	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3167 - Denmark Pistol Club	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3189 - Denmark Equestrian Club Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5601 - Denmark Riverside Club	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3069 - Denmark Riverside Club	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5588 - Denmark Surf Life Saving Club	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3186 - Denmark Tourism Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5590 - Green Skills Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5593 - Kentdale Community Hall Committee Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5600 - Lions Club of Denmark Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5591 - Nornalup Residents & Ratepayers Assoc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5592 - Parry's Beach Volunteers Management Group	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5615 - Peaceful Bay Progress Association Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5616 - Peaceful Bay Progress Association Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5596 - Peaceful Bay RSL Sub Branch	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5595 - Peaceful Bay Sea Rescue Group Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5597 - Scouts Association of Australia	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3097 - RSL of Australia (WA Branch) Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5594 - Tingledale Hall Committee Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3041 - Scotsdale Hall & Tennis Courts	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5729 - Denmark Community Resource Centre Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A5730 - Denmark Over 50's Association	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group
Rates A3256 - Denmark Historical Society Inc.	LG Act 1995 S4.47 & Policy P030101	Community Group	Community Group

## 23. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	23/09/2019	0.00	0.00%	11.00%
<b>Option Two</b>				
First instalment	23/09/2019	0.00	0.00%	11.00%
Second instalment	25/11/2019	10.00	5.50%	11.00%
<b>Option Three</b>				
First instalment	23/09/2019	0.00	0.00%	11.00%
Second instalment	25/11/2019	10.00	5.50%	11.00%
Third instalment	31/01/2020	10.00	5.50%	11.00%
Fourth instalment	31/03/2020	10.00	5.50%	11.00%

  

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	39,624	50,000	53,458
Interest on instalment plan	20,361	23,000	19,278
Charges on instalment plan	34,665	20,000	23,688
	94,650	93,000	96,424



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24. RATE SETTING STATEMENT INFORMATION

Note	2019/20	2019/20	2019/20	2018/19
	(30 June 2020 Carried Forward)	Budget (30 June 2020 Carried Forward)	(1 July 2019 Brought Forward)	(30 June 2019 Carried Forward)
	\$	\$	\$	\$

(a) Non-cash amounts excluded from operating activities

The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with *Financial Management Regulation 32*.

Adjustments to operating activities

Less: Profit on asset disposals	11(a)	(1,760)	(1,000)	(400)	(400)
Less: Movement in liabilities associated with restricted cash		248,923	0	0	0
Movement in pensioner deferred rates (non-current)		(6,622)	0	6,798	6,798
Movement in employee benefit provisions (non-current)		5,970	0	80,515	80,515
Movement in other provisions (non-current)		0	0	(201,417)	(201,417)
Add: Loss on disposal of assets	11(a)	277,776	175,900	91,334	91,334
Add: Depreciation on non-current assets	11(b)	4,711,784	4,469,600	4,351,003	4,351,003
<b>Non cash amounts excluded from operating activities</b>		<b>5,235,206</b>	<b>4,644,500</b>	<b>4,321,682</b>	<b>4,321,682</b>

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

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

Adjustments to net current assets

Less: Reserves - cash backed	4	(4,376,065)	(3,347,060)	(4,504,542)	(4,504,542)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(22,048)	(53,853)	(53,853)	(53,853)
Less: Current assets not expected to be received at end of year					
- Restricted Grants		0	(182,931)	(182,931)	(182,931)
- Other Adjustments		(9,469)	(405,737)		
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	17(a)	245,165	245,165	298,573	298,573
- Current portion of lease liabilities		119,315	0	0	0
- Employee benefit provisions		1,089,789	397,356	1,124,174	1,124,174
<b>Total adjustments to net current assets</b>		<b>(2,953,313)</b>	<b>(3,347,060)</b>	<b>(3,318,579)</b>	<b>(3,318,579)</b>

Net current assets used in the Rate Setting Statement

Total current assets		7,907,331	4,787,447	9,741,542	9,741,542
Less: Total current liabilities		(3,294,525)	(1,440,387)	(5,593,296)	(5,593,296)
Less: Total adjustments to net current assets		(2,953,313)	(3,347,060)	(3,318,579)	(3,318,579)
<b>Net current assets used in the Rate Setting Statement</b>		<b>1,659,493</b>	<b>0</b>	<b>829,667</b>	<b>829,667</b>

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

Total current assets at 30 June 2019

- Contract assets	27(a)			9,741,542	0
<b>Total current assets at 1 July 2019</b>				<b>9,741,542</b>	

Total current liabilities at 30 June 2019

- Contract liabilities from contracts with customers	27(a)			(5,593,296)	0
- Contract liabilities from transfers for recognisable non financial assets	27(a)			0	0
<b>Total current liabilities at 1 July 2019</b>				<b>(5,593,296)</b>	

## 25. FINANCIAL RISK MANAGEMENT

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2020</b>					
Cash and cash equivalents	1.13%	6,802,245	5,877,055	919,210	5,980
<b>2019</b>					
Cash and cash equivalents	1.54%	8,384,751	6,864,497	1,514,274	5,980

#### Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	9,192	15,143

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17(b).

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and Other Receivables

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2020</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	91,327	142,473	100,621	92,790	427,212
Loss allowance	0	0	0	0	0
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	209,012	78,704	81,965	0	369,681
Loss allowance	0	0	0	0	0

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	159,728	23,213	0	17,601	200,541
Loss allowance	0	0	0	0	0
<b>30 June 2019</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	120,149	4,611	2,349	16,753	143,862
Loss allowance	0	0	0	0	0

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	1,529,621	0	0	1,529,621	1,529,621
Borrowings	340,821	1,016,327	1,350,108	2,707,256	2,111,432
Lease liabilities	119,315	121,141	0	240,456	240,456
	<u>1,989,757</u>	<u>1,137,468</u>	<u>1,350,108</u>	<u>4,477,333</u>	<u>3,881,509</u>
<b>2019</b>					
Payables	4,170,549	0	0	4,170,549	4,170,549
Borrowings	408,496	1,115,263	1,591,993	3,115,752	2,410,005
	<u>4,579,045</u>	<u>1,115,263</u>	<u>1,591,993</u>	<u>7,286,301</u>	<u>6,580,554</u>

## 26. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire of Denmark did not have any events occurring after the reporting date that have a significant effect on the financial statements.

**SHIRE OF DENMARK**  
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**27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS**

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

**(a) AASB 15: Revenue from Contracts with Customers**

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

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
<b>Contract liabilities non-current</b>				
Contract liabilities from contracts with customers	15	0	(131,968)	(131,968)
Adjustment to retained surplus from adoption of AASB 15	27(c)		(131,968)	

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

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

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance gave rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurred, the financial liability was extinguished and the Shire recognised income for the prepaid rates that have not been refunded. Therefore the initial application of AASB 1058 on 1 July 2019 will not have any impact on the recognition or classification of prepaid rates.

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

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**27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)**

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

		2020 \$	2020 \$	2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	23(a)	6,679,282	111,188	6,790,470
Operating grants, subsidies and contributions	2(a)	2,321,797	163,414	2,485,211
Fees and charges	2(a)	3,075,245	(176,400)	2,898,845
Non-operating grants, subsidies and contributions	2(a)	2,771,295	424,747	3,196,042
Net result		(264,038)	522,949	258,911
<b>Statement of Financial Position</b>				
Contract assets	2(a)	213,775	(213,775)	0
Trade and other payables	14	1,529,621	(601,962)	927,659
Contract liabilities	15	625,536	(625,536)	0
Net assets		94,220,590	1,013,723	95,234,313
<b>Statement of Changes in Equity</b>				
Net result		(264,038)	522,949	258,911
Retained surplus		24,583,041	522,949	25,105,990

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

**(b) AASB 16: Leases**

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

	Note	2020 \$
Operating lease commitments at 30 June 2019 applying AAS 117		287,483
Discount applied using incremental borrowing rate and lease renewals		72,288
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate.	16(b)	359,771
Lease liability - current		119,315
Lease liability - non-current		240,456
Right-of-use assets recognised at 1 July 2019		359,771

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.  
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

**(c) Impact of New Accounting Standards on Retained Surplus**

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			26,320,892
Adjustment to retained surplus from adoption of AASB 15	27(a)	(131,968)	
Adjustment to retained surplus from adoption of AASB 16	27(b)	(0)	
Adjustment to retained surplus from adoption of AASB 1058	27(b)	0	(131,968)
Retained surplus - 1 July 2019			26,188,924

## 28. TRUST FUNDS

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

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
DPI Licensing	1	1,137,114	(1,137,115)	0
BCITF Training Fund	12,082	0	(12,082)	0
Building Levy	7,985	0	(7,985)	0
Bushfire Command Vehicle	1,814	0	(1,814)	0
Contrib. in Lieu of Public Open Space	161,916	0	(161,916)	0
Denmark Parks & Trails	850	0	0	850
Nomination Deposits	0	1,120	(1,120)	0
	184,648	1,138,234	(1,322,032)	850

On 11th March 2019 Council contacted the Minister for Planning to seek formal approval to utilise funds held in Trust as Public Open Space contributions for the purpose of partially funding the cost of improvements and reconstruction of McLean Park. This request was made in accordance with Section 154(2)(c) of the Planning and Development Act 2005. Council received confirmation of formal approval from the Minister for Planning to that request on 12th August 2019 and transferred fund from the Public Open Space account in accordance with that approval.



# SHIRE OF DENMARK

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

### 29. OTHER SIGNIFICANT ACCOUNTING POLICIES

#### a) Goods and services tax (GST)

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

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

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

#### b) Current and non-current classification

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

#### c) Rounding off figures

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

#### d) Comparative figures

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

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

#### e) Budget comparative figures

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

#### f) Superannuation

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

#### g) Fair value of assets and liabilities

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

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

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

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

#### h) Fair value hierarchy

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

##### Level 1

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

##### Level 2

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

##### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

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

##### Market approach

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

##### Income approach

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

##### Cost approach

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

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

#### i) Impairment of assets

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

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

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

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

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

**30. ACTIVITIES/PROGRAMS**

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

**PROGRAM NAME AND OBJECTIVES**

**ACTIVITIES**

**GOVERNANCE**

To provide a decision making process for the effective allocation of scarce resources

Administration and operation of facilities and services to elected members of Council; other costs that relate to strategic planning, policy making and assisting elected members and ratepayers on matters which do not directly relate to other specific Council services.

**GENERAL PURPOSE FUNDING**

To collect revenue to allow for the provision of Council services.

Rates, interest revenue and other general purpose government funding grants together with any expenses incurred in realising these incomes.

**LAW, ORDER, PUBLIC SAFETY**

To provide services to help ensure a safer and environmentally conscious community.

Supervision and enforcement of various Local Laws, fire prevention, animal control and other aspects of public safety including emergency services.

**HEALTH**

To provide an operational framework for environmental and community health needs.

Inspections and controls of various food outlets, noise control, waste disposal compliance, pest control.

**EDUCATION AND WELFARE**

To provide services for the elderly, children and youth.

Youth service, disability service and aged service support programs.

**HOUSING**

To provide and maintain elderly residents housing.

Costs associated with remediation of Hardy Street property.

**COMMUNITY AMENITIES**

To provide a range of general amenity services required by the community.

Includes rubbish collection and disposal services, recycling initiatives, septic tank inspection services, urban stormwater drainage networks, environmental protection initiatives, cemetery facility operation costs, as well as the administration of Council's Town Planning Scheme and associated policies and obligations.

**RECREATION AND CULTURE**

To establish and effectively manage infrastructure and resources which assist in the social well-being of the community.

Maintenance of public halls, swimming areas and beaches, various recreation and natural reserves, recreation programs, the operation of the library facility, the maintenance and operation of the Recreation Centre and assistance to local sporting clubs and organisations.

**TRANSPORT**

To provide safe, effective and efficient transport services to the community.

Construction and maintenance of roads, bridges, drainage networks, footpaths, parking facilities, local traffic signs and the depot facility. This program also includes street cleaning, street lighting and the control and maintenance of the regional airport. Road Plant purchases.

**ECONOMIC SERVICES**

To help promote the Shire and its economic wellbeing.

The regulation and provision of tourism initiatives and facilities including the Denmark Tourism Association, Parry Beach camping grounds and area promotion. Building Controls, sale yard facilities and operation of the lime sand quarry. Provision of rural services including standpipes.

**OTHER PROPERTY AND SERVICES**

To monitor and control Council's overheads operating accounts.

Private works operations, plant repairs and operation costs, engineering supervision operating costs, stock and salaries & wages allocations.

### 31. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.38	0.98	0.93
Asset consumption ratio	0.59	0.62	0.97
Asset renewal funding ratio	1.06	0.93	N/A
Asset sustainability ratio	0.87	1.34	0.98
Debt service cover ratio	4.29	5.36	4.53
Operating surplus ratio	(0.30)	(0.22)	(0.28)
Own source revenue coverage ratio	0.65	0.68	0.67

The above ratios are calculated as follows:

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



# Auditor General

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Denmark

Report on the Audit of the Financial Report

### **Opinion**

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

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

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

### **Basis for Opinion**

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

### **Emphasis of Matter – Basis of Accounting**

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

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognize some categories of land, including land under roads, as assets in the financial report.

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

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

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

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

### ***Auditor's Responsibility for the Audit of the Financial Report***

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

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

### ***Report on Other Legal and Regulatory Requirements***

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years. The financial ratios are reported at Note 31 to the financial report.
- (ii) The following material matter 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 was identified during the course of my audit:
  - a. The Shire has not reported the Asset Renewal Funding Ratio for 2018 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively in that year;
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

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

*Aloha Morrissey.*

ALOHA MORRISSEY  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
19 February 2021



Our Ref: 7929

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469 Wellington Street, Perth

Mr David Schober  
Chief Executive Officer  
Shire of Denmark  
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Dear Mr Schober

### **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020**

The Office has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the *Local Government Act 1995*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

A matter of regulatory non-compliance and a significant adverse trend in the Shire's financial position are reported on page 2 of the auditor's report.

#### **Management Control Issues**

The result of the audit was satisfactory. Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of the Shire and the Minister for Local Government and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7574 if you would like to discuss these matters further.

Yours faithfully

RENUKA VENKATRAMAN  
DIRECTOR  
FINANCIAL AUDIT  
19 February 2021

Attach



# Shire of Denmark

REPORT TO THE AUDIT COMMITTEE  
FOR THE YEAR ENDED 30 JUNE 2020



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## 1. EXECUTIVE SUMMARY

<b>Purpose</b>	<p>This report summarises significant audit findings and matters which have come to our attention during our audit of the financial statements of the Shire of Denmark for the financial year ended 30 June 2020.</p> <p>This report is provided to enable the Audit Committee to clarify outstanding issues with us and discuss key audit findings. It includes only those audit matters of governance interest that have come to our attention as a result of the performance of our audit. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not usually identify all such matters.</p>
<b>Audit status</b>	<p>We have completed our audit for the year ended 30 June 2020 except for:</p> <ul style="list-style-type: none"><li>• Sign off on the financial statements</li><li>▪ Receipt of signed Management Representation Letter to Lincolns</li><li>▪ Process for issuing of audit opinion</li></ul> <p>We expect to recommend to the Office of the Auditor General an unmodified audit report after these matters are completed.</p>
<b>Audit misstatements</b>	<p>A list of corrected and uncorrected differences is included in Section 5. Additionally, corrected and uncorrected misstatements in presentations and disclosures are discussed in this section.</p>
<b>Disclaimer</b>	<p>This report is provided solely for the benefit of the Shire of Denmark and is not to be copied, quoted or referred to without prior written consent. The Auditor General and Lincolns accepts no responsibility to anyone other than the parties identified in the Local Government Act for the information contained in this report.</p>

## 2. AUDIT SCOPE

Lincolns conducted an independent audit on behalf of the Office of the Auditor General (OAG) in order to enable the Auditor General to express an opinion to the Council on the financial report of Shire of Denmark for the year ended 30 June 2020. Our audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We perform procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996, a view which is consistent with our understanding of the Shire of Denmark's financial position and of its performance as represented by the results of its operations, changes in equity and cash flows.

Our audit procedures included;

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- evaluating the appropriateness of accounting policies and disclosures used, the reasonableness of accounting estimates

We considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures. We also undertook further evaluation of general computer controls and key approvals and review functions as result of increased remote access arising from staff working from home.

An audit is not designed to identify all matters that may be relevant to the accountable authority and management, nor to relieve management or those in charge of governance of their responsibilities. Accordingly, this report includes only those significant matters that have come to our attention as a result of performing our audit.

### 3. AUDIT FOCUS

We refer to our audit plan where we identified areas for potential for increased audit risk and our planned responses in the audit.

The following presents our audit findings in these areas.

Area of Risk	Audit Outcomes
Grant Funding and Other Revenue	<ul style="list-style-type: none"> <li>• Significant grant revenue was agreed to third party documentation.</li> <li>• Undertook additional analysis of new revenue allocation following implementation of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not For Profit Entities. This related to revenue recognition and the associated recognition of assets or liabilities from contracts with customers including bonds and contributions. Audit work undertaken reviewed a sample of bond and contributions agreements.</li> <li>• Risk of fraud in the revenue cycle was also considered including testing of key controls and analytical review Audit procedures undertaken rebutted the risk of fraud to an acceptable level.</li> <li>• We also reviewed related party transactions. The financial statements adequately disclose related party transactions for Councillors and Key Management Personnel.</li> </ul>
Rates	<p>Audit work included the following:</p> <ul style="list-style-type: none"> <li>• Rateable values agreed to the Valuer General rates.</li> <li>• We checked control procedures for the transfer of rates from Valuer General to Internal Software system.</li> <li>• Testing of rates notices was undertaken both on a sample basis and analytically.</li> </ul> <p>Results supported the rate revenue and financial statement disclosures.</p>
Expenses	<p>Our audit of expenses included testing of key financial controls over the recognition of expenses, vouching significant expenses and analytical reviews.</p> <p>Expenditure as disclosed in the financial statements is materially correct.</p>
Payroll/Provisions	<p>Audit sampling tested payroll records to the following:</p> <ul style="list-style-type: none"> <li>• Employee awards</li> <li>• Employee contracts</li> <li>• Check calculation of superannuation and tax</li> <li>• Check authority to deduct salary sacrifice</li> <li>• Check the control procedures in payroll department in line with internal policies</li> <li>• Our audit of provisions included reviewing the reasonableness of assumptions used to calculate annual leave and long service leave</li> <li>• Analytical review</li> </ul> <p>Results of audit procedures indicate employee costs are materially correct and disclosed correctly in the financial statements.</p>

Management's monitoring of the control environment	<p>We reviewed council minutes for the following:</p> <ul style="list-style-type: none"> <li>• Process for reviewing internal control procedures including evidence of periodic review of policy manual.</li> <li>• Management's implementation and monitoring of new control procedures.</li> <li>• Management's implementation and monitoring for amending current control procedures.</li> </ul> <p>We are satisfied that management is applying effective controls and that Council are aware of the control environment.</p>
Management Override of Controls	<p>Audit processes were undertaken to:</p> <ul style="list-style-type: none"> <li>• Sample test and judgementally review general journals</li> <li>• Understand and test the adequacy and effectiveness of division of duties</li> <li>• Controls testing</li> <li>• Substantive procedures</li> </ul> <p>Sufficient audit evidence was obtained to support the view that controls are operating effectively.</p>
Fixed Assets	<ul style="list-style-type: none"> <li>• Council did not undertake any revaluation process in the 2020 financial year</li> <li>• Financial statements and disclosures were amended in accordance with revised Financial Management Regulation 17A and AASB 16 Leases. This primarily involved; <ul style="list-style-type: none"> <li>○ the reversal of any previously recognised vested land against Retained Surplus</li> <li>○ amending Property Plant and Equipment carrying value to a cost basis</li> <li>○ adding disclosure notes regarding right of Use assets</li> </ul> </li> </ul>
Leases	<p>We undertook audit procedures to ensure the initial recognition of Right to Use asset and Lease Liabilities were correctly calculated and disclosed in the accounting records and financial disclosures were in accordance with the accounting standards.</p>
COVID 19 Impact	<p>We have reviewed Councils assessment of the possible financial impact of Covid. The overall impact was assessed as not having a material effect on the financial statements.</p> <p>Specifically we considered;</p> <ul style="list-style-type: none"> <li>• Revenue and expenditure impact</li> <li>• Asset carrying values</li> <li>• Receivables</li> </ul> <p>Interim audit was undertaken remotely, and electronic copies of key source documents verified at year end.</p>

## 4. AUDIT & ACCOUNTING ISSUES

### 4.1 Significant Adverse Trends

Following Office of the Auditor General guidelines, the following significant adverse trends occurred;

- The Operating Surplus Ratio has been below the OAG threshold for all 3 years reported in the financial report.

### 4.2 Audit Report

The audit report will have an unqualified opinion, and the following matter of non-compliance with the Local Government Act 1995 will be reported:

- The Shire has not reported the Asset Renewal Funding Ratio for 2018 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996

### 4.3 Management Letter Findings

There were no reportable findings in the management letter.

## 5. ACCOUNTING MISSTATEMENTS

### 5.1 Uncorrected Audit Misstatements

	<b>Financial Statements Accounts Impacted</b>	<b>Statement of Financial Position Adjustment</b>	<b>Effect on Operating Surplus</b>	<b>Effect on Other Comprehensive Income</b>	<b>Comment</b>
1.	Current Lease Liabilities  Non-current Lease Liabilities	\$21,287  (\$21,287)			Incorrect allocation between current and non-current disclosure of lease liabilities.

## 5.2 Corrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Current Contract Asset  Accrued Income	\$176,398  (\$176,398)			Recognition of non-reciprocal grants receivable as contract assets
2.	Accrued Expenses  Current Contract Liabilities	\$114,073  (\$114,073)			Recognition of Accrued Expenses as Current Contract Liability
3.	Retained Surplus  Vested Land	\$1,470,320  (\$1,470,320)			Reversal of previously recognised vested land per FM Regulation amendments

## 6. ACTIONS / ISSUES FOR NEXT YEAR'S AUDIT

### 6.1 New Accounting Standards

New accounting standards will have application from 1 January 2020. The Shire will adopt all new standards from 1 July 2020 resulting in changes to accounting policies. A brief discussion of the impact of these follows.

- AASB 1059 Service Concession Arrangements: Grantors
  - o This is not expected to impact the financial report.
- AASB 2018-7 Amendments to Australian Accounting Standards – Materiality
  - o Specific impacts have not been identified

### 6.2 Right of Use Assets

Infrastructure or buildings which were identified as being received as a result of land being vested to Council are required to be separately recognised as right of use assets in future financial statements. This also extends to significant improvements made by council to those assets.



## Denmark - Compliance Audit Return 2020

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Lee Sounness
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A		Lee Sounness
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A		Lee Sounness
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Lee Sounness
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Lee Sounness





<b>Delegation of Power/Duty</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes		Claire Thompson	
2	s5.16	Were all delegations to committees in writing?	Yes		Claire Thompson	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		Claire Thompson	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Claire Thompson	
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	Yes	Reviewed in November 2020.	Claire Thompson	
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Claire Thompson	
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Claire Thompson	
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Claire Thompson	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Claire Thompson	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		Claire Thompson	
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Claire Thompson	
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	Yes	Reviewed in November 2020.	Claire Thompson	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Claire Thompson	

<b>Disclosure of Interest</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Claire Thompson	



No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	N/A		Claire Thompson
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Claire Thompson
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Claire Thompson
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	Yes		Claire Thompson
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Claire Thompson
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Claire Thompson
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Claire Thompson
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Claire Thompson
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Claire Thompson
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Claire Thompson
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Claire Thompson
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Claire Thompson



No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Claire Thompson
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes		Claire Thompson
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	Yes		Claire Thompson
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Claire Thompson
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		Claire Thompson
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Claire Thompson
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Claire Thompson
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Claire Thompson

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		Claire Thompson
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Claire Thompson



<b>Elections</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes	No election held in 2020.	Claire Thompson
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A	No election held in 2020.	Claire Thompson
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	Yes	The Electoral Gift Register on the website is the most current version.	Claire Thompson

<b>Finance</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Lee Sounness
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes		Lee Sounness
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	Office of Auditor General appointed the Shire's auditor - Lincolns	Lee Sounness
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	Yes	Office of Auditor General appointed the Shire's auditor - Lincolns	Lee Sounness
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	No		Lee Sounness
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	No	No matters raised	Lee Sounness



No	Reference	Question	Response	Comments	Respondent
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	N/A	No matters raised	Lee Sounness
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A		Lee Sounness
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A		Lee Sounness
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	Yes		Lee Sounness
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes		Lee Sounness

### Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Minor Review adopted by Council 18 February 2020	Claire Thompson
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Adopted 20 November 2018.	Claire Thompson
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Claire Thompson



<b>Local Government Employees</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	Yes		Claire Thompson	
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	Yes		Claire Thompson	
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes		Claire Thompson	
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	Yes		Claire Thompson	
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes	Council informed of Acting Director Corporate and Community Services appointment 18 August 2020.	Claire Thompson	
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Claire Thompson	

<b>Official Conduct</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	Yes		Claire Thompson	
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)?	Yes		Claire Thompson	
3	s5.121(2)	Does the complaints register include all information required by section 5.121 (2)?	Yes		Claire Thompson	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Claire Thompson	

<b>Optional Questions</b>						



No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes	18 February 2020.	Claire Thompson
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes	18 February 2020.	Claire Thompson
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	Yes		Claire Thompson
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	Yes		Claire Thompson
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes		Claire Thompson
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Claire Thompson
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Claire Thompson
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes		Claire Thompson
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Claire Thompson
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Claire Thompson



<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Claire Thompson
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Claire Thompson
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Claire Thompson
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Claire Thompson
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	Yes		Claire Thompson
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Claire Thompson
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Claire Thompson
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		Claire Thompson
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	No		Claire Thompson





No	Reference	Question	Response	Comments	Respondent
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		Claire Thompson
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Claire Thompson
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A		Claire Thompson
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Claire Thompson
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A		Claire Thompson
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A		Claire Thompson
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		Claire Thompson
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A		Claire Thompson
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Claire Thompson
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Claire Thompson
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Claire Thompson



Department of  
**Local Government, Sport  
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Claire Thompson
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Claire Thompson
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Claire Thompson
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	Yes		Claire Thompson

I certify this Compliance Audit Return has been adopted by council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor/President, Denmark

\_\_\_\_\_  
Signed CEO, Denmark