

Minutes



SHIRE OF DENMARK AUDIT ADVISORY COMMITTEE

HELD IN THE COUNCIL CHAMBERS,
953 SOUTH COAST HIGHWAY, DENMARK,
TUESDAY, 9 MAY 2023

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1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

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

MEMBERS:

Cr Kingsley Gibson (Presiding Person)
Cr Clare Campbell
Cr Donna Carman
Cr Donald Clarke
Cr Nathan Devenport

STAFF:

Lee Sounness (Acting Director Corporate and Community Services)
Jodi Masson (Acting Manager Corporate Services)
Claire Thompson (Governance Coordinator)

APOLOGIES:

Nil

ON LEAVE OF ABSENCE:

Cr Jackie Ormsby

ABSENT:

Nil

VISITORS:

Nil

3. DECLARATIONS OF INTEREST

Nil

4. ANNOUNCEMENTS BY THE PERSON PRESIDING

Nil

5. CONFIRMATION OF MINUTES

5.1 AUDIT COMMITTEE MEETING

COMMITTEE RESOLUTION & OFFICER RECOMMENDATION	ITEM 5.1
MOVED: CR CARMAN	SECONDED: CR CLARKE
That the Minutes of the Shire of Denmark Audit Advisory Committee meeting held on 10 March 2023, be confirmed as a true and correct record of the proceedings.	
CARRIED: 5/0	

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 SHIRE OF DENMARK 2021/2022 ANNUAL FINANCIAL REPORT AND AUDIT REPORT

File Ref:	FIN.31
Applicant / Proponent:	Shire of Denmark
Subject Land / Locality:	Nil
Disclosure of Officer Interest:	Nil
Date:	17 April 2023
Author:	Scott Sewell, Accountant
Authorising Officer:	Lee Sounness, Director Corporate & Community Services (Acting)
Attachments:	7.1 a – Audited Financial Report 30 June 2022 7.1 b – Independent Auditor's Report 7.1 c – Audit Management Letter Findings

IN BRIEF

- The 2021/2022 Audited Annual Financial Report, Auditors Report and Management Letter has been received from the Office of the Auditor General and the appointed auditor, Lincolns Albany.
- The Committee is required to consider the audit and provide a recommendation to the Council.

RECOMMENDATION

That the Shire of Denmark Audit Advisory Committee RECOMMEND that the Council ADOPT the 2021/2022 Annual Financial Statements including Auditors Report and Management Letter findings, noting the management responses therein and endorsing the actions taken/proposed to be taken by the Chief Executive Officer.

LOCATION

Not applicable.

BACKGROUND

Part 4 of the Local Government (Financial Management) Regulations 1996 prescribe the requirements for the Annual Financial Report. Lincolns Albany were also engaged by the Office of Auditor General (OAG) to audit the Shire's Annual Financial Report for 2021/2022.

DISCUSSION / OFFICER COMMENTS

The Audit Advisory Committee are required to consider the 2021/2022 Annual Financial Report, Independent Auditor's Report and Management Letter and 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.

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. presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period; and
- iii. is 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.

Emphasis of Matter – Restatement of comparative balances

The OAG draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in the 30 June 2022 report, but the OAG opinion is not modified in respect of that matter.

MANAGEMENT LETTER FINDINGS

Findings identified during the final audit are outlined in Attachment 7.1c – Audit Management Letter Findings and are summarised in the following table:

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fair Value of Infrastructure Assets	√		
2. Monthly Reconciliations		√	
3. General Computer Controls		√	
4. Reconciliation of Asset Register		√	

The audit finding, implication and recommendation outlined in the Management Letter Findings are have been responded to by management to the Office of Audit General and are contained within the report.

ANNUAL REPORT AND ANNUAL GENERAL MEETING 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 May 2023. 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).

CONSULTATION AND EXTERNAL ADVICE

Nil

STATUTORY / LEGAL IMPLICATIONS

Local Government Act 1995 - Part 7.

Local Government (Financial Management) Regulations 1996.

Local Government (Audit) Regulations 1996 – Regulation 16.

STRATEGIC / POLICY IMPLICATIONS

The Audit Advisory Committee have delegated authority under Delegation D040231. Policy P040232 – Municipal Budget Policies relates to annual financial budgets.

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.

FINANCIAL IMPLICATIONS

The indicative fee for the 2021/2022 financial year Audit service conducted by OAG is \$36,000 (ex GST), with the preparation, collation and printing of statements being undertaken in-house by Council Officers. Both of these costs have been provided for in the 2022/2023 Budget.

OTHER IMPLICATIONS

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 MANAGEMENT

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 2021/2022 Financial Statements and Audit Report	Rare (1)	Minor (2)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

VOTING REQUIREMENTS

Simple majority.

<p>COMMITTEE & OFFICER RECOMMENDATION</p> <p>MOVED: CR CAMPBELL</p> <p>That the Shire of Denmark Audit Advisory Committee RECOMMEND that the Council ADOPT the 2021/2022 Annual Financial Statements including Auditors Report and Management Letter findings, noting the management responses therein and endorsing the actions taken/proposed to be taken by the Chief Executive Officer.</p> <p>CARRIED: 5/0</p>	<p>ITEM 7.1</p> <p>SECONDED: CR DEVENPORT</p>
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Cr Campbell thanked staff for their hard work in getting the financials in order for the Auditor.

The Acting Director Corporate & Community Services extended thanks to all staff that had been involved, particularly the Acting Manager Corporate Services, Jodi Masson and Accountant, Scott Sewell.

Cr Gibson also expressed his thanks and appreciation to staff who had been involved in preparing the documentation for the Auditor.

8. GENERAL BUSINESS

Nil

9. NEXT MEETING

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

10. CLOSURE OF MEETING

10.23am – There being no further business to discuss, the Presiding Person, Cr Gibson, 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 2022

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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 2022**

The attached financial report of the Shire of Denmark for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the Shire of Denmark at 30 June 2022 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

13th day of April 2023



Chief Executive Officer

David Schober

Name of Chief Executive Officer



SHIRE OF DENMARK
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual	2022 Budget	2021 Actual
		\$	\$	\$
Revenue				
Rates	25(a),2(a)	7,036,139	7,053,662	6,578,908
Operating grants, subsidies and contributions	2(a)	2,473,161	3,289,288	2,417,208
Fees and charges	24(c),2(a)	3,644,429	3,458,312	3,186,752
Interest earnings	2	64,486	72,908	83,080
Other revenue	2(a)	306,406	188,487	289,180
		<u>13,524,621</u>	<u>14,062,657</u>	<u>12,555,128</u>
Expenses				
Employee costs		(7,162,734)	(6,939,943)	(6,560,422)
Materials and contracts		(4,467,775)	(5,502,014)	(3,244,949)
Utility charges		(225,932)	(220,985)	(219,277)
Depreciation	10(a)	(3,494,777)	(3,820,875)	(4,647,759)
Finance costs	2(b)	(98,198)	(123,877)	(112,481)
Insurance		(431,694)	(427,679)	(423,325)
Other expenditure	2(b)	(386,994)	(445,300)	(411,539)
		<u>(16,268,104)</u>	<u>(17,480,673)</u>	<u>(15,619,752)</u>
		<u>(2,743,483)</u>	<u>(3,418,016)</u>	<u>(3,064,624)</u>
Capital grants, subsidies and contributions	2(a)	2,474,294	4,411,103	4,665,549
Profit on asset disposals	10(b)	47,105	54,000	42,716
Loss on asset disposals	10(b)	(2,492)	(34,000)	0
Fair value adjustments to financial assets at fair value through profit or loss		2,998	0	1,939
		<u>2,521,905</u>	<u>4,431,103</u>	<u>4,710,204</u>
Net result for the period	24(b)	(221,578)	1,013,087	1,645,580
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	16	11,636,014	0	0
Total other comprehensive income for the period	16	11,636,014	0	0
Total comprehensive income for the period		11,414,436	1,013,087	1,645,580

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



**SHIRE OF DENMARK
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	NOTE	2022 \$	2021 (Restated) * \$	01 July 2020 (Restated) * \$
CURRENT ASSETS				
Cash and cash equivalents	3	6,877,882	8,254,599	6,802,245
Trade and other receivables	5	533,138	637,417	658,569
Other financial assets	4(a)	23,729	22,872	22,048
Inventories	6	101,695	112,195	160,415
Other assets	7	764,092	803,613	264,054
TOTAL CURRENT ASSETS		8,300,536	9,830,696	7,907,331
NON-CURRENT ASSETS				
Trade and other receivables	5	125,394	70,008	45,367
Other financial assets	4(b)	519,616	540,347	561,280
Property, plant and equipment	8	38,665,754	28,284,565	29,335,122
Infrastructure	9	63,507,063	62,595,734	60,283,474
Right-of-use assets	11(a)	110,129	222,018	240,456
TOTAL NON-CURRENT ASSETS		102,927,956	91,712,672	90,465,699
TOTAL ASSETS		111,228,492	101,543,368	98,373,030
CURRENT LIABILITIES				
Trade and other payables	12	1,198,948	2,992,430	1,529,621
Other liabilities	13	775,904	474,570	200,789
Lease liabilities	11(b)	82,250	104,743	119,315
Borrowings	14	171,350	199,801	245,164
Employee related provisions	15	1,243,075	1,228,532	1,199,636
TOTAL CURRENT LIABILITIES		3,471,527	5,000,076	3,294,525
NON-CURRENT LIABILITIES				
Other liabilities	13	500,238	430,238	424,747
Lease liabilities	11(b)	31,367	116,738	121,141
Borrowings	14	1,495,117	1,666,467	1,866,268
Employee related provisions	15	113,730	127,771	109,851
TOTAL NON-CURRENT LIABILITIES		2,140,452	2,341,214	2,522,007
TOTAL LIABILITIES		5,611,979	7,341,290	5,816,532
NET ASSETS		105,616,513	94,202,078	92,556,498
EQUITY				
Retained surplus		25,574,722	25,951,030	24,583,041
Reserve accounts	28	4,808,385	4,653,656	4,376,065
Revaluation surplus	16	75,233,406	63,597,392	63,597,392
TOTAL EQUITY		105,616,513	94,202,078	92,556,498

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

* - Please refer to Note 30 - Correction of Prior Period Error

**SHIRE OF DENMARK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2020		24,583,041	4,376,065	65,261,484	94,220,590
Correction of prior period error	30	0	0	(1,664,092)	(1,664,092)
Restated balance at the beginning of the financial year		24,583,041	4,376,065	63,597,392	92,556,498
Comprehensive income for the period					
Net result for the period		1,645,580	0	0	1,645,580
Total comprehensive income for the period		1,645,580	0	0	1,645,580
Transfers from reserves	28	520,523	(520,523)	0	0
Transfers to reserves	28	(798,114)	798,114	0	0
Balance as at 30 June 2021		25,951,030	4,653,656	63,597,392	94,202,078
Comprehensive income for the period					
Net result for the period		(221,578)	0	0	(221,578)
Other comprehensive income for the period	16	0	0	11,636,014	11,636,014
Total comprehensive income for the period		(221,578)	0	11,636,014	11,414,436
Transfers from reserves	28	578,397	(578,397)	0	0
Transfers to reserves	28	(733,124)	733,124	0	0
Balance as at 30 June 2022		25,574,722	4,808,385	75,233,406	105,616,513

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 2022**

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		7,077,612	7,053,662	6,569,493
Operating grants, subsidies and contributions		2,659,667	3,244,490	2,851,663
Fees and charges		3,644,429	3,458,312	3,186,752
Interest received		64,486	72,908	83,080
Goods and services tax received		403,366	0	397,496
Other revenue		306,406	188,487	289,180
		<u>14,155,966</u>	<u>14,017,859</u>	<u>13,377,664</u>
Payments				
Employee costs		(7,325,826)	(6,939,943)	(6,472,164)
Materials and contracts		(6,027,730)	(5,748,866)	(2,295,378)
Utility charges		(225,932)	(220,985)	(219,277)
Finance costs		(98,198)	(123,877)	(112,481)
Insurance paid		(431,694)	(427,679)	(423,325)
Goods and services tax paid		(231,030)	0	(566,295)
Other expenditure		(386,994)	(445,300)	(411,539)
		<u>(14,727,404)</u>	<u>(13,906,650)</u>	<u>(10,500,459)</u>
Net cash provided by (used in) operating activities	17(b)	(571,438)	111,209	2,877,205
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(396,054)	(5,352,650)	(844,906)
Payments for construction of infrastructure	9(a)	(2,687,165)	(3,620,551)	(4,966,861)
Non-operating grants, subsidies and contributions		2,474,294	4,411,103	4,665,549
Proceeds from financial assets at amortised cost - self supporting loans		22,872	0	22,049
Proceeds from sale of property, plant & equipment	10(b)	85,320	147,000	72,880
		<u>(500,733)</u>	<u>(4,415,098)</u>	<u>(1,051,289)</u>
Net cash provided by (used in) investing activities				
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	27(a)	(199,801)	(272,505)	(245,165)
Payments for principal portion of lease liabilities	27(c)	(104,742)	(102,490)	(128,395)
Proceeds from new borrowings	27(a)	0	2,279,225	0
		<u>(304,543)</u>	<u>1,904,230</u>	<u>(373,560)</u>
Net cash provided by (used in) financing activities				
Net increase (decrease) in cash held		(1,376,717)	(2,399,659)	1,452,354
Cash at beginning of year		8,254,599	8,254,445	6,802,245
Cash and cash equivalents at the end of the year	17(a)	<u>6,877,882</u>	<u>5,854,786</u>	<u>8,254,599</u>

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



**SHIRE OF DENMARK
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	26(b)	1,582,425	1,553,964	1,659,493
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Operating grants, subsidies and contributions		2,473,161	3,289,288	2,417,208
Fees and charges		3,644,429	3,458,312	3,186,752
Interest earnings		64,486	72,908	83,080
Other revenue		306,406	188,487	289,180
Profit on asset disposals	10(b)	47,105	54,000	42,716
Fair value adjustments to financial assets at fair value through profit or loss		2,998	0	1,939
		<u>6,538,585</u>	<u>7,062,995</u>	<u>6,020,875</u>
Expenditure from operating activities				
Employee costs		(7,162,734)	(6,939,943)	(6,560,422)
Materials and contracts		(4,467,775)	(5,502,014)	(3,244,949)
Utility charges		(225,932)	(220,985)	(219,277)
Depreciation		(3,494,777)	(3,820,875)	(4,647,759)
Finance costs		(98,198)	(123,877)	(112,481)
Insurance		(431,694)	(427,679)	(423,325)
Other expenditure		(386,994)	(445,300)	(411,539)
Loss on asset disposals	10(b)	(2,492)	(34,000)	0
		<u>(16,270,596)</u>	<u>(17,514,673)</u>	<u>(15,619,752)</u>
Non-cash amounts excluded from operating activities	26(a)	3,567,020	3,939,618	4,645,341
Amount attributable to operating activities		<u>(6,164,991)</u>	<u>(6,512,060)</u>	<u>(4,953,536)</u>
INVESTING ACTIVITIES				
Capital grants, subsidies and contributions		2,474,294	4,411,103	4,665,549
Proceeds from disposal of assets	10(b)	85,320	147,000	72,880
Proceeds from financial assets at amortised cost - self supporting loans	27(a)	22,872	0	22,049
Purchase of property, plant and equipment	8(a)	(396,054)	(5,352,650)	(844,906)
Purchase and construction of infrastructure	9(a)	(2,687,165)	(3,620,551)	(4,966,861)
		<u>(500,733)</u>	<u>(4,415,098)</u>	<u>(1,051,289)</u>
Amount attributable to investing activities		<u>(500,733)</u>	<u>(4,415,098)</u>	<u>(1,051,289)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	27(a)	(199,801)	(272,505)	(245,165)
Proceeds from borrowings	27(a)	0	2,279,225	0
Payments for principal portion of lease liabilities	27(c)	(104,742)	(102,490)	(128,395)
Transfers to reserves (restricted assets)	28	(733,124)	(731,612)	(798,114)
Transfers from reserves (restricted assets)	28	578,397	1,146,914	520,523
Amount attributable to financing activities		<u>(459,270)</u>	<u>2,319,532</u>	<u>(651,151)</u>
Surplus/(deficit) before imposition of general rates		<u>(5,542,569)</u>	<u>(7,053,662)</u>	<u>(4,996,483)</u>
Total amount raised from general rates	25(a)	7,036,139	7,053,662	6,578,908
Surplus/(deficit) after imposition of general rates	26(b)	<u>1,493,570</u>	<u>0</u>	<u>1,582,425</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 2022

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SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for 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.

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 financial 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.

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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 of the financial report.

Judgements and 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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- estimation of useful lives of non-current assets
- estimation uncertainties made in relation to lease accounting

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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	Timing of revenue recognition
Operating grants, subsidies and contributions with / from 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	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - waste management entry fees	Easte 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	On entry to facility
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	Output method based on works completed

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

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature or types of goods or services is provided in the table below:

For the year ended 30 June 2022

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Operating grants, subsidies and contributions	566,977	0	0	0	566,977
Fees and charges	0	0	2,547,936	0	2,547,936
Interest earnings	0	0	32,560	0	32,560
Other revenue	0	0	0	4,000	4,000
Capital grants, subsidies and contributions	0	2,474,294	0	0	2,474,294
Total	566,977	2,474,294	2,580,496	4,000	5,625,767

For the year ended 30 June 2021

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Operating grants, subsidies and contributions	895,713	0	0	0	895,713
Fees and charges	0	0	2,450,677	0	2,450,677
Interest earnings	0	0	39,787	0	39,787
Other revenue	0	0	0	4,000	4,000
Capital grants, subsidies and contributions	0	4,665,549	0	0	4,665,549
Total	895,713	4,665,549	2,490,464	4,000	8,055,726

Note	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Interest earnings			
Financial assets at amortised cost - self supporting loans	14,035	14,598	12,749
Interest on reserve funds	9,920	8,408	17,631
Rates instalment and penalty interest (refer Note 25(c))	32,560	41,000	39,787
Other interest earnings	7,971	8,902	12,913
	64,486	72,908	83,080

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report	32,600	34,000	32,000
- Other services	5,600	5,000	3,100
	38,200	39,000	35,100

Finance costs

Borrowings	27(a)	95,334	118,759	107,778
Lease liabilities	27(c)	2,864	5,118	4,703
		98,198	123,877	112,481

Other expenditure

Sundry expenses		386,994	445,300	411,539
		386,994	445,300	411,539

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

3. CASH AND CASH EQUIVALENTS

Note	2022	2021
	\$	\$
Cash at bank and on hand	1,319,497	940,312
Term deposits	5,558,385	7,314,287
Total cash and cash equivalents	6,877,882	8,254,599
17(a)		
Held as		
- Unrestricted cash and cash equivalents	2,069,497	3,600,943
- Restricted cash and cash equivalents	4,808,385	4,653,656
17(a)	6,877,882	8,254,599

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.

Bank overdrafts (if applicable) are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. 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 and for which no liability has been recognised.

Details of restrictions on financial assets can be found at Note 17.

4. OTHER FINANCIAL ASSETS

(a) Current assets

	2022	2021
Financial assets at amortised cost	23,729	22,872
	23,729	22,872

Other financial assets at amortised cost

Self supporting loans receivable	26(b) 23,729	22,872
	23,729	22,872

Held as

- Unrestricted other financial assets at amortised cost	23,729	22,872
	23,729	22,872

(b) Non-current assets

Financial assets at amortised cost	461,163	484,892
Financial assets at fair value through profit and loss	58,453	55,455
	519,616	540,347

Financial assets at amortised cost

Self supporting loans receivable	326,463	350,192
Other Financial Assets	134,700	134,700
	461,163	484,892

Financial assets at fair value through profit and loss

Units in Local Government House Trust	58,353	55,355
Denmark Co-op Shares	100	100
	58,453	55,455

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 27(a) 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.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 23 (i)) due to the observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

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 21.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

5. TRADE AND OTHER RECEIVABLES

	Note	2022	2021
		\$	\$
Current			
Rates receivable		316,882	392,444
Trade and other receivables		188,977	45,358
GST receivable		27,279	199,615
		533,138	637,417
Non-current			
Pensioner's rates and ESL deferred		84,185	70,008
Receivables for employee related provisions	15	41,209	0
		125,394	70,008

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 grants, contributions, reimbursements, and goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

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 21.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

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

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

6. INVENTORIES

	Note	2022	2021
		\$	\$
Current			
Fuel and materials		101,695	112,195
		101,695	112,195

The following movements in inventories occurred during the year:

Balance at beginning of year		112,195	160,415
Inventories expensed during the year		(376,967)	(267,854)
Additions to inventory		366,467	219,634
Balance at end of year		101,695	112,195

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.

Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

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

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

7. OTHER ASSETS

	<u>2022</u>	<u>2021</u>	
	\$	\$	
Other assets - current			
Prepayments	5,118	0	
Accrued income	11,006	109,518	
Contract assets	747,968	694,095	
	<u>764,092</u>	<u>803,613</u>	
	30 June 2022 Actual	30 June 2021 Actual	1 July 2020 Actual
Contract assets	\$	\$	\$
Contract assets	747,968	694,095	213,775
Loss Allowance	0	0	0
Total Contract Assets	<u>747,968</u>	<u>694,095</u>	<u>213,775</u>

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.

Contract assets

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at note 2 (b).

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

Note	Land \$	Buildings \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Total property, plant and equipment \$
Balance as at 30 June 2020	3,206,517	23,421,236	26,627,753	109,422	4,262,039	30,999,214
Correction of prior period error	0	(1,664,092)	(1,664,092)	0	0	(1,664,092)
Restated Balance at 1 July 2020	3,206,517	21,757,144	24,963,661	109,422	4,262,039	29,335,122
Additions	0	272,782	272,782	0	572,124	844,906
Disposals	0	0	0	0	(30,164)	(30,164)
Depreciation	0	(642,007)	(642,007)	(43,266)	(1,180,026)	(1,865,299)
Balance at 30 June 2021	3,206,517	21,387,919	24,594,436	66,156	3,623,973	28,284,565
Comprises:						
Gross balance amount at 30 June 2021	3,206,517	23,915,371	27,121,888	569,117	8,907,647	36,598,652
Accumulated depreciation at 30 June 2021	0	(2,527,452)	(2,527,452)	(502,961)	(5,283,674)	(8,314,087)
Balance at 30 June 2021	3,206,517	21,387,919	24,594,436	66,156	3,623,973	28,284,565
Additions	0	97,656	97,656	0	298,398	396,054
Disposals	0	0	0	0	(40,707)	(40,707)
Revaluation increments / (decrements) transferred to revaluation surplus	1,374,483	10,261,531	11,636,014	0	0	11,636,014
Depreciation	0	(641,493)	(641,493)	(33,852)	(739,333)	(1,414,678)
Transfers	0	(109,262)	(109,262)	0	(86,232)	(195,494)
Balance at 30 June 2022	4,581,000	30,996,351	35,577,351	32,304	3,056,099	38,665,754
Comprises:						
Gross balance amount at 30 June 2022	4,581,000	50,271,600	54,852,600	408,613	8,864,173	64,125,386
Accumulated depreciation at 30 June 2022	0	(19,275,249)	(19,275,249)	(376,309)	(5,808,074)	(25,459,632)
Balance at 30 June 2022	4,581,000	30,996,351	35,577,351	32,304	3,056,099	38,665,754

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2022	Using market value
Buildings	2	Market	Independent registered valuer	June 2022	Using market value 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

(ii) Cost					
Furniture and equipment					
		Cost approach using current replacement cost	Cost approach		Price per item
Plant and equipment					
		Cost approach using current replacement cost	Cost approach		Price per item

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

9. INFRASTRUCTURE

(a) Movements in Balances

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

Note	Infrastructure - Roads & Paths \$	Infrastructure - Parks & Reserves \$	Infrastructure - Airstrip \$	Infrastructure - Bridges \$	Total Infrastructure \$
Balance at 1 July 2020	48,826,340	2,535,605	780,866	8,140,663	60,283,474
Additions	3,231,531	54,577	0	1,680,753	4,966,861
Depreciation	(2,270,022)	(199,583)	(19,213)	(165,783)	(2,654,601)
Balance at 30 June 2021	49,787,849	2,390,599	761,653	9,655,633	62,595,734
Comprises:					
Gross balance at 30 June 2021	99,233,753	4,644,618	962,734	14,186,920	119,028,025
Accumulated depreciation at 30 June 2021	(49,445,904)	(2,254,019)	(201,081)	(4,531,287)	(56,432,291)
Balance at 30 June 2021	49,787,849	2,390,599	761,653	9,655,633	62,595,734
Additions	2,060,423	501,111	113,637	11,994	2,687,165
Depreciation	(1,550,407)	(202,312)	(19,214)	(199,397)	(1,971,330)
Transfers	0	195,494	0	0	195,494
Balance at 30 June 2022	50,297,865	2,884,892	856,076	9,468,230	63,507,063
Comprises:					
Gross balance at 30 June 2022	101,294,177	5,397,674	1,076,371	14,198,914	121,967,136
Accumulated depreciation at 30 June 2022	(50,996,312)	(2,512,782)	(220,295)	(4,730,684)	(58,460,073)
Balance at 30 June 2022	50,297,865	2,884,892	856,076	9,468,230	63,507,063

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

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

SHIRE OF DENMARK
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10. FIXED ASSETS

(a) Depreciation

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings - non-specialised	8(a)	641,493	635,278	642,007
Furniture and equipment	8(a)	33,852	39,420	43,266
Plant and equipment	8(a)	739,333	1,205,549	1,180,026
Infrastructure - Roads & Paths	9(a)	1,550,407	1,428,399	2,270,022
Infrastructure - Parks & Reserves	9(a)	202,312	206,794	199,583
Infrastructure - Airstrip	9(a)	19,214	19,300	19,213
Infrastructure - Bridges	9(a)	199,397	183,645	165,783
Right-of-use assets - plant and equipment	11(a)	108,769	102,490	127,859
		<u>3,494,777</u>	<u>3,820,875</u>	<u>4,647,759</u>

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	50 years
seal	
- 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 (plant and equipment)	Based on the remaining lease

SHIRE OF DENMARK
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FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

(b) Disposals of assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	40,707	85,320	47,105	(2,492)	127,000	147,000	54,000	(34,000)	30,164	72,880	42,716	0
	40,707	85,320	47,105	(2,492)	127,000	147,000	54,000	(34,000)	30,164	72,880	42,716	0

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Recreation and culture				
John Deere Mower	15,707	13,215	0	(2,492)
Transport				
Nissan UD GW470 Truck	25,000	72,105	47,105	0
	40,707	85,320	47,105	(2,492)

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. 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, infrastructure and investment properties acquired between scheduled revaluation dates 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 revaluation date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties 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 carrying amount for each asset class 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, investment properties and vested improvements to be shown at fair value.

Revaluation (continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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 on revaluation

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

- (i) 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
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

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

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

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

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FOR THE YEAR ENDED 30 JUNE 2022

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - plant and equipment	Right-of-use assets Total
		\$	\$
Balance at 1 July 2020		240,456	240,456
Additions		136,186	136,186
Revaluation (loss) / reversals transferred to profit or loss		(26,765)	(26,765)
Depreciation		(127,859)	(127,859)
Balance at 30 June 2021		222,018	222,018
Gains/(losses) from sale and leaseback transactions		(3,120)	(3,120)
Depreciation	10(a)	(108,769)	(108,769)
Balance at 30 June 2022		110,129	110,129

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2022 Actual	2021 Actual
		\$	\$
Depreciation on right-of-use assets	10(a)	(108,769)	(127,859)
Interest expense on lease liabilities	27(c)	(2,864)	(4,703)
Total amount recognised in the statement of comprehensive income		(111,633)	(132,562)
Total cash outflow from leases		(107,606)	(133,098)

(b) Lease Liabilities

Current		82,250	104,743
Non-current		31,367	116,738
	27(c)	113,617	221,481

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

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.

All contracts that are classified as short-term leases (i.e. a lease with a 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.

Details of individual lease liabilities required by regulations are provided at Note 27(c).

Right-of-use assets - valuation measurement

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

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 shorter. 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.

SHIRE OF DENMARK
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12. TRADE AND OTHER PAYABLES

Current

	2022	2021
	\$	\$
Sundry creditors	740,787	2,227,639
Prepaid rates	71,734	91,646
Accrued payroll liabilities	20,365	183,959
Bonds and deposits held	200,882	247,147
Accrued Interest on Loans	9,851	10,714
Income in Advance	27,100	11,389
Accrued Expenses	128,229	219,936
	1,198,948	2,992,430

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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.

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 usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

13. OTHER LIABILITIES

	<u>2022</u>	<u>2021</u>
	\$	\$
Current		
Contract liabilities	775,904	474,570
	<u>775,904</u>	<u>474,570</u>
Non-current		
Contract liabilities	500,238	430,238
	<u>500,238</u>	<u>430,238</u>
Reconciliation of changes in contract liabilities		
Opening balance	904,808	625,536
Additions	845,904	102,693
Revenue from contracts with customers included as a contract liability at the start of the period	(474,570)	176,579
	<u>1,276,142</u>	<u>904,808</u>

The Shire expects to satisfy the performance obligations from contracts with customers classified as current liabilities unsatisfied at the end of the reporting period to be satisfied within the next 12 months.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 23(i)) due to the unobservable inputs, including own credit risk.

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14. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		171,350	1,495,117	1,666,467	199,801	1,666,467	1,866,268
Total secured borrowings	27(a)	171,350	1,495,117	1,666,467	199,801	1,666,467	1,866,268

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Denmark.

The Shire of Denmark has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

SIGNIFICANT ACCOUNTING POLICIES

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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 23(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 21.

Details of individual borrowings required by regulations are provided at Note 27(a).

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	<u>2022</u>	<u>2021</u>
	\$	\$
Current provisions		
Employee benefit provisions		
Annual Leave, Time in Lieu & Accrued RDO's	745,035	798,577
Long Service Leave	498,040	429,955
	<u>1,243,075</u>	<u>1,228,532</u>
Non-current provisions		
Long Service Leave	113,730	127,771
	<u>113,730</u>	<u>127,771</u>
	<u>1,356,805</u>	<u>1,356,303</u>

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Amounts are expected to be settled on the following basis:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
		\$	\$
Less than 12 months after the reporting date		461,538	437,517
More than 12 months from reporting date		895,267	918,786
		<u>1,356,805</u>	<u>1,356,303</u>

Expected reimbursements of employee related provisions from other WA local governments included within other receivables

5	41,209	0
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SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

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

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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16. REVALUATION SURPLUS

	2022 Opening Balance \$	2022 Revaluation Increment \$	2022 Revaluation (Decrement) \$	Total Movement on Revaluation \$	2022 Closing Balance \$	2021 Opening Balance \$	2021 Revaluation Increment \$	2021 Revaluation (Decrement) \$	Total Movement on Revaluation \$	2021 Closing Balance \$
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 - Land & Buildings	10,637,835	11,636,014	0	11,636,014	22,273,849	10,637,835	0	0	0	10,637,835
Revaluation surplus - Other infrastructure	50,386,711	0	0	0	50,386,711	50,386,711	0	0	0	50,386,711
	63,597,392	11,636,014	0	11,636,014	75,233,406	63,597,392	0	0	0	63,597,392

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.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	6,877,882	5,854,786	8,254,599

Restrictions

The following classes of financial 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	3	4,808,385	4,238,354	4,653,656
		<u>4,808,385</u>	<u>4,238,354</u>	<u>4,653,656</u>

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

Restricted reserve accounts	28	4,808,385	4,238,354	4,653,656
Total restricted financial assets		<u>4,808,385</u>	<u>4,238,354</u>	<u>4,653,656</u>

**(b) Reconciliation of Net Result to Net Cash Provided
By Operating Activities**

Net result		(221,578)	1,013,087	1,645,580
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(2,998)	0	(1,939)
Depreciation/amortisation		3,494,777	3,820,875	4,647,759
(Profit)/loss on sale of asset		(44,613)	(20,000)	(42,716)
Loss on revaluation of fixed assets		0	0	0
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		48,893	(108,560)	(3,489)
(Increase)/decrease in other assets		39,521	32,480	(539,559)
(Increase)/decrease in inventories		10,500	(24,682)	48,220
Increase/(decrease) in trade and other payables		(1,793,482)	(222,170)	1,462,810
Increase/(decrease) in employee related provisions		502	0	0
Increase/(decrease) in other provisions		0	0	46,816
Increase/(decrease) in other liabilities		371,334	31,282	279,272
Non-operating grants, subsidies and contributions		(2,474,294)	(4,411,103)	(4,665,549)
Net cash provided by/(used in) operating activities		<u>(571,438)</u>	<u>111,209</u>	<u>2,877,205</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	25,000	20,000
Credit card balance at balance date	<u>(2,831)</u>	<u>(3,303)</u>
Total amount of credit unused	22,169	16,697

Loan facilities

Loan facilities - current	171,350	199,801
Loan facilities - non-current	<u>1,495,117</u>	<u>1,666,467</u>
Total facilities in use at balance date	1,666,467	1,866,268

Unused loan facilities at balance date	0	0
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SHIRE OF DENMARK
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18. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Shire has listed a site to be a possible source of contamination. Details of that site are:

- McIntosh Road Denmark Waste Management Facility

The Shire has a licence agreement with the Department of Water and Environmental Regulation which requires the site to be remediated at the end of its current permitted use.

Until the Shire conducts an investigation to determine the presence and scope of the contamination, assess the risk, and agree with the Department of Water and Environmental Regulation (DWER) on the need and criteria for remediation on a risk based approach, the Shire is unable to estimate the potential costs associated with the remediation of this site. This approach is consistent with the Department of Water and Environmental Regulation guidelines.

19. CAPITAL COMMITMENTS

	<u>2022</u>	<u>2021</u>
	\$	\$
Contracted for:		
- capital expenditure projects	271,300	554,084
- plant & equipment purchases	724,205	0
	<u>995,505</u>	<u>554,084</u>
Payable:		
- not later than one year	995,505	554,084

As at 30 June 2021 the Shire had two (2) capital commitments in relation to works to be completed. The first was to Denmark Plumbing Service in relation to the water re-use pipeline project works at McLean Oval and totalled \$206,397 inclusive of GST. The second related to ongoing works for the reconstruction of a section of Peaceful Bay Road for a tender awarded to WCP Civil. The amount outstanding as at 30 June 2021 was \$347,687 inclusive of GST. Both projects were budgeted for during the 2021-2022 financial year but only the Peaceful Bay Road project was completed.

As at 30 June 2022 the Shire has three (3) capital commitments in relation to ongoing works. The first is in relation to the water re-use pipeline project at McLean Oval and totals \$188,033 inclusive of GST and includes payments still due to Denmark Plumbing Service. The remainder totalling \$83,267 inclusive of GST relates to two (2) MRWA road reconstruction projects for Ocean Beach Road and Mount Shadforth Road which require completion.

All projects have been budgeted for completion during the 2022-2023 financial year.

The Shire also ordered several items of plant & equipment budgeted for replacement during 2021-2022, due to delays in supply experienced worldwide these items with a total value of \$724,205 including GST were not received as at 30 June 2022.

The expenditure associated with these acquisitions which include a replacement Waste Collection Truck has been included in the adopted budget for the 2022-2023 financial year.

SHIRE OF DENMARK
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20. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Councillor C Gearon				
President's annual allowance		23,957	23,957	12,671
Meeting attendance fees		10,639	10,639	10,302
Annual allowance for ICT expenses		2,555	2,555	2,472
Travel and accommodation expenses		0	1,200	0
		37,151	38,351	25,445
Councillor K Gibson				
Deputy President's allowance		4,209	4,242	0
Meeting attendance fees		10,639	10,639	10,302
Annual allowance for ICT expenses		2,555	2,555	2,472
Travel and accommodation expenses		0	850	0
		17,403	18,286	12,774
Councillor J Lewis				
Meeting attendance fees		10,639	10,639	10,302
Annual allowance for ICT expenses		2,555	2,555	2,472
Travel and accommodation expenses		2,557	850	0
		15,751	14,044	12,774
Councillor J Phillips				
Meeting attendance fees		10,639	10,639	10,302
Annual allowance for ICT expenses		2,555	2,555	2,472
Travel and accommodation expenses		0	850	0
		13,194	14,044	12,774
Councillor C Campbell (from October 2021)				
Meeting attendance fees		7,535	10,639	0
Annual allowance for ICT expenses		1,810	2,555	0
Travel and accommodation expenses		0	850	0
		9,345	14,044	0
Councillor D Carman (from October 2021)				
Meeting attendance fees		7,535	7,535	0
Annual allowance for ICT expenses		1,810	1,810	0
Travel and accommodation expenses		0	600	0
		9,345	9,945	0
Councillor J Ormsby (from October 2021)				
Meeting attendance fees		7,535	7,535	0
Annual allowance for ICT expenses		1,810	1,810	0
Travel and accommodation expenses		0	600	0
		9,345	9,945	0
Councillor N Devenport (from October 2021)				
Meeting attendance fees		7,535	7,535	0
Annual allowance for ICT expenses		1,810	1,810	0
Travel and accommodation expenses		0	600	0
		9,345	9,945	0
Councillor D Clarke (from October 2021)				
Meeting attendance fees		7,535	7,535	0
Annual allowance for ICT expenses		1,810	1,810	0
Travel and accommodation expenses		0	600	0
		9,345	9,945	0
Councillor M Allen (to October 2021)				
Deputy President's allowance		1,760	1747	3168
Meeting attendance fees		3,126	3,104	10,302
Other expenses		0	0	55
Annual allowance for ICT expenses		750	745	2,472
Travel and accommodation expenses		0	250	0
		5,636	5,846	15,997

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20. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration (continued)

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Councillor I Osborne (to October 2021)			
Meeting attendance fees	3,126	3,104	10,302
Annual allowance for ICT expenses	750	745	2,472
Travel and accommodation expenses	242	250	945
	4,118	4,099	13,719
Councillor R Seeney (to October 2021)			
Meeting attendance fees	3,126	3,104	10,302
Annual allowance for ICT expenses	750	745	2,472
Travel and accommodation expenses	0	250	0
	3,876	4,099	12,774
Councillor G Bowley (to October 2021)			
Meeting attendance fees	3,126	3,104	10,302
Annual allowance for ICT expenses	750	745	2,472
Travel and accommodation expenses	0	250	0
	3,876	4,099	12,774
Councillor S Jones (retired 2020)			
Meeting attendance fees	0	0	5,151
Annual allowance for ICT expenses	0	0	1,236
	0	0	6,387
	147,730	156,692	125,418

Fees, expenses and allowances to be paid or reimbursed to elected council members.

	2022 Actual \$	2022 Budget \$	2021 Actual \$
President's annual allowance	23,957	23,957	12,671
Deputy President's annual allowance	5,969	5,989	3,168
Meeting attendance fees	92,735	95,751	87,567
Other expenses	0	0	55
Annual allowance for ICT expenses	22,270	22,995	21,012
Travel and accommodation expenses	2,799	8,000	945
20(b)	147,730	156,692	125,418

(b) Key Management Personnel (KMP) Compensation

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

	2022 Actual \$	2021 Actual \$
Short-term employee benefits	567,110	516,224
Post-employment benefits	63,369	61,510
Employee - other long-term benefits	12,221	11,511
Council member costs	147,730	125,418
20(a)	790,430	714,663

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements 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).

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**SHIRE OF DENMARK
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20. RELATED PARTY TRANSACTIONS

(c) Transactions with related parties

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

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

In addition to KMP compensation above the following transactions occurred with related parties:

	2022	2021
	Actual	Actual
	\$	\$
Sale of goods and services	75,697	95,895
Purchase of goods and services	41,953	29,657

(d) 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 council member, are considered key management personnel.

ii. Other Related Parties

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

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

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

The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

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

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents, term deposits, and Treasury bonds 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
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	0.003%	6,877,882	5,558,385	1,309,225	10,272
2021					
Cash and cash equivalents	0.002%	8,254,599	7,314,287	930,040	10,272

Sensitivity

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

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	68,779	82,546

* 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 27(a).

SHIRE OF DENMARK
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21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2021 or 1 July 2022 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	112,596	89,148	48,952	66,186	316,882	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	217,794	97,334	48,104	29,212	392,444	
Loss allowance	0	0	0	0	0	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	164,893	15,124	959	8,001	188,977	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	32,133	901	6,258	6,066	45,358	
Loss allowance	0	0	0	0	0	5

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21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	Rates receivable		Trade and other receivables		Contract Assets	
	2022 Actual	2021 Actual	2022 Actual	2021 Actual	2022 Actual	2021 Actual
Opening loss allowance as at 1 July	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Closing loss allowance at 30 June	0	0	0	0	0	0

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Shire, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Contract Assets

The Shire's contract assets represent work completed, which have not been invoiced at year end. This is due to the Shire not having met all the performance obligations in the contract which give an unconditional right to receive consideration. The Shire applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Shire has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 17(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2022</u>					
Trade and other payables	1,198,948	0	0	1,198,948	1,198,948
Borrowings	244,178	896,053	939,971	2,080,202	1,666,467
Lease liabilities	82,250	31,367	0	113,617	113,617
	<u>1,525,376</u>	<u>927,420</u>	<u>939,971</u>	<u>3,392,767</u>	<u>2,979,032</u>
<u>2021</u>					
Trade and other payables	2,992,430	0	0	2,992,430	2,992,430
Borrowings	284,233	1,003,338	1,116,919	2,404,490	1,866,268
Lease liabilities	104,743	116,738	0	221,481	221,481
	<u>3,381,406</u>	<u>1,120,076</u>	<u>1,116,919</u>	<u>5,618,401</u>	<u>5,080,179</u>

**SHIRE OF DENMARK
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FOR THE YEAR ENDED 30 JUNE 2022**

22. 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 had a significant effect on the financial statements for the year ended 30 June 2022.

23. 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) Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost 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).

i) 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.

j) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialise 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 end of the reporting period.

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

It is not expected these standards will have an impact on the financial report.

**SHIRE OF DENMARK
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24. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Shire operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective	Description
<p>Governance To provide a decision making process for the effective allocation of scarce resources</p>	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.
<p>General purpose funding To collect revenue to allow for the provision of Council services.</p>	Rates, interest revenue and other general purpose government funding grants together with any expenses incurred in realising these incomes.
<p>Law, order, public safety To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various Local Laws, fire prevention, animal control and other aspects of public safety including emergency services.
<p>Health To provide an operational framework for environmental and community health needs.</p>	Inspections and controls of various food outlets, noise control, waste disposal compliance, pest control.
<p>Education and welfare To provide services for the elderly, children and youth.</p>	Youth service, disability service and aged service support programs.
<p>Housing To provide and maintain elderly residents housing.</p>	Costs associated with the redevelopment of the Hardy Street property.
<p>Community amenities To provide a range of general amenity services required by the community.</p>	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.
<p>Recreation and culture To establish and effectively manage infrastructure and resources which assist in the social well-being of the community.</p>	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.
<p>Transport To provide safe, effective and efficient transport services to the community.</p>	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.
<p>Economic services To help promote the Shire and its economic wellbeing.</p>	The regulation and provision of tourism initiatives and facilities including the Denmark Tourism Association, Parry Beach camping grounds and area promotion. Building Controls, income and expenditure relating to the old sale yard facilities site and operation of the lime sand quarry. Provision of rural services including standpipes.
<p>Other property and services To monitor and control Council's overheads operating accounts.</p>	Private works operations, plant repairs and operation costs, engineering supervision operating costs, stock and salaries & wages allocations.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

24. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022	2022	2021
	Actual	Budget	Actual
	\$	\$	\$
Income excluding grants, subsidies and contributions			
Governance	69,664	19,854	78,188
General purpose funding	7,191,772	7,184,462	6,769,101
Law, order, public safety	29,254	45,500	42,125
Health	27,905	18,500	24,369
Education and welfare	16,463	16,300	16,300
Community amenities	1,982,313	1,828,010	1,771,330
Recreation and culture	356,298	291,720	293,709
Transport	165,830	127,375	136,716
Economic services	1,220,207	1,249,848	1,001,342
Other property and services	41,857	45,800	49,395
	11,101,563	10,827,369	10,182,575
Grants, subsidies and contributions			
Governance	54,463	8,200	45,222
General purpose funding	1,337,348	483,761	1,104,709
Law, order, public safety	494,630	925,676	874,255
Education and welfare	35,581	37,500	64,486
Community amenities	36,252	2,000	256,123
Recreation and culture	572,151	2,669,002	185,689
Transport	2,189,057	3,411,552	4,363,596
Economic services	9,500	9,500	10,000
Other property and services	218,473	153,200	178,677
	4,947,455	7,700,391	7,082,757
Total Income	16,049,018	18,527,760	17,265,332
Expenses			
Governance	(994,343)	(939,079)	(849,834)
General purpose funding	(537,283)	(531,772)	(499,287)
Law, order, public safety	(2,001,990)	(2,625,318)	(2,447,434)
Health	(217,598)	(207,379)	(213,976)
Education and welfare	(330,961)	(330,889)	(357,009)
Housing	(31,654)	(31,653)	(64,160)
Community amenities	(3,292,896)	(3,292,032)	(3,033,179)
Recreation and culture	(3,065,754)	(3,151,723)	(2,642,756)
Transport	(4,367,603)	(5,098,096)	(4,451,689)
Economic services	(1,074,069)	(1,126,527)	(868,820)
Other property and services	(356,445)	(180,205)	(191,608)
Total expenses	(16,270,596)	(17,514,673)	(15,619,752)
Net result for the period	(221,578)	1,013,087	1,645,580

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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24. FUNCTION AND ACTIVITY (Continued)

	2022	2022	2021
	Actual	Budget	Actual
	\$	\$	\$
(c) Fees and Charges			
Governance	35,407	3,547	17,250
General purpose funding	79,821	53,000	85,717
Law, order, public safety	29,254	31,900	26,339
Health	27,905	18,500	24,369
Education and welfare	16,463	16,300	16,300
Community amenities	1,765,315	1,714,470	1,621,124
Recreation and culture	342,263	270,622	275,017
Transport	118,400	96,415	111,160
Economic services	1,220,207	1,246,758	1,001,342
Other property and services	9,394	6,800	8,134
	3,644,429	3,458,312	3,186,752
(d) Total Assets			
Governance	6,320,479	4,034,915	
General purpose funding	401,067	462,452	
Law, order, public safety	4,014,390	3,251,460	
Health	8,181	15,615	
Education and welfare	810,157	251,750	
Housing	148,296	205,590	
Community amenities	2,724,536	2,638,531	
Recreation and culture	23,964,801	18,870,949	
Transport	63,761,581	61,608,860	
Economic services	3,168,495	3,263,413	
Other property and services	2,100,896	2,657,311	
Unallocated	3,805,613	4,282,522	
	111,228,492	101,543,368	

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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25. RATING INFORMATION

(a) General Rates

RATE TYPE		Rate in	Number	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21
Rate Description	Basis of valuation	\$	of Properties	Actual Rateable Value *	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue	
		\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Gross rental valuations														
1 Non-Rural Improved	Gross rental valuation	0.099553	2,254	39,973,237	3,979,456	4,407	434	3,984,297	3,979,456	25,000	0	4,004,456	3,779,752	
2 Holiday Purposes	Gross rental valuation	0.119464	131	1,971,372	235,508	0	0	235,508	235,508	0	0	235,508	214,855	
3 Vacant	Gross rental valuation	0.198474	220	2,224,780	441,559	0	0	441,559	441,559	0	0	441,559	453,027	
Unimproved valuations														
4 Rural	Unimproved valuation	0.005009	467	230,588,000	1,155,016	0	0	1,155,016	1,155,016	0	0	1,155,016	1,185,583	
5 Rural - Add. Use 1 - Holiday Purposes	Unimproved valuation	0.006010	19	9,439,000	56,728	0	0	56,728	56,728	0	0	56,728	0	
6 Rural - Add. Use 2 - Commercial	Unimproved valuation	0.008515	16	6,540,000	55,688	0	0	55,688	55,688	0	0	55,688	0	
Sub-Total			3,107	290,736,389	5,923,955	4,407	434	5,928,796	5,923,955	25,000	0	5,948,955	5,633,217	
Minimum payment														
Gross rental valuations														
Non-Rural Improved	Gross rental valuation	1,141	633	4,470,095	633,255	0	0	633,255	633,255	0	0	633,255	631,872	
Holiday Purposes	Gross rental valuation	1,369	11	87,442	12,321	0	0	12,321	12,321	0	0	12,321	4,832	
Vacant	Gross rental valuation	1,220	219	1,048,070	279,380	0	0	279,380	279,380	0	0	279,380	202,947	
Unimproved valuations														
Rural	Unimproved valuation	1,397	159	29,490,217	203,962	0	0	203,962	203,962	0	0	203,962	228,310	
Rural - Add. Use 1 - Holiday Purposes	Unimproved valuation	1,676	4	991,600	25,140	0	0	25,140	25,140	0	0	25,140	0	
Rural - Add. Use 2 - Commercial	Unimproved valuation	2,654	5	1,467,000	13,270	0	0	13,270	13,270	0	0	13,270	0	
Sub-Total			1,031	37,554,424	1,167,328	0	0	1,167,328	1,167,328	0	0	1,167,328	1,067,961	
			4,138	328,290,813	7,091,283	4,407	434	7,096,124	7,091,283	25,000	0	7,116,283	6,701,178	
Concessions and Waivers on general rates (Refer note 25(b))								(59,985)				(62,621)	(122,270)	
Total amount raised from general rates								7,036,139				7,053,662	6,578,908	

* Rateable value is based on the value of properties at the time the rate is raised.

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 *Income for not-for-profit entities*.

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25. RATING INFORMATION (Continued)

(b) Waivers or Concessions

Rate of Fee and Charge to which the Waiver or Concession is Granted	Type	Waiver/ Concession	Discount %	Discount \$	2022 Actual \$	2022 Budget \$	2021 Actual \$
Rates A5731 - Denmark Arts Council	Rate	Waiver	100	5,327	5,227	5,327	5,026
Rates A5585 - Denmark Boating & Angling Club	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A5587 - DB&AC, Denmark Sea Rescue Group	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A3565 - Denmark Clay Target Club	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A5584 - Denmark Cottage Crafts Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A3088 - Denmark Country Club Inc.	Rate	Waiver	100	2,770	2,718	2,770	2,613
Rates A5960 - Denmark Environment Centre Inc.	Rate	Waiver	100	2,654	2,604	2,654	2,504
Rates A5599 - Denmark Machinery Restoration Group Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A3179 - Denmark Occ. Day Care Centre & Playgroup	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A3167 - Denmark Pistol Club	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A3189 - Denmark Equestrian Club Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5601 - Denmark Riverside Club	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A3069 - Denmark Riverside Club	Rate	Waiver	100	10,324	10,129	10,324	1,134
Rates A5588 - Denmark Surf Life Saving Club	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A3186 - Denmark Tourism Inc.	Rate	Waiver	100	5,834	0	5,834	5,504
Rates A5590 - Green Skills Inc.	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A5593 - Kentdale Community Hall Committee Inc.	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A5600 - Lions Club of Denmark Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5591 - Nornalup Residents & Ratepayers Assoc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5592 - Parry's Beach Volunteers Management Group	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A5615 - Peaceful Bay Progress Association Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5616 - Peaceful Bay Progress Association Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5596 - Peaceful Bay RSL Sub Branch	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5595 - Peaceful Bay Sea Rescue Group Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5597 - Scouts Association of Australia	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A3097 - RSL of Australia (WA Branch) Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5594 - Tingedale Hall Committee Inc.	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A3041 - Scotsdale Hall & Tennis Courts	Rate	Waiver	100	1,709	1,676	1,709	1,343
Rates A5729 - Denmark Community Resource Centre Inc.	Rate	Waiver	100	1,163	1,141	1,163	1,097
Rates A5730 - Denmark Over 50's Association	Rate	Waiver	100	1,163	0	1,163	1,097
Rates A3256 - Denmark Historical Society Inc.	Rate	Waiver	100	1,177	1,155	1,177	1,111
Rates A6021 - Denmark Men's Shed	Rate	Waiver	100	0	3,136	0	0
Rates A6066 - Denmark Chamber of Commerce	Rate	Waiver	100	0	1,141	0	0
Rates A6054 - The Woodturners of Denmark	Rate	Waiver	100	0	1,141	0	0
General Rates - New Rating System 2020/21	Rate	Concession	N/A	0	0	0	74,493
					59,985	62,621	122,270
Total discounts/concessions (Note 25)					59,985	62,621	122,270

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25. RATING INFORMATION (Continued)

(b) Waivers or Concessions (Continued)

Rate or Fee and Charge to which the Waiver or Concession is Granted and to whom	Circumstances in which the Waiver or Concession is Granted	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Rates A5731 - Denmark Arts Council	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5585 - Denmark Boating & Angling Club	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5587 - DB&AC, Denmark Sea Rescue Group	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3565 - Denmark Clay Target Club	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5584 - Denmark Cottage Crafts Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3088 - Denmark Country Club Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5960 - Denmark Environment Centre Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5599 - Denmark Machinery Restoration Group Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3179 - Denmark Occ. Day Care Centre & Playgroup	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3167 - Denmark Pistol Club	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3189 - Denmark Equestrian Club Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5601 - Denmark Riverside Club	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3069 - Denmark Riverside Club	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5588 - Denmark Surf Life Saving Club	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3186 - Denmark Tourism Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5590 - Green Skills Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5593 - Kentdale Community Hall Committee Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5600 - Lions Club of Denmark Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5591 - Nornalup Residents & Ratepayers Assoc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5592 - Parry's Beach Volunteers Management Group	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5615 - Peaceful Bay Progress Association Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5616 - Peaceful Bay Progress Association Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5596 - Peaceful Bay RSL Sub Branch	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5595 - Peaceful Bay Sea Rescue Group Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5597 - Scouts Association of Australia	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3097 - RSL of Australia (WA Branch) Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5594 - Tingledale Hall Committee Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3041 - Scotsdale Hall & Tennis Courts	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5729 - Denmark Community Resource Centre Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A5730 - Denmark Over 50's Association	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A3256 - Denmark Historical Society Inc.	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A6021 - Denmark Men's Shed	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A6066 - Denmark Chamber of Commerce	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
Rates A6054 - The Woodturners of Denmark	LG Act 1995 S4.47 & Council Policy P110102	Community Group	Community Group
General Rates - New Rating System 2020/21	2020/2021 year differential rate levy higher than prior year levy	Rates levy for 2020/2021 year not to be higher than 2019/2020 year	

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 FOR THE YEAR ENDED 30 JUNE 2022

25. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	4/10/2021	0	0.00%	7.00%
Option Two				
First instalment	4/10/2021	0	0.00%	7.00%
Second instalment	6/12/2021	10.40	3.50%	7.00%
Option Three				
First instalment	4/10/2021	0	0.00%	7.00%
Second instalment	6/12/2021	10.40	3.50%	7.00%
Third instalment	7/02/2022	10.40	3.50%	7.00%
Fourth instalment	7/04/2022	10.40	3.50%	7.00%

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Interest on unpaid rates	20,561	30,000	30,319
Interest on instalment plan	11,999	11,000	9,468
Charges on instalment plan	19,063	23,000	18,893
	51,623	64,000	58,680

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

26. RATE SETTING STATEMENT INFORMATION

Note	2021/22	2021/22	2021/22	2020/21	
	(30 June 2022 Carried Forward)	Budget (30 June 2022 Carried Forward)	(1 July 2021 Brought Forward)	(30 June 2021 Carried Forward)	
	\$	\$	\$	\$	
(a) Non-cash amounts excluded from operating activities					
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .					
Adjustments to operating activities					
Less: Profit on asset disposals	10(b)	(47,105)	(54,000)	(42,716)	(42,716)
Less: Movement in liabilities associated with restricted cash		218,072	138,743	48,958	48,958
Less: Fair value adjustments to financial assets at fair value through profit and loss		(2,998)	0	(1,939)	(1,939)
Add: Loss on disposal of assets	10(b)	2,492	34,000	0	0
Add: Loss on revaluation of fixed assets	9(a)	0	0	0	0
Add: Depreciation	10(a)	3,494,777	3,820,875	4,647,759	4,647,759
Non-cash movements in non-current assets and liabilities:					
Pensioner deferred rates		(14,177)		(24,641)	(24,641)
Employee benefit provisions		(14,041)		17,920	17,920
Contract liabilities		(70,000)		0	
Non-cash amounts excluded from operating activities		3,567,020	3,939,618	4,645,341	4,645,341
(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 <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.					
Adjustments to net current assets					
Less: Reserve accounts	28	(4,808,385)	(4,238,354)	(4,653,656)	(4,653,656)
Less: Financial assets at amortised cost - self supporting loans	4(a)	(23,729)	(22,872)	(22,872)	(22,872)
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	14	171,350	0	199,801	199,801
- Current portion of lease liabilities	11(b)	82,250	0	0	0
- Employee benefit provisions	15	1,243,075	1,228,532	1,228,532	1,228,532
Total adjustments to net current assets		(3,335,439)	(3,032,694)	(3,248,195)	(3,248,195)
Net current assets used in the Rate Setting Statement					
Total current assets		8,300,536	7,516,237	9,830,696	9,830,696
Less: Total current liabilities		(3,471,527)	(4,483,543)	(5,000,076)	(5,000,076)
Less: Total adjustments to net current assets		(3,335,439)	(3,032,694)	(3,248,195)	(3,248,195)
Net current assets used in the Rate Setting Statement		1,493,570	0	1,582,425	1,582,425

SHIRE OF DENMARK
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27. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual						Budget				
		Principal		Actual		Principal		Principal		Principal		
		Principal at 1 July 2020	New Loans During 2020-21	Repayments During 2020-21	Principal at 30 June 2021	New Loans During 2021-22	Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Loans During 2021-22	Repayments During 2021-22	Principal at 30 June 2022
Lionsville		383,613	0	(29,782)	353,831	0	(31,866)	321,965	353,831	0	(31,866)	321,965
Rubbish Truck		54,868	0	(54,868)	0	0	0	0	0	0	0	0
Football Clubrooms		146,810	0	(10,894)	135,916	0	(11,599)	124,317	135,916	0	(11,599)	124,317
Riverside Club Stage 1		425,274	0	(20,075)	405,199	0	(20,704)	384,495	405,199	0	(20,704)	384,495
Purchase Lot 228 Res. 18587		309,606	0	(48,204)	261,402	0	(49,514)	211,888	261,402	0	(49,514)	211,888
Airport		36,636	0	(6,453)	30,183	0	(6,863)	23,320	30,183	0	(6,863)	23,320
Visitors Centre		69,579	0	(33,608)	35,971	0	(35,971)	0	35,971	0	(35,971)	0
Purchase Reserve 27101		289,933	0	(19,232)	270,702	0	(20,411)	250,291	270,702	0	(20,411)	250,291
Rubbish Truck 1		0	0	0	0	0	0	0	0	510,000	(34,402)	475,598
Surf Club Precinct		0	0	0	0	0	0	0	0	1,769,225	(38,303)	1,730,922
Total		1,716,319	0	(223,116)	1,493,204	0	(176,928)	1,316,276	1,493,204	2,279,225	(249,633)	3,522,796
Self Supporting Loans												
Scouts		13,388	0	(3,550)	9,838	0	(3,764)	6,074	9,838	0	(3,764)	6,074
Riverside Club		381,725	0	(18,499)	363,226	0	(19,108)	344,118	363,225	0	(19,108)	344,117
Total Self Supporting Loans		395,113	0	(22,049)	373,064	0	(22,872)	350,192	373,063	0	(22,872)	350,191
Total Borrowings	14	2,111,432	0	(245,165)	1,866,268	0	(199,801)	1,666,467	1,866,267	2,279,225	(272,505)	3,872,987

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Interest Repayments

Purpose	Note	Function and activity	Loan Number	Institution	Interest Rate	Actual for year ending	Budget for year ending	Actual for year ending
						30 June 2022	30 June 2022	30 June 2021
Lionsville		Housing	142	WATC*	6.88%	(25,930)	(25,930)	(28,217)
Rubbish Truck		Community amenities	156	WATC*	3.70%	0	0	(1,649)
Football Clubrooms		Recreation and culture	147	WATC*	6.37%	(9,413)	(10,341)	(10,185)
Riverside Club Stage 1		Recreation and culture	159	WATC*	3.11%	(14,938)	(14,938)	(15,718)
Purchase Lot 228 Res. 18587		Recreation and culture	158	WATC*	2.70%	(8,332)	(8,332)	(9,985)
Airport		Transport	143	WATC*	6.26%	(2,004)	(2,220)	(2,454)
Visitors Centre		Economic services	131	WATC*	6.91%	(2,224)	(2,224)	(4,795)
Purchase Reserve 27101		Economic services	152	WATC*	6.04%	(17,896)	(19,745)	(19,192)
Rubbish Truck 1		Community amenities	161	WATC*	1.75% (Est)	0	(4,462)	0
Surf Club Precinct		Recreation and culture	160	WATC*	1.75% (Est)	0	(15,969)	0
Total						(80,736)	(104,161)	(92,194)
Self Supporting Loans Interest Repayments								
Scouts		Recreation and culture	129	WATC*	5.84%	(473)	(473)	(715)
Riverside Club		Recreation and culture	157	WATC*	3.27%	(14,125)	(14,125)	(14,869)
Total Self Supporting Loans Interest Repayments						(14,598)	(14,598)	(15,584)
Total Interest Repayments	2(b)					(95,334)	(118,759)	(107,778)

SHIRE OF DENMARK
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27. BORROWING AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2021/22

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed 2022		Amount (Used) 2022		Total Interest & Charges	Actual Balance Unspent
					Actual	Budget	Actual	Budget		
Loan 161 - Rubbish Truck 1	WATC*	Debenture	7	1.75% (Est)	0	510,000	0	(510,000)	0	0
Loan 160 - Surf Club Precinct	WATC*	Debenture	20	1.75% (Est)	0	1,769,225	0	(1,769,225)	0	0
					0	2,279,225	0	(2,279,225)	0	0

* WA Treasury Corporation

(c) Lease Liabilities

Purpose	Note	Actual						Budget				
		Principal		Repayments During 2020-21	Principal		Repayments During 2021-22	Principal		Repayments During 2021-22	Principal	
		Principal at 1 July 2020	New Leases During 2020-21		Principal at 30 June 2021	New Leases During 2021-22		Principal at 1 July 2021	New Leases During 2021-22		Principal at 30 June 2022	New Leases During 2021-22
Mitel Phone System		50,439	0	(15,571)	34,868	0	(15,897)	18,971	34,868	0	(15,898)	18,970
Subaru Forester - DE 09		12,547	0	(10,013)	2,534	0	(2,534)	0	2,534	0	(2,534)	0
Toyota RAV4 - DE 245		19,785	0	(8,701)	11,084	0	(8,849)	2,235	11,084	0	(8,849)	2,235
Nissan X-Trail - DE 7005		15,254	0	(13,053)	2,201	0	(2,201)	0	2,201	0	(2,201)	0
Subaru XV - DE 87		8,985	0	(7,169)	1,816	0	(1,816)	0	1,816	0	(1,816)	0
Toyota Camry - 1HBO 848		0	22,705	(5,603)	17,102	0	(7,542)	9,560	17,102	0	(7,543)	9,559
Managed Print Services		0	91,134	(25,004)	66,130	0	(30,309)	35,821	66,130	0	(30,309)	35,821
Isuzu Utility - 1GJH 357		21,360	0	(9,006)	12,354	(3,121)	(9,233)	0	12,354	0	(9,233)	3,121
Nissan X-Trail - DE 992		2,290	0	(2,290)	0	0	0	0	0	0	0	0
Toyota RAV4 - DE 992		0	22,347	(6,732)	15,615	0	(7,434)	8,181	15,615	0	(7,434)	8,181
Subaru Forester - DE 45		9,429	0	(8,068)	1,361	0	(1,361)	0	1,361	0	(1,361)	0
Gym - Cardio Equipment		23,087	0	(7,536)	15,551	0	(7,695)	7,856	14,909	0	(7,211)	7,698
Gym - Strength Equipment		50,514	0	(9,649)	40,865	0	(9,871)	30,994	36,672	0	(8,101)	28,571
Total Lease Liabilities	11(b)	213,690	136,186	(128,395)	221,481	(3,121)	(104,742)	113,617	216,646	0	(102,490)	114,156

Lease Interest Repayments

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021	Lease Term
						\$	\$	\$	
Mitel Phone System		Governance		Capital Finance	2.10%	(574)	(575)	(902)	60 months
Subaru Forester - DE 09		Governance		CBA	2.00%	(9)	(9)	(158)	36 months
Toyota RAV4 - DE 245		Community amenities		CBA	1.70%	(119)	(119)	(267)	36 months
Nissan X-Trail - DE 7005		Governance		CBA	2.00%	(6)	(5)	(185)	36 months
Subaru XV - DE 87		Governance		CBA	2.00%	(5)	(5)	(114)	36 months
Toyota Camry - 1HBO 848		Governance		CBA	1.10%	(150)	(149)	(166)	36 months
Managed Print Services		Governance		3E Advantage	1.20%	(624)	(625)	(774)	36 months
Isuzu Utility - 1GJH 357		Law, order, public safety		CBA	2.10%	(170)	(170)	(359)	36 months
Nissan X-Trail - DE 992		Health		CBA	2.00%	0	0	(5)	36 months
Toyota RAV4 - DE 992		Health		CBA	1.30%	(158)	(158)	(228)	36 months
Subaru Forester - DE 45		Community amenities		CBA	2.10%	(4)	(4)	(120)	36 months
Gym - Cardio Equipment		Recreation and culture		MAIA	2.10%	(237)	(721)	(395)	48 months
Gym - Strength Equipment		Recreation and culture		MAIA	2.30%	(808)	(2,578)	(1,030)	72 months
Total Interest Repayments	2(b)					(2,864)	(5,118)	(4,703)	

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28. RESERVE ACCOUNTS	2022	2022	2022	2022	2022	2022	2022	2021	2021	2021	2021	
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Actual	Actual	Actual	Actual	
	Opening	Transfer to	Transfer	Closing	Opening	Transfer to	Transfer	Opening	Transfer to	Transfer	Closing	
	Balance		(from)	Balance	Balance		(from)	Balance		(from)	Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Restricted by legislation/agreement												
(a) Denmark East Development Reserve	721,357	324	(10,771)	710,910	721,357	360	(550,000)	171,717	876,869	780	(156,292)	721,357
	721,357	324	(10,771)	710,910	721,357	360	(550,000)	171,717	876,869	780	(156,292)	721,357
Restricted by council												
(b) Employee Entitlements Reserve	448,410	1,094	(21,104)	428,400	448,410	897	0	449,307	446,261	2,149	0	448,410
(c) Plant Reserve	586,098	326,430	(163,567)	748,961	586,098	326,172	(265,650)	646,620	588,265	202,833	(205,000)	586,098
(d) Parry Inlet Reserve	198,448	10,484	0	208,933	198,448	10,397	(14,000)	194,845	197,497	951	0	198,448
(e) Cemetery Reserve	2,118	5	(2,123)	0	2,118	4	(2,122)	0	2,108	10	0	2,118
(f) Lime Quarry Rehabilitation Reserve	414,701	1,012	(30,000)	385,712	414,700	829	(30,000)	385,529	382,857	31,844	0	414,701
(g) Infrastructure Reserve	709,778	134,938	(42,674)	802,042	709,778	134,626	(50,000)	794,404	425,218	294,560	(10,000)	709,778
(h) Waste Services Reserve	621,627	171,517	(160,004)	633,140	621,628	171,426	(88,000)	705,054	654,706	53,153	(86,232)	621,627
(i) Parks and Gardens Reserve	78,985	193	(79,178)	0	78,984	158	(79,142)	0	78,606	379	0	78,985
(j) Aquatic Facility Development Reserve	96,863	236	(11,180)	85,920	96,863	194	(10,000)	87,057	101,375	488	(5,000)	96,863
(k) Lionsville Reserve	205,590	502	(57,796)	148,296	205,590	411	(58,000)	148,001	262,326	1,263	(57,999)	205,590
(l) Peaceful Bay Reserve	209,541	35,511	0	245,052	209,541	35,419	0	244,960	120,988	88,553	0	209,541
(m) Rivermouth Caravan Park Reserve	101,213	5,247	0	106,460	101,213	5,202	0	106,415	95,752	5,461	0	101,213
(n) Peaceful Bay Caravan Park Reserve	63,243	5,154	0	68,398	63,244	5,126	0	68,370	57,964	5,279	0	63,243
(o) Recreation Centre Reserve	95,684	10,233	0	105,917	95,684	10,191	0	105,875	85,273	10,411	0	95,684
(p) Strategic Reserve	100,000	5,244	0	105,244	100,000	5,200	0	105,200	0	100,000	0	100,000
(q) ICT Reserve	0	15,000	0	15,000	0	15,000	0	15,000	0	0	0	0
(r) Legal Contingency Reserve	0	10,000	0	10,000	0	10,000	0	10,000	0	0	0	0
	3,932,299	732,800	(567,626)	4,097,475	3,932,299	731,252	(596,914)	4,066,637	3,499,196	797,334	(364,231)	3,932,299
	4,653,656	733,124	(578,397)	4,808,385	4,653,656	731,612	(1,146,914)	4,238,354	4,376,065	798,114	(520,523)	4,653,656

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Denmark East Development Reserve	2023	- to be used for the Denmark East Development Project.
(b) Employee Entitlements Reserve	Ongoing	- to be used to fund employee leave entitlements as required.
(c) Plant Reserve	Ongoing	- to be used to fund major plant purchase requirements.
(d) Parry Inlet Reserve	Ongoing	- to develop and maintain the Parry facility including Parryville Hall upgrades and maintenance of adjoining recreation reserves.
(e) Cemetery Reserve	2022	- to develop and maintain the Cemetery.
(f) Lime Quarry Rehabilitation Reserve	Ongoing	- to maintain or rehabilitate the Lime Quarry site.
(g) Infrastructure Reserve	Ongoing	- to be used for the purchase or construction or upgrade of Infrastructure Assets including Land and Buildings.
(h) Waste Services Reserve	Ongoing	- to be used for the purpose of providing for the proper performance of all or any of the waste services provided by Council.
(i) Parks and Gardens Reserve	2022	- to be used for upgrades to or the development of Parks and Gardens within the Shire.
(j) Aquatic Facility Development Reserve	Ongoing	- to be used for the development of aquatic facilities.
(k) Lionsville Reserve	Ongoing	- to be used for the repayment of the Lionsville loan fund.
(l) Peaceful Bay Reserve	Ongoing	- to be used for future requirements, including those linked to the asset management plan.
(m) Rivermouth Caravan Park Reserve	Ongoing	- to be used for future requirements with respect to site and end of lease conditions including adjoining recreation reserves.
(n) Peaceful Bay Caravan Park Reserve	Ongoing	- to be used for future requirements with respect to site and end of lease conditions including adjoining recreation reserves.
(o) Recreation Centre Reserve	Ongoing	- to be used for upgrades to the Recreation Centre facility including equipment.
(p) Strategic Reserve	Ongoing	- to be used to fund strategic projects as identified in the Shire's Strategic Community Plan & Corporate Business Plan as required.
(q) ICT Reserve	Ongoing	- to finance the acquisition and enhancement of Information Technology and digital service delivery initiatives.
(r) Legal Contingency Reserve	Ongoing	- to fund unanticipated legal expenses in excess of budget in any given year.

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29. 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:

	<u>1 July 2021</u>	<u>Amounts Received</u>	<u>Amounts Paid</u>	<u>30 June 2022</u>
	\$	\$	\$	\$
DPI Licensing	0	1,221,035	(1,221,035)	0
Denmark Parks & Trails	850	0	0	850
	<u>850</u>	<u>1,221,035</u>	<u>(1,221,035)</u>	<u>850</u>

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

30. CORRECTION OF PRIOR PERIOD ERRORS

Land & Buildings are independently valued every 5 years by a professional valuation service provider, with the last valuation performed in 2017. During the preparation of the data for the 2022 revaluation the Shire noted that there were assets associated with Caravan Parks with a carrying value of \$849,775 at 1 July 2020, that had been incorrectly recorded within the Shire's books of account. There was also a number of structures (gazebo's, lookouts etc.) with a carrying value of \$814,317, that were incorrectly included in buildings. This resulted in an overstatement of Property, Plant & Equipment and Revaluation Surplus by \$1,664,092 respectively at 1 July 2020. These errors have been rectified by crediting Property, Plant & Equipment and debiting Revaluation surplus at 1 July 2020 by \$1,664,092 respectively.

The Shire also discovered two parcels of freehold land which had previously not been brought to account. Due to the impracticability of restating prior year comparatives, the land parcels valued at \$460,000 have been recognised for the first time in 2021-22 as part of the revaluation increment, with a corresponding credit to other comprehensive income and Revaluation Surplus.

Statement of Financial Position (Extract)	30 June 2021	Increase/ (Decrease)	30 June 2021 (Restated)	1 July 2020	Increase/ (Decrease)	1 July 2020 (Restated)
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	29,948,657	(1,664,092)	28,284,565	30,999,214	(1,664,092)	29,335,122
Net assets	95,866,170	(1,664,092)	94,202,078	94,220,590	(1,664,092)	92,556,498
Revaluation Surplus	65,261,484	(1,664,092)	63,597,392	65,261,484	(1,664,092)	63,597,392
Total equity	95,866,170	(1,664,092)	94,202,078	94,220,590	(1,664,092)	92,556,498



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Shire of Denmark

To the Councillors of the Shire of Denmark

Opinion

I have audited the financial report of the Shire of Denmark (Shire) which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report:

- is based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period
- is 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 below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Restatement of comparative balances

I draw attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

Other information

The Chief Executive Officer (CEO) is responsible for preparing and the Council for overseeing, the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the 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
- 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 responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Denmark for the year ended 30 June 2022 included in the annual report 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 financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.

Renuka Venkatraman
Acting Senior Director
Delegate of the Auditor General for Western Australia
Perth, Western Australia
14 April 2023

SHIRE OF DENMARK

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fair value of Infrastructure Assets – Frequency of Valuations	✓		
2. Monthly Reconciliations - Debtors & Creditors		✓	
3. General Computer Controls		✓	
4. Reconciliation of Asset Register		✓	

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF DENMARK**PERIOD OF AUDIT: YEAR ENDED 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Fair Value of Infrastructure Assets - Frequency of Valuations****Finding**

The Shire has not performed an assessment to determine whether its infrastructure assets represent fair value.

Rating: Significant**Implication**

Without a robust assessment of fair value of the Shires Infrastructure Assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

That the Shire considers implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of *AASB 13 Fair Value Movements*. This process is to ensure that the shire's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the LG entity may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

Management Comment

At present, the Shire undertakes to revalue an asset class when of the opinion that the fair value of the asset class is likely to be materially different from its carrying amount and in any event every five years.

It is noted by management that the finding is not unique to the Shire of Denmark. It appears the OAG has issued a similar finding to almost all local government entities who did not undertake a revaluation of the infrastructure asset class during 2021-22 which appears to have been triggered by observations made on price volatility in the market for construction materials and services after looking at the cumulative effect of the Consumer Price Index (CPI) movement from 2018 to 2022.

At this stage management does not consider it necessary to consider the implementation of a process to help identify any markers such as market volatility, which could suggest a significant change in fair value triggering a need for the revaluation of any asset class over and above the Shire's five year revaluation cycle which is in line with legislative requirements.

SHIRE OF DENMARK

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

It should be noted that a full revaluation of infrastructure assets is scheduled during the 2022-23 year which is in line with the requirements of AASB116 Property, Plant and Equipment, AASB 13 Fair Value Measurement, and Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996.

Responsible Person: N/A

Completion Date: N/A

SHIRE OF DENMARK

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Monthly Reconciliations - Debtors & Creditors**Finding**

During our audit we identified that the monthly debtor and creditor sub ledger reconciliations were completed for March – June 2022, however there was no evidence of these being reviewed by a duly authorised reviewer.

Rating: Moderate**Implication**

Review and approval of monthly reconciliations is an essential control to ensure the accuracy of the payment and receipting processes. In the absence of a detailed review as part of this process, there is an increased risk that errors or mis-postings may not be identified and rectified.

Recommendation

Monthly reconciliations of subledger accounts should be reviewed and marked as reviewed by an appropriate reviewer to ensure reconciliations completed and variances identified.

Management Comment

Management confirms that monthly reconciliations are performed on all subsidiary ledgers on a monthly basis, and these are reviewed and approved by an independent authorised officer.

As these reconciliations have been moved on to an electronic platform the reviewed documentation was moved into an electronic folder during the 2021-22 with a file name including reference to the fact the file had been reviewed and the initials of the reviewing officer.

Management recognises that the lack of a name and signature on the actual documentation could lead to an interpretation by an auditor that the reconciliation does not contain sufficient evidence that it has been properly reviewed.

For the 2022-23 financial year, a new process has been tested and implemented that relevant reconciliations are signed electronically, by both the preparer and reviewer within the new software application. The completed process produces a full dated audit trail for each reconciliation document.

Management is of the view that this enhancement to the Shire's internal processes is sufficient to alleviate the auditor concerns related to this management finding.

Responsible Person: N/A

Completion Date: N/A

SHIRE OF DENMARK**PERIOD OF AUDIT: YEAR ENDED 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****3. General Computer Controls****Finding**

We observed through discussions and review of documentation that there are a number of IT risk responses that the shire needs to address, including:

- development of a cyber security policy
- development of an incident response, business continuity and disaster recovery plan
- update of data encryption processes
- implementation of multi-factor authentication

Rating: Moderate**Implication**

Local Governments rely on information systems to operate and deliver services to their communities. They also store a large amount of sensitive information and are responsible for substantial assets. Systems are increasingly under risk by cyber security threats.

Recommendation

The Shire should undertake an assessment to understand and prioritise cyber security threats. Once these risks have been identified and assessed, a cyber security policy should be developed to implement appropriate plans to address them. The Shire should also consider including within the Shire's business continuity and disaster recovery plans incident responses to manage and recover from security incidents.

Management Comment

The Shire engaged an independent ICT consultant in January 2023 to develop and deliver a four-year Strategic Information and Communication Technology (ICT) Plan for the period July 2023 – June 2027. The overall purpose of the Strategic ICT Plan 2023-2027 is to provide a framework for guiding the Shire's strategic direction in the digital space over the next four years. After review of the Shire's current ICT environment, the ICT Strategy aims to meet key objectives around the integration of systems, best practice information management, cyber security policy and business continuity. A key requirement of the Strategic ICT Plan is to align the plan with the Department of Local Government's ICT Strategic Framework and ensure directions and actions are compliant with the Australian Cyber Security Centre's Essential 8.

Responsible Person: ICT Officer**Completion Date:** September 2023

SHIRE OF DENMARK

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

4. Reconciliation of asset register & physical review**Finding**

We observed through discussions and review of documentation provided by the Shire that during the 2022 financial year when carrying out a reconciliation of the assets on the asset register for the Shire, duplicate and assets no longer held by the Shire were discovered.

These have been subsequently removed and reflected as a correction of prior period error in the 2022 financial statements.

Rating: Moderate**Implication**

Without a robust reconciliation and assessment process performed on a regular basis, the information on the asset registers can become erroneous and when used to prepare the financial statements, present risk of material misstatement in these asset classes.

Recommendation

The Shire should undertake a regular reconciliation of its assets, to assess the completeness and accuracy of its asset register and to confirm that the assets reported on the asset register are in existence and owned by the Shire.

Management Comment

Management has been working on a progressive program of assessment of assets included on the Shire asset register to ensure that all assets recorded are verified and owned by the Shire. This program of assessment, performed in conjunction with a comprehensive revaluation of the Land and Buildings Asset Class, identified a number of assets that needed to be removed from the asset register during the 2021-22 financial year. Most of the anomalies relating to recording of duplicated or previously disposed/decommissioned assets identified during the asset register content review and audit process for 2021-22, relate to historic issues of asset identification that occurred in previous revaluations and are considered to be resolved.

Management will continue to conduct regular assessments of the asset register content to ensure the completeness and accuracy of the asset register is maintained in addition to the monthly asset register reconciliation process already in place.

Responsible Person: Financial Accountant

Completion Date: Initial Phase – Complete (September 2022), Ongoing review required as per recommendation and management response