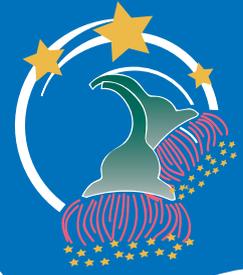


Shire of  
Pingelly

A group of seven men are standing in a line, wearing matching blue and yellow patterned singlets. They are positioned in front of a wooden structure, possibly a clubhouse or a shed, with a sunset sky in the background. The men are smiling and looking towards the camera.

# ANNUAL REPORT 2018/19

A close-up image of red and pink flowers, likely a type of daisy or similar, is shown in the bottom right corner. The flowers are in sharp focus, with their petals and centers clearly visible. The background is a soft, out-of-focus mix of red and pink colors.

## Community Service Award 2019 - Damien Spencer



## Sportsperson Award 2019 – Robyn O'Brien



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## Shire of Pingelly at a Glance

### History of the Shire

The Moorumbine Spring land was first surveyed in 1856 and a permanent settlement established around 1860. The first settler in the area was Mr Lewis John Bayley who was granted 4,000 acres for grazing in 1846. The expanding district joined forces to build a church, school, store and gaol. The Moorumbine Townsite was gazetted on 24<sup>th</sup> April 1884.



Pingelly Townsite Entrance Statement

The Great Southern Railway in 1889 resulted in an economic boom for the district along the rail line. It passed just 10km west of Moorumbine and a small settlement was established at the railway siding located there. A spring of water east of the railway crossing was named "Pingeculling," an Aboriginal name for 'Watering Place.' From this, the present name of Pingelly was derived.

The Pingelly-Moorumbine Road Board Offices were built in Pingelly in 1909. Just a few years later in 1913 'Moorumbine' was dropped from the title. In 1961, the Pingelly Road Board became the Pingelly Shire Council and new Shire Offices were built on the site on which they still stand today.

### Shire Location

Pingelly is strategically located in the heart of the State's Central South 158km south-east of Perth on the Great Southern Highway. The Shire of Pingelly covers an area of 1,294km<sup>2</sup>, bounded by the Shires of Wandering, Brookton, Cuballing and Wickpin. The community appreciates a Mediterranean type climate. The average yearly rainfall is 453mm, which mainly falls in winter.

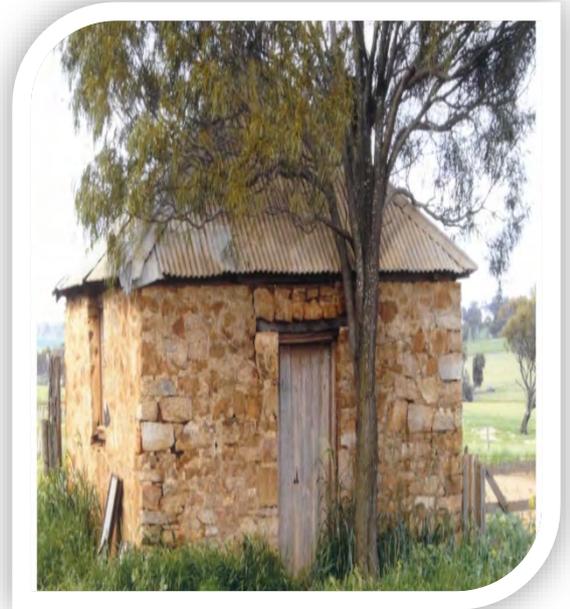
The Shire of Pingelly's Council Chamber and Administration Centre is located at 17 Queen Street, Pingelly 6308. The website address is: [www.pingelly.wa.gov.au](http://www.pingelly.wa.gov.au).

## Roads and Area of the Shire

The Shire of Pingelly has an area of 1,223km<sup>2</sup> and is responsible for 587km of roads, of which 203km are sealed.

## Population

The Shire of Pingelly, with the townsites of Pingelly, Moorumbine and Dattening, has a total population of 1,146 (2016 Census). The Shire of Pingelly has 840 electors (2017 Roll), 512 dwellings and employs 32 people.



## Legislative Authority

The State of Western Australia is divided into districts by the Governor, on recommendation of the Minister. When an area of the State becomes a district, a local government is established for the district.

The local government of the Shire of Pingelly is a body corporate with perpetual succession and a common seal. The Shire of Pingelly has the legal capacity of a natural person and has an elected Council as its governing body representing all electors within the Shire (there are no Wards).

## Federal & State Electoral Boundaries

The Shire of Pingelly is in the State electoral district of Wagin in the Agricultural Region and in the Federal electorate of O'Connor.



Numbat – Iconic Marsupial of the Region

## Shire of Pingelly

### Vision

Pingelly, a sustainable community, where natural beauty and economic diversity provide opportunities for all.

### Mission

To enhance the quality of life for the people of Pingelly through the provision of leadership, services and infrastructure.

### Values

\*Accountability

\*Integrity

\*Professionalism

\*Team Work

\*Leadership

### Logo

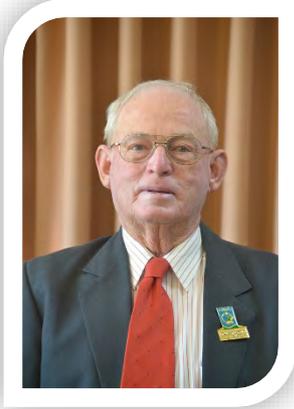
The Shire of Pingelly logo features the silver princess gum, a gum unique to the Pingelly Shire. This beautiful flower is the spirit of perseverance and offers the inspiration to tackle difficulties with the development of inner strength; to continually challenge oneself to overcome internal and external obstacles to progress; to never give up and to keep learning how to work something out until it is mastered. The pollen falling from the gum has been represented as stars that are seen in the clear, clean night sky of Pingelly. Stars are representative of good, great, the best and/or quality.

The logo is enclosed with a series of curves that encompass all that is good in the community. They draw together the people and the positive attitude to create a safe place for people of all ages to live in harmony. The curves are not joined allowing space to grow and develop; for ideas to flow both in and out and people to enter into the community.

The colours the artist has chosen from nature – the pink of the silver princess gum representing honour, morality, friendship, passiveness and feminine nurturing. The blue and green background are the colours of the eucalyptus leaves, the clean blue sky and the crops during winter and is indicative of life, growth, renewal and the environment. It is restful and calming and abundant in nature. The yellow of the stars is sunshine, happiness, joy and cheerfulness. The white curve represents the welcoming hands of friendship stretching out to all and inviting them in to this community.



# Councillors



Cr William Mulroney  
(President)  
**Retiring 2019**



Cr David Freebairn  
(Deputy President)  
**Retiring 2021**



Cr Jackie McBurney  
**Retiring 2021**



Cr Bryan Hotham  
**Retiring 2021**



Cr Kacey Hastings  
**Retiring 2019**



Cr Evan Hodges  
**Retiring 2019**



Cr Michelle  
Walton-Hassell  
**Retiring 2019**



Cr Peter Wood  
**Retiring 2021**

## Shire Presidents Report

It is with honor that I present the Presidents report for 2018/2019. The annual report presented by the President is an overview of the Council activities for the Financial Year 2018/2019. It is a short snapshot of how the Shire is performing, and is a requirement of the Local Government Act 1995 to present such a report.

**PINGELLEY RECREATION AND CULTURAL CENTRE:** The 2018/2019 financial year was the cumulating of the completion of the Pingelley Recreation and Cultural Centre with the opening of the facility on the 31<sup>st</sup> August, 2018. This event was attended by the member of Federal Parliament Mr. Rick Wilson representing the Deputy Prime Minister Mr. McCormack who officially opened the facility. Also in attendance were a large cross section of Community members of Pingelley and representatives from builders and suppliers of materials.

**COUNCILLORS:** The Council commenced the new financial year with 8 Councillors being Bill Mulrone, David Freebairn, Even Hodges, Michelle Walton Hassell, Peter Wood, Jackie McBurney and Bryan Hotham. Cr Lee Steel resigned during the latter part of 2018. An extraordinary election was held and Kacey Hastings was elected to Council in July 2018.

**MEETINGS:** Council continued holding two meetings a month: for the latter part of 2018 the 1<sup>st</sup> Wednesday for general reports and information sessions, and the 3<sup>rd</sup> Wednesday the ordinary Council meeting. 11 ordinary Council meetings were held with attendance as follows: Cr. David Freebairn (10), Cr. Michelle Walton-Hassel (10), Cr. Evan Hodges (11), Cr. Bill Mulrone (10), Cr. Lee Steel (10), Cr. Peter Wood (10), Cr Jackie McBurney (10) and Cr Bryan Hotham (9) , Cr Kacey Hastings (11). Council conducted 9 Special meetings during the year with the following attendances Cr Bill Mulrone (9), Cr David Freebairn (9), Cr Bryan Hotham (9), Cr Kacey Hastings (8), Cr Evan Hodges (9), Cr Jackie McBurney (5), Cr Peter Wood (8).

### WORKS UPDATE

Listed hereunder are major or partly funded capital and maintenance roadworks undertaken by the Shire of Pingelley.

- Review Street, Regional Road Funding- upgrade cost \$276,336
- Bullaring Road, Regional Rad Funding –works \$68,579.
- York Williams Road, regional Roads Funding –works \$220,553
- Shaddick Road works, Community Route Supplementary Funding – Gravel resheeting works \$102,938
- Yenellin Road commenced \$14,000 held up construction due to Native Title Claim.
- Bridge B3097, Bullaring Rd partially converted , completed to Box Culverts and year ended 2019 \$152,528
- WANDRRA Works \$253,405



**STAFF:** A good working relationship had been established with the CEO, and through the relationship there has been some significant results. The CEO has always kept Council informed about the Pingelly Recreation and Cultural Centre project, and the progress of the everyday running of the Shire activities. I wish to thank the CEO for the tireless work that was committed to this position throughout the year.

During July 2018 the CEO Mr. Gavin Pollock took leave, and Mr Neil Hartley was appointed Acting CEO for this period. As of the 31<sup>st</sup> January, 2019 Council received the resignation of the CEO Mr Gavin Pollock to take effect immediately. Mr Pollock had been appointed as CEO in another Local Government Area and was keen to take up that position. Mr. Mark Dacombe was appointed as Acting CEO during the vacancy and recruitment process/ Mr. Dacombe was in the CEO's position until June 2019. Mr. Barry Gibbs, Director of Technical Services resigned as of 30 June 2019 to take up an identical position with the adjoining Shire.

It has been pleasing that most of the staff have had training in their particular area. I would like to congratulate them for their friendly attitude which has been commented on frequently. The outside crew has carried out work on our roads and it is gratifying to see the improvements. Travelling around the Wheatbelt I believe we have the best road network. The town crew are also continuing their great work, with many compliments being received about the quality parks and gardens. The first impression that visitors have of the town is of significant importance, and this is a credit to the team.

**COMMUNITY:** During the financial year we have supported many events including Remembrance Day and morning tea, presented Sportsperson trophies to the School; Fireworks at the Christmas Party; Australia Day Breakfast, Citizen and Sportsperson of the year and Australia Day and WA Week medals or trophies for club events, Thank a Volunteer Day and Anzac Day. Applications for financial support were received from local groups and many received some financial assistance to support their projects.

**NEIGHBOURING COUNCILS:** We continue to work with neighbouring Councils on regional issues and the Shire of Wandering on Emergency Management. The CEO's from the neighbouring Shires have developed work arrangements which has led to efficiency improvements and positive relationships to develop further opportunities into the future.

Thank you.

Councillor Bill Mulroney ESM

**Shire President**

## Chief Executive Officers Report

It is my great pleasure to present the Shire of Pingelly Annual Report for 2018/19. I was honoured to be appointed CEO in August 2019, and pay tribute to the previous CEO's leadership in this role, particularly during the last reporting period.

The Shire of Pingelly is positioned at the forefront of an innovative and progressive local government. The new Strategic Community Plan, which was developed in the latter part of the 2018/19 year, provides a strong mandate for the Shire to be clever, creative and courageous in the way it delivers services and responds to the priorities set by Council.

We enjoy a fantastic lifestyle in the Shire of Pingelly, and maintaining this lifestyle with ever increasing costs comes at a price. We are doing everything we can to manage this well, balancing the needs of a community, against the rising cost of living, the crucial need to maintain infrastructure, and to ensure in the longer term, we leave a positive legacy and a vibrant affordable Shire for future generations.

A key challenge for any local government is working towards positive long term outcomes for the present and future community while acknowledging the different needs and views of the community. This challenge demands that at all times we balance economic, social and environmental impacts while trying to minimise the rate burden.

I am pleased to report that the Shire has received an unqualified Annual Audit Report for the 2018/19 year, reflecting extremely high standards of financial control and reporting.

I wish to take this opportunity to thank all the Councillors and staff for their commitment and team work, working together with our community during the year, to achieve the visions and goals of the Shire of Pingelly.

Julie Burton  
**Chief Executive Officer**



## Organisational Service Structure





## Statutory Reports

### Overview of Plan for the Future

*Local Government Act 1995* Section 5.51(2) (e) and Section 5.56 a Local Government requires to plan for the future of the district.

This requirement, which replaced the previous Principal Activities Plan, has now been further defined to require that all local authorities adopt a Ten Year Strategic Community Plan and Corporate Business Plan.

Council undertook considerable consultation with the local community and property owners with respect to the formation of a Strategic Community Plan.

Community members invested significant time and energy into contributing to the various workshops, meetings and calls for submission that formed part of this process. The Shire of Pingelly Strategic Community Plan was adopted by Council in 2012.

## Complaints Lodged Under Provisions of *Local Government Act 1995*

The *Local Government Act 1995* Part 5 was amended during 2007 providing for a new complaints system for minor and serious breaches of the Act by Councilors and Staff.

No complaints were received during the 2018/2019 financial year.



## Disability Access & Inclusion Plan

Under *Disability Services Act 1993*, amended in 2004, Council is required to lodge this report with the Disability Services Commission.

Council adopted a new Shire of Pingelly Access and Inclusion Plan (DAIP) 2015-2019 at the Council meeting held on 9 June 2015.

This plan aims to build on the capacity for people with disabilities to access the Shire of Pingelly services, facilities and information that promotes independence, opportunities and inclusion in the community.

The Shire of Pingelly recognises:

- That people with disability are valued members of the community who make a variety of contributions to local, social and cultural life;
- People with disability, their families and careers should be supported to remain in the community;

- Its commitment to consulting with people with disabilities, their families and careers, and disability organisations in addressing barriers to access and inclusion;
- Its commitment to ensure contractors and agents works towards the desired outcomes in the DAIP;
- Is committed to supporting local community groups and business to provide access and inclusion to people with disability;
- Its commitment to achieving the seven desired outcomes of its DAIP.

#### Improvements since the last DAIP:

- Existing functions, facilities and services are adapted to meet the needs of people with disability:
  - The Pingelly Library now has a borrow box program to give online access to audio books
- Access to buildings and facilities have been improved:
  - Improved access was provided to the Administration building, including a ramp and non-slip coating on paving
  - Accessible public toilets are operating in Pioneer Park
  - Ramp access has been provided at the Community Centre
  - A maze at the major railway crossing has been installed in conjunction with main roads-included tactile paving and a tap rail
- Employee awareness of needs of people with disabilities and skills in delivering service is provided
  - Key Shire employees received disability awareness training with regard to the provision of services and facilities
- Opportunities are provided to people with disability to participate in public consultations, grievance mechanisms and decision-making process
  - Information on consultations was simplified and can be available in alternative formats
  - Municipal election voting was held in an accessible building, with the provision of assistance where requested as permitted under the *Local Government (Elections) Regulations 1997* Section 67
  - Consultation for the preparation of this version of the DAIP included the participation of service providers for people with disabilities
  - Accessibility information has been made available on Shire's website.





## Employee Remuneration

In accordance with section 5.53(2) (g) of the *Local Government Act 1995* and Section 19B of the *Local Government (Administration) Regulations 1996*, the following information is provided with respect to employees annual salary entitlement:

Set out below, in bands of \$10,000 is the number of employees of the Shire of Pingelly remuneration with an annual salary of \$100,000 or more.

Salary Range \$	Number of Employees
110,000-119,999	2
120,000-129,999	
130,000-139,999	
140,000-149,999	
150,000-159,999	1

## Freedom of Information

During the 2018/2019 financial year, Council received no requests for information under *Freedom of Information Act 1992*.

Council prides itself on being both accountable and accessible to electors and unless containing certain matters, such as personal information etc. is generally able to satisfy all requests for information on any Council related matter outside of the requirements of this Act.

## National Competition Policy

In respect to Council's responsibilities in relation to National Competition Policy the Shire of Pingelly reports as follows:

- No business enterprise of the Shire has been classified by the Australian Bureau of statistics as either a Public Trading Enterprise or a Public Financial Enterprise.
- Competitive neutrality has not applied to any activities undertaken by the Shire in this reporting period.
- No allegations of non-compliance with the competitive neutrality principles have been made by any private entity.

## Public Interest Disclosure

In accordance with the *Public Interest Disclosure Act 2003*, procedures have been implemented to facilitate receiving, reporting and action on public interest disclosures.

During the 2018/2019 reporting period, no public interest disclosures were lodged.





## Recordkeeping Plan

Section 19 of the *State Records Act 2000* requires that every government organisation must have a Recordkeeping Plan (RKP) that has been approved by the State Records Commission.

The RKP sets out the matters about which records are to be created by the organisation and how it is to be kept. This document provides as accurate reflection of the RKP program within the Shire of Pingelly. The inclusion of such documentation will constitute evidence of compliance.

Staff members responsible for records management have been trained in the basic retention and disposal methods for Local Government and have attended RKP training at the Office of State Records.

In house training sessions for staff are conducted on an as needs basis, for example, when an aspect of the recordkeeping systems changes, or if, responsibilities change.

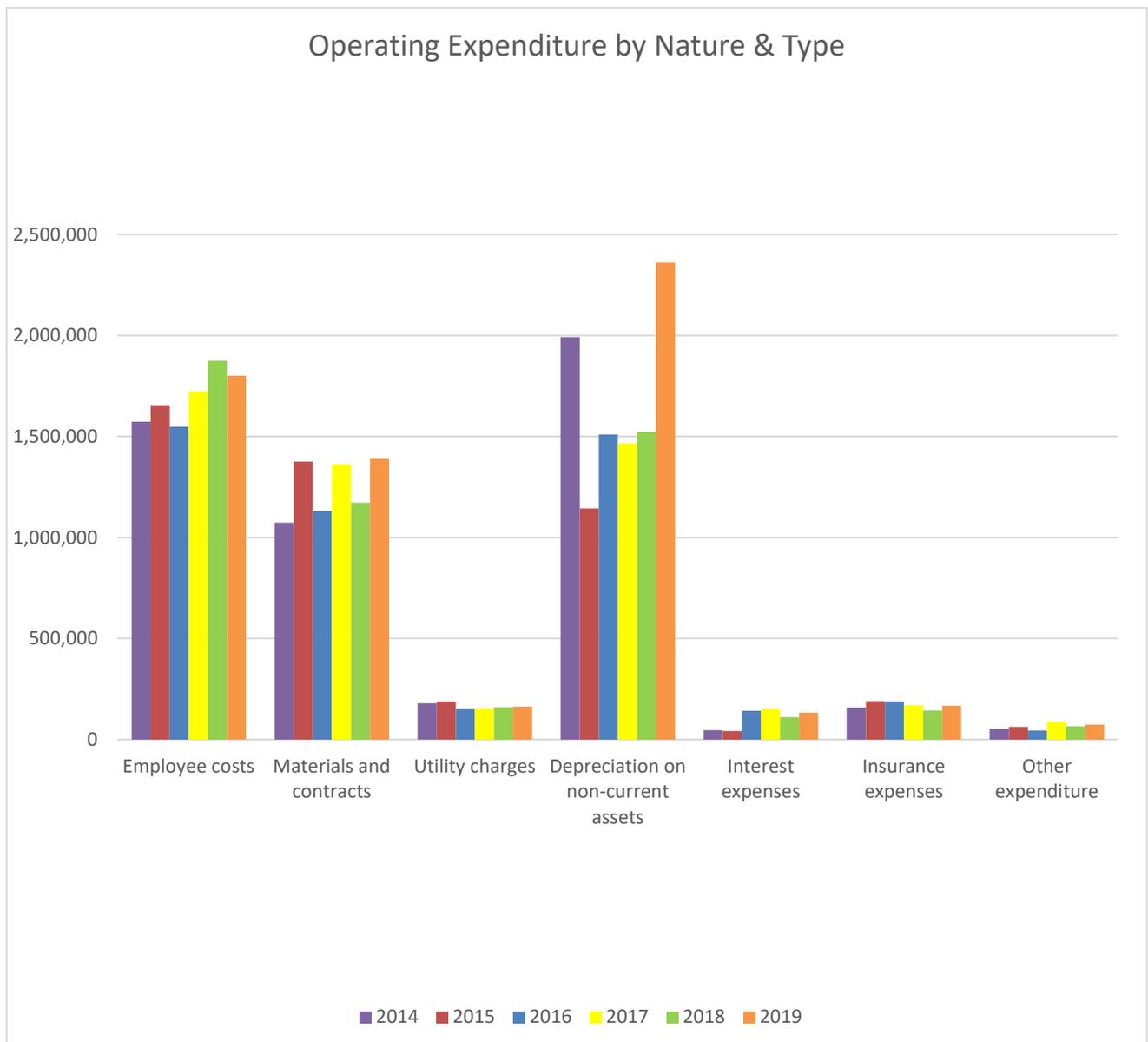
In accordance with Section 28 of the *State Records Act 2000*, the RKP for the Shire of Pingelly was reviewed, adopted by Council at the ordinary council meeting held on 18 March 2015 and presented to the State Records Office.

At its meeting on 7 August 2015, the State Records Commission approved the Shire of Pingelly RKP and a review of the plan will be submitted on or before 7 August 2020.



Employee costs which are a combination of salary and wages, labour overheads, superannuation, workers compensation insurance, protective clothing/uniforms and fringe benefits tax and these are the second largest operating expense for the shire after depreciation expense.

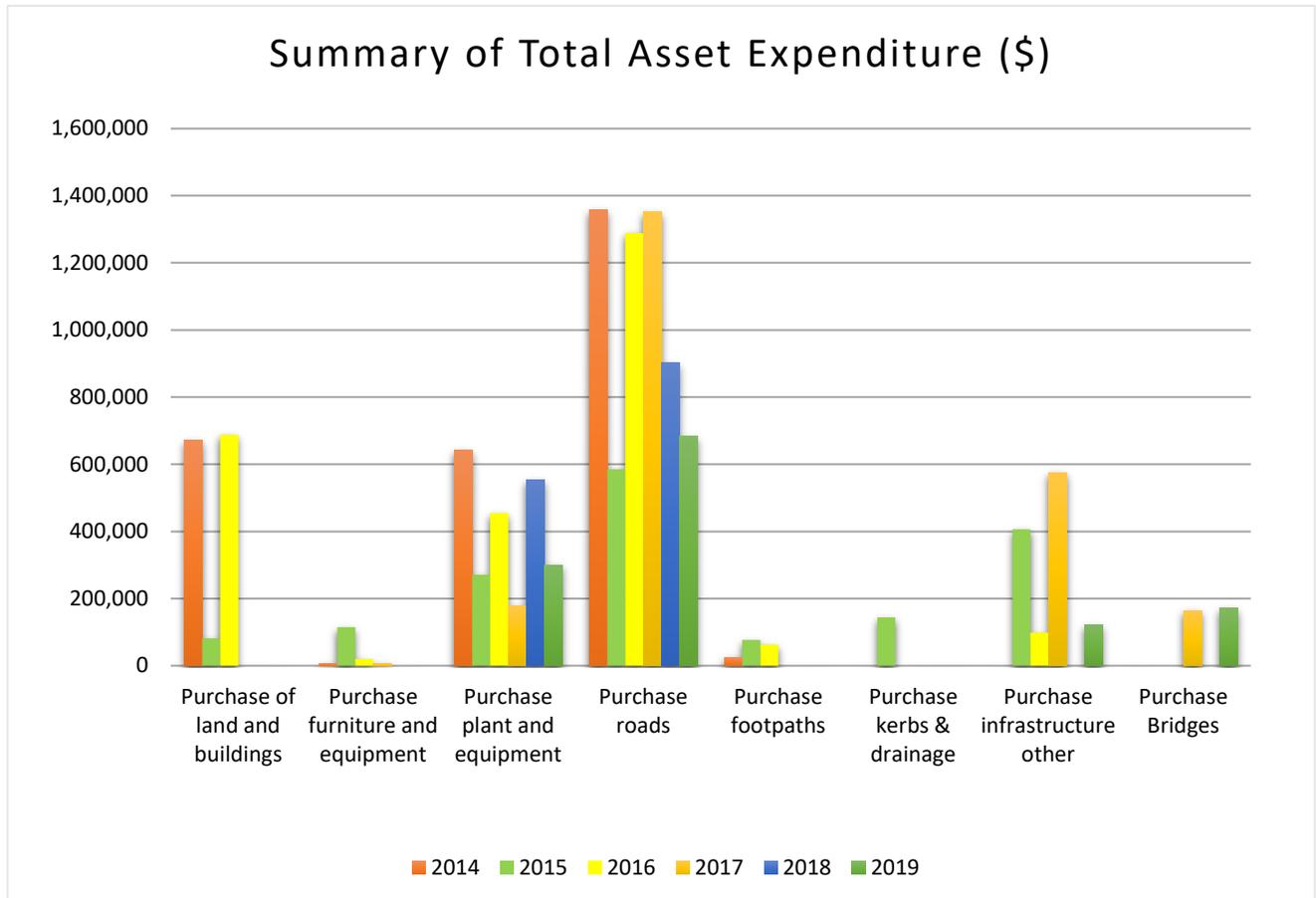
Statement of Comprehensive Income Employee costs for 2018/19 were \$1,801,018 compared to \$1,874,681 from the previous 2017/18 year. The Shire has kept employee costs to a manageable level in 2018/2019, given reduced staffing levels required since the completion of the Pingelly Recreation and Cultural Centre (PRACC) and the Pingelly Aged Appropriate Accommodation (PAAA) projects.





## Capital Expenditure

Expenditure on capital works and purchases for the 2018/2019 year is as follows for the individual classes of assets, with comparison from the previous year.



## Financial Ratios

Financial Ratios are covered by the *Local Government (Financial Management) Regulations 1996*, Section 50(1), several years ago introduced a new set of financial ratios for all Western Australian Local Governments to report on.

The Shire of Pingelly Annual Financial Report for 2018/19 shows ratios on page 54.

The Current Ratio figure affected by the Short Term Borrowing of \$1,200,000 being carried as a current liability at 30 June 2019. These funds to be converted to a Long Term Debenture in 2019/20 (split between Current and Non-Current Liability).

The following table demonstrates the position for the last five financial reporting periods:

<b>Financial Management</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current Ratio	0.25	0.74	2.03	1.05	3.89
Debt Service Cover Ratio	2.86	2.92	0.25	(0.07)	1.12
Operating Surplus Ratio	(0.73)	(0.47)	(0.60)	(0.72)	(0.47)
Own Source Revenue Coverage Ratio	0.42	0.48	0.42	0.48	0.48
<b>Asset Management</b>					
Asset Consumption Ratio	0.70	0.71	0.71	0.62	0.99
Asset Sustainability Ratio	0.83	2.90	2.23	1.60	0.31
Asset Renewal Funding Ratio	N/A**	N/A**	N/A**	0.77	0.89

\*\* Shire of Pingelly Asset Management Plan contains only 7 out the 10 years required to calculate the Asset Renewal Funding Ratio.

Key: Based on the Office of the Auditor General thresholds

Below Standard	Basic Standard	Intermediate Standard	Advanced Standard
----------------	----------------	-----------------------	-------------------

Although there are financial challenges, particularly to provide for long term replacement for Council infrastructure and the management of operating costs, the Shire of Pingelly is well placed to meet those challenges and is still in a relatively sound financial position.

# APPENDIX A

2018/2019

**Annual Financial Report**

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

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**COMMUNITY VISION**

Pingelly, a sustainable community, where natural beauty and economic diversity provide opportunities for all.

Principal place of business:  
17 Queen Street  
PINGELLY WA 6308

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

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

Signed on the 25<sup>th</sup> day of November 2019



Chief Executive Officer

Julie Burton

Name of Chief Executive Officer



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	24(a)	1,983,147	1,994,784	1,913,399
Operating grants, subsidies and contributions	2(a)	1,725,761	1,109,566	1,493,908
Fees and charges	2(a)	337,708	494,266	319,050
Interest earnings	2(a)	41,194	64,875	80,339
Other revenue	2(a)	88,918	62,066	103,010
		<u>4,176,728</u>	<u>3,725,557</u>	<u>3,909,706</u>
<b>Expenses</b>				
Employee costs		(1,801,018)	(1,695,002)	(1,874,681)
Materials and contracts		(1,389,533)	(1,221,608)	(1,172,289)
Utility charges		(163,334)	(168,682)	(159,489)
Depreciation on non-current assets	11(b)	(2,360,310)	(1,755,000)	(1,522,726)
Interest expenses	2(b)	(133,155)	(129,622)	(110,744)
Insurance expenses		(166,385)	(178,508)	(143,286)
Other expenditure		(73,400)	(92,155)	(65,900)
		<u>(6,087,135)</u>	<u>(5,240,577)</u>	<u>(5,049,115)</u>
		(1,910,407)	(1,515,020)	(1,139,409)
Non-operating grants, subsidies and contributions	2(a)	1,199,226	1,334,006	6,040,577
Profit on asset disposals	11(a)	78,024	78,000	0
(Loss) on asset disposals	11(a)	(3,666)	(386,049)	0
Reversal of prior year loss on revaluation of Other infrastructure Footpaths	10(a)	0	0	20,106
Reversal of prior year loss on revaluation of Other infrastructure Kerbs & Drainage	10(a)	0	0	507,758
		<u>1,273,584</u>	<u>1,025,957</u>	<u>6,568,441</u>
		(636,823)	(489,063)	5,429,032
<b>Net result for the period</b>				
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(3,761,693)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(3,761,693)</b>
<b>Total comprehensive income for the period</b>		<b>(636,823)</b>	<b>(489,063)</b>	<b>1,667,339</b>

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



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Governance		73,161	85,669	59,216
General purpose funding		3,307,593	2,691,085	3,174,924
Law, order, public safety		94,360	65,902	77,627
Health		1,526	6,936	8,283
Education and welfare		12,737	11,175	44,810
Community amenities		210,008	343,650	174,269
Recreation and culture		30,182	12,860	123,362
Transport		373,494	406,480	95,001
Economic services		25,394	24,050	43,885
Other property and services		48,273	77,750	108,329
		<u>4,176,728</u>	<u>3,725,557</u>	<u>3,909,706</u>
<b>Expenses</b>				
Governance		(539,043)	(291,458)	(556,517)
General purpose funding		(174,789)	(225,373)	(176,753)
Law, order, public safety		(232,566)	(207,056)	(200,344)
Health		(112,673)	(121,072)	(109,345)
Education and welfare		(56,110)	(113,124)	(30,423)
Community amenities		(380,608)	(408,119)	(370,812)
Recreation and culture		(1,190,078)	(1,214,797)	(850,934)
Transport		(2,916,697)	(2,225,141)	(2,324,410)
Economic services		(237,135)	(264,077)	(231,661)
Other property and services		(114,281)	(40,738)	(87,172)
		<u>(5,953,980)</u>	<u>(5,110,955)</u>	<u>(4,938,371)</u>
<b>Finance Costs</b>				
	2(b)			
Governance		(1,409)	0	0
Law, order, public safety		0	0	(12,459)
Education and welfare		(11,506)	(5,879)	0
Recreation and culture		(120,240)	(123,743)	(98,285)
		<u>(133,155)</u>	<u>(129,622)</u>	<u>(110,744)</u>
		<u>(1,910,407)</u>	<u>(1,515,020)</u>	<u>(1,139,409)</u>
Non-operating grants, subsidies and contributions	2(a)	1,199,226	1,334,006	6,040,577
Profit on disposal of assets	11(a)	78,024	78,000	0
(Loss) on disposal of assets	11(a)	(3,666)	(386,049)	0
Reversal of prior year loss on revaluation of Other infrastructure Footpaths	10(a)	0	0	20,106
Reversal of prior year loss on revaluation of Other infrastructure Kerbs & Drainage	10(a)	0	0	507,758
		<u>1,273,584</u>	<u>1,025,957</u>	<u>6,568,441</u>
<b>Net result for the period</b>		<b>(636,823)</b>	<b>(489,063)</b>	<b>5,429,032</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(3,761,693)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(3,761,693)</b>
<b>Total comprehensive income for the period</b>		<b>(636,823)</b>	<b>(489,063)</b>	<b>1,667,339</b>

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

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SHIRE OF PINGELLY  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	540,094	1,073,956
Trade receivables	5	226,736	417,800
Financial assets at fair value through profit and loss	8(a)	5,000	5,000
Other financial assets at amortised cost	8(a)	24,300	0
Other loans and receivables	8(a)	0	7,598
Inventories	6	8,744	8,380
Other current assets	7	0	1,958
<b>TOTAL CURRENT ASSETS</b>		<b>804,874</b>	<b>1,514,692</b>
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	69,459	57,359
Other financial assets at amortised cost	8(b)	149,820	0
Financial assets at fair value through profit and loss	8(b)	52,551	46,400
Other loans and receivables	8(b)	0	174,120
Property, plant and equipment	9	20,141,784	18,436,371
Infrastructure	10	67,451,712	68,425,476
<b>TOTAL NON-CURRENT ASSETS</b>		<b>87,865,326</b>	<b>87,139,726</b>
<b>TOTAL ASSETS</b>		<b>88,670,200</b>	<b>88,654,418</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	217,265	234,508
Short term borrowings	14	1,200,000	500,000
Borrowings	15(a)	167,697	98,336
Employee related provisions	16	329,150	303,871
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,914,112</b>	<b>1,136,715</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15(a)	2,204,709	2,372,406
Employee related provisions	16	96,091	53,186
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,300,800</b>	<b>2,425,592</b>
<b>TOTAL LIABILITIES</b>		<b>4,214,912</b>	<b>3,562,307</b>
<b>NET ASSETS</b>		<b>84,455,288</b>	<b>85,092,111</b>
<b>EQUITY</b>			
Retained surplus		32,590,720	32,940,727
Reserves - cash backed	4	240,760	527,576
Revaluation surplus	12	51,623,808	51,623,808
<b>TOTAL EQUITY</b>		<b>84,455,288</b>	<b>85,092,111</b>

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



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

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2017</b>		<b>27,211,883</b>	<b>827,388</b>	<b>55,385,501</b>	<b>83,424,772</b>
Comprehensive income					
Net result for the period		5,429,032	0	0	5,429,032
Other comprehensive income	12	0	0	(3,761,693)	(3,761,693)
Total comprehensive income		5,429,032	0	(3,761,693)	1,667,339
Transfers from/(to) reserves	4	299,812	(299,812)	0	0
<b>Balance as at 30 June 2018</b>		<b>32,940,727</b>	<b>527,576</b>	<b>51,623,808</b>	<b>85,092,111</b>
Comprehensive income					
Net result for the period		(636,823)	0	0	(636,823)
Total comprehensive income		(636,823)	0	0	(636,823)
Transfers from/(to) reserves	4	286,816	(286,816)	0	0
<b>Balance as at 30 June 2019</b>		<b>32,590,720</b>	<b>240,760</b>	<b>51,623,808</b>	<b>84,455,288</b>

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		2,011,211	2,039,784	1,840,852
Operating grants, subsidies and contributions		1,798,575	1,189,566	1,994,761
Fees and charges		337,708	494,266	319,050
Interest received		41,194	64,875	80,339
Goods and services tax received		0	410,000	(57,709)
Other revenue		82,767	62,066	103,010
		<u>4,271,455</u>	<u>4,260,557</u>	<u>4,280,303</u>
<b>Payments</b>				
Employee costs		(1,770,749)	(1,695,002)	(1,850,512)
Materials and contracts		(1,367,267)	(1,173,303)	(1,124,243)
Utility charges		(163,334)	(168,682)	(159,489)
Interest expenses		(133,155)	(129,622)	(61,573)
Insurance paid		(166,385)	(178,508)	(143,286)
Goods and services tax paid		78,086	(360,000)	0
Other expenditure		(73,400)	(92,155)	(71,889)
		<u>(3,596,204)</u>	<u>(3,797,272)</u>	<u>(3,410,992)</u>
<b>Net cash provided by/(used In) operating activities</b>	17	<u>675,251</u>	<u>463,285</u>	<u>869,311</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	9(a)	(2,189,082)	(2,272,058)	(8,775,976)
Payments for construction of infrastructure	10(a)	(973,936)	(1,091,572)	(901,367)
Payment for Non Current Investments		0	0	(46,400)
Proceeds from self supporting loans	15(b)	7,598	7,598	14,488
Proceeds from sale of property, plant & equipment	11(a)	145,417	113,600	0
<b>Net cash provided by/(used In) investment activities</b>		<u>(3,010,003)</u>	<u>(3,242,432)</u>	<u>(9,709,255)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	15(b)	(98,336)	(98,336)	(58,460)
Proceeds from new borrowings	15(c)	700,000	700,000	500,000
Non-operating grants, subsidies and contributions	2(a)	1,199,226	1,334,006	6,040,577
<b>Net cash provided by/(used In) financing activities</b>		<u>1,800,890</u>	<u>1,935,670</u>	<u>6,482,117</u>
<b>Net increase/(decrease) in cash held</b>		<u>(533,862)</u>	<u>(843,477)</u>	<u>(2,357,827)</u>
Cash at beginning of year		1,073,956	1,073,956	3,431,783
<b>Cash and cash equivalents at the end of the year</b>	17	<u><u>540,094</u></u>	<u><u>230,479</u></u>	<u><u>1,073,956</u></u>

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

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

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)		740,012	740,010	1,345,278
		740,012	740,010	1,345,278
<b>Revenue from operating activities (excluding rates)</b>				
Governance		73,947	85,669	59,216
General purpose funding		1,305,890	696,541	1,282,200
Law, order, public safety		94,360	65,902	77,627
Health		1,526	6,936	8,283
Education and welfare		12,737	11,175	44,810
Community amenities		210,008	343,650	174,269
Recreation and culture		30,182	12,860	123,362
Transport		450,732	484,480	95,001
Economic services		25,394	24,050	43,885
Other property and services		48,273	77,750	108,329
		2,253,049	1,809,013	2,016,982
<b>Expenditure from operating activities</b>				
Governance		(544,118)	(677,507)	(556,517)
General purpose funding		(174,789)	(225,373)	(176,753)
Law, order, public safety		(232,566)	(207,056)	(212,803)
Health		(112,673)	(121,072)	(109,345)
Education and welfare		(67,616)	(119,003)	(30,423)
Community amenities		(380,608)	(408,119)	(370,812)
Recreation and culture		(1,310,318)	(1,338,540)	(949,219)
Transport		(2,916,697)	(2,225,141)	(2,324,410)
Economic services		(237,135)	(264,077)	(231,661)
Other property and services		(114,281)	(40,738)	440,692
		(6,090,801)	(5,626,626)	(4,521,251)
Non-cash amounts excluded from operating activities	25(a)	2,335,883	2,063,049	1,030,393
<b>Amount attributable to operating activities</b>		(761,857)	(1,014,554)	(128,598)
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of assets	11(a)	145,417	113,600	0
Purchase of Investments		0	0	(46,400)
Purchase of property, plant and equipment	9(a)	(2,189,082)	(2,272,058)	(8,775,976)
Purchase and construction of infrastructure	10(a)	(973,936)	(1,091,572)	(901,367)
<b>Amount attributable to investing activities</b>		(3,017,601)	(3,250,030)	(9,723,743)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	15(b)	(98,336)	(98,336)	(58,460)
Proceeds from borrowings	15(c)	700,000	700,000	500,000
Proceeds from self supporting loans	15(b)	7,598	7,598	14,488
Non-operating grants, subsidies and contributions	2(a)	1,199,226	1,334,006	6,040,577
Transferred from restricted municipal		0	0	1,903,212
Transfers to reserves (restricted assets)	4	(9,224)	(28,996)	(20,188)
Transfers from reserves (restricted assets)	4	296,040	355,768	320,000
<b>Amount attributable to financing activities</b>		2,095,304	2,270,040	8,699,629
<b>Surplus/(deficit) before imposition of general rates</b>		(1,684,154)	(1,994,544)	(1,152,712)
<b>Total amount raised from general rates</b>	24(a)	2,001,703	1,994,544	1,892,724
<b>Surplus/(deficit) after imposition of general rates</b>	25(b)	<b>317,549</b>	<b>0</b>	<b>740,012</b>

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

## 1. BASIS OF PREPARATION

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

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

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

### CRITICAL ACCOUNTING ESTIMATES

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

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

### THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 27 to these financial statements.

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	6,155	20,000	90
General purpose funding	1,266,315	622,424	1,180,166
Law, order, public safety	69,120	57,612	69,286
Education and welfare	0	1,000	30,000
Recreation and culture	8,095	950	29,232
Transport	373,494	405,980	164,325
Economic services	1,500	0	18,800
Other property and services	1,082	1,600	2,009
	<b>1,725,761</b>	<b>1,109,566</b>	<b>1,493,908</b>
<b>Non-operating grants, subsidies and contributions</b>			
Governance	6,151	0	46,400
Law, order, public safety	0	0	377,283
Education and welfare	0	0	590,909
Recreation and culture	705,156	699,594	3,932,587
Transport	487,919	634,412	1,093,398
	<b>1,199,226</b>	<b>1,334,006</b>	<b>6,040,577</b>
<b>Total grants, subsidies and contributions</b>	<b>2,924,987</b>	<b>2,443,572</b>	<b>7,534,485</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)  
 a particular period, and those conditions were undischarged as at the reporting date. the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 23. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

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

(a) Revenue (Continued)	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Other revenue</b>			
Reimbursements and recoveries	0	0	60,311
Other	88,918	62,066	42,699
	<u>88,918</u>	<u>62,066</u>	<u>103,010</u>
<b>Fees and Charges</b>			
Governance	38,248	39,630	34,851
General purpose funding	7,980	8,700	8,648
Law, order, public safety	5,694	8,290	8,341
Health	1,527	1,936	1,950
Education and welfare	3,500	3,000	1,000
Community amenities	210,008	343,650	174,269
Recreation and culture	18,692	11,510	11,815
Economic services	23,894	24,050	22,763
Other property and services	28,165	53,500	55,413
	<u>337,708</u>	<u>494,266</u>	<u>319,050</u>

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

**Interest earnings**

Loans receivable - clubs/institutions	5,879	5,879	12,459
Reserve accounts interest	9,225	8,996	20,187
Rates instalment and penalty interest (refer Note 24(c))	25,543	25,000	24,988
Other interest earnings	547	25,000	22,705
	<u>41,194</u>	<u>64,875</u>	<u>80,339</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

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

**Interest earnings (Continued)**

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

**Auditors remuneration**

- Audit of the Annual Financial Report
- Other services

**Interest expenses (finance costs)**

- Borrowings (refer Note 15(b))
- Overdraft Interest

**Rental charges**

- Operating leases

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
	11,185	50,000	9,814
	16,965	0	14,660
	28,150	50,000	24,474
	131,746	129,622	110,744
	1,409	0	0
	133,155	129,622	110,744
	21,807	21,810	12,838
	21,807	21,810	12,838

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		540,094	1,073,956
		<u>540,094</u>	<u>1,073,956</u>
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		200,111	315,729
- Restricted cash and cash equivalents		<u>339,983</u>	<u>758,227</u>
		540,094	1,073,956
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Reserves cash backed - Leave Reserve	4	35,203	113,223
Other Reserves - Plant Reserve	4	65,722	246,256
Other Reserves - Building Reserve	4	3,747	31,202
Other Reserves - Electronic Equipment Reserve	4	3,190	6,280
Other Reserves - Community Bus Reserve	4	11,618	11,418
Other Reserves - Swimming Pool Reserve	4	51,988	51,095
Other Reserves - Joint Venture Reserve	4	53,463	52,545
Other Reserves - Refuse Site Rehab/Closure Reser	4	<u>15,829</u>	<u>15,557</u>
		240,760	527,576
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	23	90,981	230,651
Bonds and deposits held	13	<u>8,242</u>	<u>0</u>
<b>Total restricted cash and cash equivalents</b>		339,983	758,227

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

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

##### Cash and cash equivalents (Continued)

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

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

	2019		2019		2019		2019		2019		2018		2018	
	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Opening	Transfer	Opening	Transfer	Opening	Transfer	Opening	Transfer	Opening	Transfer	Opening	Transfer	Opening	Transfer
	Balance	to	Balance	to	Balance	to	Balance	to	Balance	to	Balance	to	Balance	to
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Leave Reserve	113,223	1,980	113,223	2,430	113,223	(80,000)	35,653	169,097	4,126	(60,000)	113,223			
(b) Other Reserves - Plant Reserve	246,256	4,306	246,256	5,285	246,256	(186,500)	65,041	240,391	5,865	0	246,256			
(c) Other Reserves - Building Reserve	31,202	545	31,202	20,185	31,202	(28,000)	23,387	284,266	6,936	(260,000)	31,202			
(d) Other Reserves - Electronic Equipment Reserve	6,280	110	6,280	7	6,280	(3,200)	3,087	6,130	150	0	6,280			
(e) Other Reserves - Community Bus Reserve	11,418	200	11,418	25	11,418	0	11,443	11,146	272	0	11,418			
(f) Other Reserves - Swimming Pool Reserve	51,095	893	51,095	495	51,095	(5,000)	46,590	49,878	1,217	0	51,095			
(g) Other Reserves - Joint Venture Reserve	52,545	918	52,544	524	52,544	(53,068)	0	51,294	1,251	0	52,545			
(h) Other Reserves - Refuse Site Rehab/Closure Reserve	15,557	272	15,556	45	15,556	0	15,601	15,186	371	0	15,557			
	527,576	9,224	527,574	28,996	527,574	(355,768)	200,802	827,388	20,188	(320,000)	527,576			

4. RESERVES - CASH BACKED

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves cash backed - Leave Reserve	Ongoing	- to be used to fund annual and long service leave requirements.
(b) Other Reserves - Plant Reserve	Ongoing	- to be used for the purchase of major plant.
(c) Other Reserves - Building Reserve	Ongoing	- to be used to fund the renovation/purchase of Shire of Pingelly buildings and Recreation Infrastructure.
(d) Other Reserves - Electronic Equipment Reserve	Ongoing	- to be used to fund the purchase of administration computer system equipment.
(e) Other Reserves - Community Bus Reserve	Bus	- to be used to fund the change-over of the community bus.
(f) Other Reserves - Swimming Pool Reserve	Pool Upgrade	- to be used to fund the upgrading of the swimming pool complex
(g) Other Reserves - Joint Venture Reserve	Ongoing	- to be used for the future maintenance of the Joint Venture units
(h) Other Reserves - Refuse Site Rehab/Closure Reserve	Site Closure	- to be used to facilitate the rehabilitation/closure of the town refuse site.

## 5. TRADE RECEIVABLES

### Current

Rates receivable	
Sundry receivables	
GST receivable	
Provision for Doubtful Debts	

### Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

	2019	2018
	\$	\$
	180,395	220,559
	24,386	100,719
	21,955	100,041
	0	(3,519)
	226,736	417,800
	69,459	57,359
	69,459	57,359

## SIGNIFICANT ACCOUNTING POLICIES

### Trade and other receivables

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

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

### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 26.

### Previous accounting policy: Impairment of trade receivables

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

### Classification and subsequent measurement

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

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

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

## 6. INVENTORIES

### Current

Fuel & materials

	2019	2018
	\$	\$
	8,744	8,380
	<u>8,744</u>	<u>8,380</u>

The following movements in inventories occurred during the year:

### Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

### Carrying amount at 30 June

	8,380	2,474
	(105,775)	(106,181)
	106,139	112,087
	<u>8,744</u>	<u>8,380</u>

## SIGNIFICANT ACCOUNTING POLICIES

### General

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

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

## 7. OTHER ASSETS AND ASSETS CLASSIFIED AS HELD FOR SALE

### Other current assets

Accrued Income

	2019	2018
	\$	\$
	0	1,958
	0	1,958

### 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.

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8. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at fair value through profit and loss  
 Other financial assets at amortised cost  
 Other loans and receivables

	2019	2018
	\$	\$
Financial assets at fair value through profit and loss	5,000	5,000
Other financial assets at amortised cost	24,300	0
Other loans and receivables	0	7,598
	<u>29,300</u>	<u>12,598</u>

Financial assets at fair value through profit and loss

- Shares in the Bendigo Bank

	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

Other financial assets at amortised cost

- Financial assets at amortised cost - self supporting loans

	24,300	0
	<u>24,300</u>	<u>0</u>

Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

	0	7,598
	<u>0</u>	<u>7,598</u>

(b) Non-current assets

Other financial assets at amortised cost

	149,820	0
--	---------	---

Financial assets at fair value through profit and loss

Other loans and receivables

	52,551	46,400
	0	174,120
	<u>202,371</u>	<u>220,520</u>

Other financial assets at amortised cost

- Financial assets at amortised cost - self supporting loans

	149,820	0
	<u>149,820</u>	<u>0</u>

Financial assets at fair value through profit and loss

- Unlisted equity investments

- Units in Local Government House Trust

	52,551	46,400
	<u>52,551</u>	<u>46,400</u>

Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

	0	174,120
	<u>0</u>	<u>174,120</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 15(b) as self supporting loans.

**SIGNIFICANT ACCOUNTING POLICIES**

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 26.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 29 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	681,506	6,000	687,506	1,877,992	3,793,900	5,671,892	6,359,398	72,664	1,463,340	2,118,158	10,013,560
Additions	0	0	0	0	0	0	0	0	377,283	8,398,693	8,775,976
Depreciation (expense)	0	0	0	(37,560)	(76,915)	(114,475)	(114,475)	(27,789)	(210,901)	0	(353,165)
<b>Carrying amount at 30 June 2018</b>	681,506	6,000	687,506	1,840,432	3,716,985	5,557,417	6,244,923	44,875	1,629,722	10,516,851	18,436,371
<b>Comprises:</b>											
Gross carrying amount at 30 June 2018	681,506	6,000	687,506	1,877,992	3,793,900	5,671,892	6,359,398	99,757	1,998,734	10,516,851	18,974,740
Accumulated depreciation at 30 June 2018	0	0	0	(37,560)	(76,915)	(114,475)	(114,475)	(54,882)	(369,012)	0	(538,369)
<b>Carrying amount at 30 June 2018</b>	681,506	6,000	687,506	1,840,432	3,716,985	5,557,417	6,244,923	44,875	1,629,722	10,516,851	18,436,371
Additions	0	0	0	0	0	0	0	0	300,539	1,888,543	2,189,082
(Disposals)	0	0	0	0	0	0	0	0	(71,059)	0	(71,059)
Depreciation (expense)	0	0	0	(37,546)	(184,024)	(221,570)	(221,570)	(16,439)	(174,601)	0	(412,610)
Transfers	0	0	0	1,838,316	10,567,078	12,405,394	12,405,394	0	0	(12,405,394)	0
<b>Carrying amount at 30 June 2019</b>	681,506	6,000	687,506	3,641,202	14,100,039	17,741,241	18,428,747	28,436	1,684,601	0	20,141,784
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	681,506	6,000	687,506	3,716,308	14,360,978	18,077,286	18,764,792	99,757	2,192,504	0	21,057,053
Accumulated depreciation at 30 June 2019	0	0	0	(75,106)	(260,939)	(336,045)	(336,045)	(71,321)	(507,903)	0	(915,269)
<b>Carrying amount at 30 June 2019</b>	681,506	6,000	687,506	3,641,202	14,100,039	17,741,241	18,428,747	28,436	1,684,601	0	20,141,784

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

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	price per square metre
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 3), residual values and remaining life assessments (Level 3) inputs
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
<b>Plant and equipment</b>					
- Management valuation 2016	2	Market approach using recent observable market data for similar	Management valuation	June 2016	Price per item
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs

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

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

## 10. INFRASTRUCTURE

### (a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Other infrastructure Footpaths	Other infrastructure Kerbs & Drainage	Other infrastructure Other	Other infrastructure Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	59,712,685	965,993	1,100,538	4,798,286	5,349,997	71,927,499
Additions	901,367	0	0	0	0	901,367
Revaluation increments / (decrements) transferred to revaluation surplus	(7,105,974)	0	3,772,178	296,878	(724,775)	(3,761,693)
Revaluation (loss) / reversals transferred to profit or loss	0	20,106	507,758	0	0	527,864
Depreciation (expense)	(838,267)	(25,380)	(27,478)	(167,114)	(111,322)	(1,169,561)
<b>Carrying amount at 30 June 2018</b>	52,669,811	960,719	5,352,996	4,928,050	4,513,900	68,425,476
<b>Comprises:</b>						
Gross carrying amount at 30 June 2018	66,962,573	1,499,948	9,037,311	8,762,200	16,332,500	102,594,532
Accumulated depreciation at 30 June 2018	(14,292,762)	(539,229)	(3,684,315)	(3,834,150)	(11,818,600)	(34,169,056)
<b>Carrying amount at 30 June 2018</b>	52,669,811	960,719	5,352,996	4,928,050	4,513,900	68,425,476
Additions	682,809	0	0	120,406	170,721	973,936
Depreciation (expense)	(1,116,999)	(37,499)	(214,907)	(308,521)	(269,774)	(1,947,700)
<b>Carrying amount at 30 June 2019</b>	52,235,621	923,220	5,138,089	4,739,935	4,414,847	67,451,712
<b>Comprises:</b>						
Gross carrying amount at 30 June 2019	67,645,382	1,499,948	9,037,311	8,882,606	16,503,221	103,568,468
Accumulated depreciation at 30 June 2019	(15,409,761)	(576,728)	(3,899,222)	(4,142,671)	(12,088,374)	(36,116,756)
<b>Carrying amount at 30 June 2019</b>	52,235,621	923,220	5,138,089	4,739,935	4,414,847	67,451,712

**10. INFRASTRUCTURE (Continued)**

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Footpaths	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Kerbs & Drainage	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Other	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure Bridges	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

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

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

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

#### Revaluation

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

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

#### Land under control

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

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

#### Land under roads

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

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

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

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

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

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

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	0	0	0	0	57,506	20,000	0	(37,506)	0	0	0	0
Buildings - non-specialised	0	0	0	0	115,043	0	0	(115,043)	0	0	0	0
Buildings - specialised	0	0	0	0	230,600	0	0	(230,600)	0	0	0	0
Plant and equipment	71,059	145,417	78,024	(3,666)	18,500	93,600	78,000	(2,900)	0	0	0	0
	71,059	145,417	78,024	(3,666)	421,649	113,600	78,000	(386,049)	0	0	0	0

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
<b>Governance</b>				
DTS Captiva	10,335	6,669	0	(3,666)
CEO Kakadu	51,962	52,748	786	0
<b>Transport</b>				
CAT Front End Loader	8,762	86,000	77,238	0
	71,059	145,417	78,024	(3,666)
	71,059	145,417	78,024	(3,666)

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

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings - non-specialised	37,546	81,000	37,560
Buildings - specialised	184,024	257,000	76,915
Furniture and equipment	16,439	28,000	27,789
Plant and equipment	174,601	211,000	210,901
Infrastructure - Roads	1,116,999	840,000	838,267
Other infrastructure Footpaths	37,499	26,000	25,380
Other infrastructure Kerbs & Drainage	214,907	30,000	27,478
Other infrastructure Other	308,521	170,000	167,114
Other infrastructure Bridges	269,774	112,000	111,322
	<b>2,360,310</b>	<b>1,755,000</b>	<b>1,522,726</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation**

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

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

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

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

**Depreciation rates**

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

Asset Class	Useful life
Land	Not Depreciated
Buildings	50-80 years
Furniture and equipment	10 years
Computer and Electronic Equipment	3 years
Plant and equipment	
Earthmoving Equipment	15 years
Heavy Trucks	10 years
Light & Heavy Trucks	8 years
Sedans and Utilities	5 years
Minor Miscellaneous Plant	3 years
Sealed roads and streets	
Clearing and Earthworks (formation)	not depreciated
Construction/Road Base (pavement)	40 years
Original Surfacing and Major Re-Surfacing (seal)	
- bituminous seals	40 years
- asphalt surfaces	40 years
Gravel roads	
Clearing and Earthworks (formation)	not depreciated
Construction/Road Base (pavement)	20 years
Gravel Sheet	20 years
Formed Roads (unsealed)	
Clearing and Earthworks (formation)	not depreciated
Construction/Road Base (pavement)	50 years
Footpaths - slab	40 years
Bridges	50-60 years
Drainage (Storm Water Channels)	40 years
Other Infrastructure	20-50 years

**Depreciation (Continued)**

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

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

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12. REVALUATION SURPLUS

	2019		2019		2019		2018		2018		2018	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on	Closing Balance	Opening Balance	Revaluation Increment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	4,797,665	0	0	0	4,797,665	4,797,665	0	0	0	4,797,665	4,797,665	0
Revaluation surplus - Infrastructure - Roads	31,459,160	0	0	0	31,459,160	38,565,134	0	(7,105,974)	(7,105,974)	31,459,160	38,565,134	0
Revaluation surplus - Other infrastructure Kerbs & Drainage	3,772,178	0	0	0	3,772,178	0	0	0	0	3,772,178	3,772,178	0
Revaluation surplus - Other infrastructure Other	7,049,925	0	0	0	7,049,925	6,753,047	0	0	0	7,049,925	6,753,047	0
Revaluation surplus - Other infrastructure Bridges	4,544,880	0	0	0	4,544,880	5,269,655	0	(724,775)	(724,775)	4,544,880	5,269,655	0
	51,623,808	0	0	0	51,623,808	55,385,501	0	(7,830,749)	(3,761,693)	51,623,808	55,385,501	(3,761,693)

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.

### 13. TRADE AND OTHER PAYABLES

#### Current

Sundry creditors	5,172	99,610
Accrued salaries and wages	23,698	19,658
ATO liabilities	37,344	32,720
Accrued Interest on Long Term Borrowings	74,614	49,507
Accrued Expenses	68,195	15,733
Prepaid Income	0	17,280
Bonds and deposits (refer to Note 27)	8,242	0

	2019	2018
	\$	\$
	5,172	99,610
	23,698	19,658
	37,344	32,720
	74,614	49,507
	68,195	15,733
	0	17,280
	8,242	0
	<u>217,265</u>	<u>234,508</u>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Trade and other payables

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

##### Trade and other payables (Continued)

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

### 14. SHORT-TERM BORROWINGS

Short Term WATC Loan Funds	1,200,000	500,000
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	2019	2018
	\$	\$
	1,200,000	500,000

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15. INFORMATION ON BORROWINGS

	2019	2018
(a) Borrowings	\$	\$
Current	167,697	98,336
Non-current	2,204,709	2,372,406
	2,372,406	2,470,742

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019		30 June 2018		30 June 2018													
				Actual Principal	Actual Interest	Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest		
Recreation and culture																					
'Recreation & Cultural Centre	123	WATC*	4.21%	2,289,025	93,502	2,198,287	95,423	2,289,025	95,423	2,198,287	2,332,996	97,283	2,289,025	97,283	2,289,025	97,283	2,289,025	97,283	2,289,025	97,283	2,289,025
S/T Loan Facility Rec & Cultural Centre		WATC*	2.36%	500,000	26,738	1,200,000	28,320	500,000	28,320	1,200,000	0	1,002	500,000	1,002	500,000	1,002	500,000	1,002	500,000	1,002	500,000
				2,789,025	120,240	3,398,287	123,743	2,789,025	123,743	3,398,287	2,332,996	98,285	2,789,025	98,285	2,789,025	98,285	2,789,025	98,285	2,789,025	98,285	2,789,025
Self Supporting Loans																					
Education and welfare																					
SSL Cottage Homes	122	WATC*	6.47%	181,717	11,506	174,119	5,879	181,717	5,879	174,120	196,206	12,459	181,717	12,459	181,717	12,459	181,717	12,459	181,717	12,459	181,717
				181,717	11,506	174,119	5,879	181,717	5,879	174,120	196,206	12,459	181,717	12,459	181,717	12,459	181,717	12,459	181,717	12,459	181,717
				2,970,742	131,746	3,572,406	129,622	2,970,742	129,622	3,572,407	2,529,202	110,744	2,970,742	110,744	2,970,742	110,744	2,970,742	110,744	2,970,742	110,744	2,970,742

Opening balance of short term loan above is presented at note 14 as short term Borrowings  
 New short term Borrowings 2019

(500,000)

(700,000)

2,372,406

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 8 as other financial assets at amortised cost.

All other loan repayments were financed by general purpose revenue.

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15. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual	2019 Budget	2019 Actual	2019 Budget		
S/T Loan Rec & Cultral Centre	WATC	S/T	1	2.36%	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 26,738	\$ 0
					700,000	700,000	700,000	700,000	26,738	0

	2019	2018
	\$	\$
<b>(d) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	500,000	500,000
Credit card limit	15,000	10,000
Credit card balance at balance date	(250)	(535)
<b>Total amount of credit unused</b>	<b>514,750</b>	<b>509,465</b>
<b>Loan facilities</b>		
Loan facilities - current	1,367,697	598,336
Loan facilities - non-current	2,204,709	2,372,406
<b>Total facilities in use at balance date</b>	<b>3,572,406</b>	<b>2,970,742</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

**Risk**

Information regarding exposure to risk can be found at Note 26.

## 16. EMPLOYEE RELATED PROVISIONS

### Employee Related Provisions

#### Opening balance at 1 July 2018

Current provisions

Non-current provisions

Additional provision

#### Balance at 30 June 2019

#### Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Personal Leave	Provision for Long Service Leave	Total
	\$		\$	\$
Opening balance at 1 July 2018				
Current provisions	188,814	0	115,057	303,871
Non-current provisions	0	0	53,186	53,186
	188,814	0	168,243	357,057
Additional provision	(41,625)	46,579	63,230	68,184
Balance at 30 June 2019	147,189	46,579	231,473	425,241
Comprises				
Current	147,189	46,579	135,382	329,150
Non-current	0	0	96,091	96,091
	147,189	46,579	231,473	425,241

#### Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

	2019	2018
	\$	\$
Less than 12 months after the reporting date	329,150	303,871
More than 12 months from reporting date	96,091	53,186
	425,241	357,057

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

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

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

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

##### Other long-term employee benefits

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

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

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

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

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

##### Provisions

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

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

## 17. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	540,094	230,479	1,073,956

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

Net result	(636,823)	(489,063)	5,429,032
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(6,151)	0	0
Depreciation	2,360,310	1,755,000	1,522,726
(Profit)/loss on sale of asset	(74,358)	308,049	0
Reversal of loss on revaluation of fixed assets	0	0	(527,864)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	178,964	175,000	364,608
(Increase)/decrease in other assets	1,958	0	0
(Increase)/decrease in inventories	(364)	0	(5,906)
Increase/(decrease) in payables	(17,243)	48,305	85,787
Increase/(decrease) in provisions	68,184	0	41,505
Grants contributions for the development of assets	(1,199,226)	(1,334,006)	(6,040,577)
Net cash from operating activities	675,251	463,285	869,311

## 18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	2,839,052	2,985,290
General purpose funding	249,854	277,918
Law, order, public safety	370,107	420,302
Health	42,967	46,956
Education and welfare	2,138,447	372,679
Housing	3,747	31,202
Community amenities	501,434	535,506
Recreation and culture	16,410,264	14,267,069
Transport	63,606,972	67,190,157
Economic services	909,214	966,781
Other property and services	1,159,713	929,363
Unallocated	438,429	631,195
	<u>88,670,200</u>	<u>88,654,418</u>

## 19. CONTINGENT LIABILITIES

In compliance with the *Contaminated Sites Act 2003* section 11, the Shire has listed the following sites to be possible sources of contamination.

- \* Lot 496 on plan 116090 - 3 Alderyde-Pingelly Rd
- \* Lot 804 on Crown Reserve 28003 - 5 Aldersyde-Pingelly Rd
- \* Lot 500 on plan 406793 - 20 Pasture St, Pingelly
- \* Lot 23982 on plan 151403 -Bulyee Rd, East Pingelly

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Environmental Regulation on the need and criteria for remediation on a risk based approach, the Shire is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Environmental Regulation Guidelines.

## 20. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

	2019	2018
	\$	\$
	0	1,173,333
	0	1,173,333

Payable:

- not later than one year

	0	1,173,333
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The capital expenditure projects disclosed at the end of the previous reporting period represents the commitments for the completion of the construction of the new Pingelly Recreation and Cultural Centre, and construction of the new Pingelly Aged Appropriate Accommodation units.

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year

- later than one year but not later than five years

	2019	2018
	\$	\$
	21,807	21,807
	59,971	81,778
	81,778	103,585

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

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

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

### Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

## 21. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	38,400	38,400	37,733
Presidents allowance	1,200	1,200	1,200
Deputy Presidents allowance	300	300	300
Telecommunications allowance	0	1,000	200
	<u>39,900</u>	<u>40,900</u>	<u>39,433</u>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	520,926	476,082
Post-employment benefits	78,774	78,081
Other long-term benefits	50,864	61,386
Termination benefits	45,561	0
	<u>696,125</u>	<u>615,549</u>

#### *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 elected members which may be found above.

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent long service benefits accruing during the year.

#### *Termination benefits*

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

## 21. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual \$	2018 Actual \$
Purchase of goods and services from KMP	0	112,862
Short term employee benefits - other related parties	104,496	122,336
<b>Amounts outstanding from related parties:</b>		
Loans to associated entities	174,119	181,717

### Related Parties

The Shire's main related parties are as follows:

*i. Key management personnel*

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

*ii. Entities subject to significant influence by the Shire*

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

*iii. Other related parties*

Close family members of KMP's employed by the Shire under normal employment terms and conditions.

## 22. JOINT ARRANGEMENTS

### (a) Share of joint operations

The Shire of Pingelly entered into a joint operations arrangement with the Housing Authority during the 2009/10 financial year for the construction of four x 2 bedroom units. Construction was completed in the 2011/12 financial year. The provision of this housing aims to provide accommodation for singles and childless couples. The Shire of Pingelly has a 18.28% interest in the assets and liabilities of this joint operation under the agreement with the Housing Authority. All revenue and expenses of the joint operation are recognised in the relevant financial statements of Shire.

The Shire is required to set aside 1% of the current replacement cost of the properties from the rental income each year for the long term maintenance of the properties. All profits derived from the operation are to be recognised as Restricted Assets to provide for future maintenance or the provision of future housing.

	2019	2018
	\$	\$
<b>Lot 602 (38) and Lot 603 (36) Sharow Street Singles Units</b>		
- Opening Balance	52,544	51,293
- Profits From Operations	6,963	5,935
- Interest Earned	918	1,251
- Funds Utilised **	(6,962)	(5,935)
- Closing Balance	<u>53,463</u>	<u>52,544</u>
<b>Non-current assets</b>		
Freehold land at:		
- Independent valuation 2017 - level 2	9,506	9,506
Non-Specialised buildings at:		
- Independent valuation 2017 - level 2	116,992	116,992
Less: accumulated depreciation	(4,896)	(2,340)
	<u>121,602</u>	<u>124,158</u>

NB: Proposed to transfer the Shire's share of joint operations to the Pingelly Cottage Homes (Somerset Alliance) in 2019/20

\*\* Profits from 2019 operations will be retained by the Shire as agreed with Somerset Alliance

### SIGNIFICANT ACCOUNTING POLICIES

#### Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

#### Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

**23. CONDITIONS OVER GRANTS/CONTRIBUTIONS**

Grant/Contribution	Opening	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing
	Balance <sup>(1)</sup> 1/07/17	2017/18	2017/18	Balance <sup>(1)</sup> 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>Education and welfare</b>							
WA Health Dept PAAA	796,933	590,909	(1,387,842)	0	0	0	0
LotteryWest Aged Sensory Garden	50,000	0	(8,861)	41,139	0	(41,139)	0
WDC Community Chest Funds	0	30,000	(20,000)	10,000	0	(10,000)	0
<b>Recreation and culture</b>							
Bendigo Bank - PRACC	50,000	50,000	(100,000)	0	50,000	(50,000)	0
CBH Grass Roots Playground	10,000	0	0	10,000	0	(10,000)	0
Forestry Products Commission	20,000	0	(20,000)	0	0	0	0
National Stronger Regions Fund	0	2,763,149	(2,761,637)	1,512	353,289	(354,801)	0
Lotterywest Grant PRACC	0	1,000,000	(1,000,000)	0	0	0	0
Dept of Sport & Recreation PRACC	0	175,000	(175,000)	0	0	0	0
Pingelly Times PRACC	0	10,000	(10,000)	0	0	0	0
Pingelly Development Association PRACC	0	5,000	(5,000)	0	0	0	0
Focus Group PRACC	0	4,323	(4,323)	0	0	0	0
<b>Transport</b>							
Roads to Recovery	0	299,369	(299,369)	0	0	0	0
Main Roads - Bullaring Road Bridge	0	168,000	0	168,000	0	(152,538)	15,462
Regional Road Group-Harper St	0	0	0	0	20,533	0	20,533
Regional Road Group-Yenellin Rd	0	0	0	0	69,386	(14,400)	54,986
<b>Total</b>	<b>926,933</b>	<b>5,095,750</b>	<b>(5,792,032)</b>	<b>230,651</b>	<b>493,208</b>	<b>(632,878)</b>	<b>90,981</b>

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

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24. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
				Actual Rateable Value	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Budget Interim Rates	Budget Back Rates	Budget Interim Rates	Budget Back Rates	Budget Interim Rates	Budget Back Rates	Budget Total Revenue	Actual Total Revenue		
<b>Gross rental valuations</b>																	
GRV - GRV - Residential	0.13022		321	3,127,377	407,247	6,068	53	413,368	407,247	0	0	0	0	407,247	378,641		
GRV - GRV - Rural Residential	0.13022		69	719,124	93,644	536	53	94,233	93,644	0	0	0	0	93,644	87,250		
GRV - GRV - Commercial/Industrial	0.13022		33	462,679	60,250	13	3	60,266	60,250	0	0	0	0	60,250	54,909		
GRV - GRV - Townsites	0.13022		12	128,439	16,725	901	814	18,440	16,725	0	0	0	0	16,725	15,738		
<b>Unimproved valuations</b>																	
UV - Broadacre Rural	0.010469		250	123,508,500	1,292,990	(1,794)	0	1,291,196	1,292,990	(512)	0	0	0	1,292,478	1,225,976		
<b>Sub-Total</b>			685	127,944,119	1,870,856	5,724	923	1,877,503	1,870,856	(512)	0	0	0	1,870,344	1,762,514		
<b>Minimum payment</b>																	
<b>Minimum payment</b>																	
		\$															
<b>Gross rental valuations</b>																	
GRV - Residential	900		58	121,940	52,200	0	0	52,200	52,200	0	0	0	0	52,200	56,574		
GRV - Rural Residential	900		20	69,600	18,000	0	0	18,000	18,000	0	0	0	0	18,000	18,858		
GRV - Commercial/Industrial	900		8	29,130	7,200	0	0	7,200	7,200	0	0	0	0	7,200	8,980		
GRV - Townsites	900		7	20,271	6,300	0	0	6,300	6,300	0	0	0	0	6,300	6,286		
<b>Unimproved valuations</b>																	
UV - Broadacre Rural	900		45	2,709,500	40,500	0	0	40,500	40,500	0	0	0	0	40,500	39,512		
<b>Sub-Total</b>			138	2,950,441	124,200	0	0	124,200	124,200	0	0	0	0	124,200	130,210		
<b>Total amount raised from general rate</b>																	
<b>Total amount raised from general rate</b>																	
<b>Ex-gratia rates</b>																	
<b>Movement of Rates paid in advance</b>																	
<b>Totals</b>																	
			823	130,894,560	1,995,056	5,724	923	2,001,703	1,995,056	(512)	0	0	0	1,994,544	1,892,724		
								2,001,703	1,994,544					240	219		
								(18,790)	0					0	20,456		
								1,983,147	1,994,784					1,994,784	1,913,399		

**SIGNIFICANT ACCOUNTING POLICIES**

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

24. RATING INFORMATION (Continued)

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

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$	Reasons for the Waiver or Concession
Sundry Debtors	Write off	0.00%	0	3,519	0	7,585	Liquidated Debtors or Sundry Debtors considered now Bad Debts
Rates Assessment	Adjustment	0.00%	0.00	512	0	571	Contiguous Rating Policy 4.16
Rates Assessment	Write off	0.00%	0	0	0	0	Accounting adjustment
				4,031	0	8,156	
Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available						
Sundry Debtors	Review of various Sundry Debtors						Aged Sundry Debtors
Rates Assessment	A101 upon application						Assist Rural Property Owner
Rates Assessment	A20054 ESL review						Balancing ESL

## 24. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Full Payment	18 Sep 2018	0.00	5.50%	11.00%
<b>Option Two</b>				
First Instalment	18 Sep 2018	0.00	5.50%	11.00%
Second Instalment	22 Jan 2019	10.00	5.50%	11.00%
<b>Option Three</b>				
First Instalment	18 Sep 2018	0.00	5.50%	11.00%
Second Instalment	20 Nov 2018	10.00	5.50%	11.00%
Third Instalment	22 Jan 2019	10.00	5.50%	11.00%
Fouth Instalment	21 Mar 2019	10.00	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	17,971	18,200	17,402
Interest on instalment plan	6,744	6,800	6,782
ESL Penalty Interest	828	0	804
Charges on instalment plan	4,220	4,700	4,700
	29,763	29,700	29,688

## 25. RATE SETTING STATEMENT INFORMATION

	2018/19 (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
Note	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
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> .			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	11(a) (78,024)	(78,000)	0
Less: Reversal of prior year loss on revaluation of fixed assets	0	0	(527,864)
Less: Fair value adjustments to financial assets at amortised cost	8(b) (6,151)	0	0
Movement in pensioner deferred rates (non-current)	5 (12,100)	0	(5,974)
Movement in employee benefit provisions (current)	16 25,277	0	53,544
Movement in employee benefit provisions (non-current)	16 42,905	0	(12,039)
Add: Loss on disposal of assets	11(a) 3,666	386,049	0
Add: Depreciation on assets	11(b) 2,360,310	1,755,000	1,522,726
<b>Non cash amounts excluded from operating activities</b>	<b>2,335,883</b>	<b>2,063,049</b>	<b>1,030,393</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
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.			
<b>Adjustments to net current assets</b>			
Less: Reserves - restricted cash	3 (240,760)	(200,802)	(527,574)
Less: - Financial assets at amortised cost - self supporting loans	8(a) (24,300)	0	0
Less: Other Loans and Receivables	8(a) 0	(7,598)	(7,598)
Less: Investments Current	8(a) (5,000)	0	(5,000)
Add: Borrowings	1,367,697	1,298,336	598,336
Add Back: Component of Leave Liability not Required to be funded.	329,150	303,871	303,871
<b>Total adjustments to net current assets</b>	<b>1,426,787</b>	<b>1,393,807</b>	<b>362,035</b>
<b>Net current assets used in the Rate Setting Statement</b>			
Total current assets	804,874	491,215	1,514,692
Less: Total current liabilities	(1,914,112)	(1,885,022)	(1,136,715)
Less: Total adjustments to net current assets	1,426,787	1,393,807	362,035
<b>Net current assets used in the Rate Setting Statement</b>	<b>317,549</b>	<b>0</b>	<b>740,012</b>

## 26. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	1.81%	540,094	240,760	0	299,334
<b>2018</b>					
Cash and cash equivalents	4.00%	1,073,956	527,576	0	546,380

#### 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 15(b).

## 26. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Gross carrying amount	1,856	96,691	52,983	98,324	249,854
<b>01 July 2018</b>					
Rates receivable					
Gross carrying amount	5,414	134,429	54,243	83,832	277,918

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	3.08%	3.08%	3.08%	3.08%	
Gross carrying amount	24,111	275	0	0	24,386
Loss allowance	743	8	0	0	751
<b>01 July 2018</b>					
Sundry Receivables					
Expected credit loss	0.81%	0.81%	0.81%	0.81%	
Gross carrying amount	90,574	4,324	0	5,821	100,719
Loss allowance	734	35	0	47	816

The expected credit loss is immaterial and therefore a provision for expected credit losses has not been brought to account.

## 26. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 15(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	217,265	0	0	217,265	217,265
Borrowings	1,413,114	852,455	2,128,632	4,394,201	3,572,406
	1,630,379	852,455	2,128,632	4,611,466	3,789,671
<b>2018</b>					
Payables	234,508	0	0	234,508	234,508
Borrowings	713,114	852,455	2,341,745	3,907,314	2,970,742
	947,622	852,455	2,341,745	4,141,822	3,205,250

## 27. TRUST FUNDS

In previous years, all bonds and deposits were held as trust monies. From this year, all bonds and deposits not required by legislation to be held in trust are included in Restricted cash at Note 3 and shown as a current liability at Note 13.

	1 July 2018	Amounts Received	Amounts Paid	Reclassified to Restricted Cash	30 June 2019
	\$	\$	\$	\$	\$
Transport Licensing	0	434,462	(434,462)	0	0
Funds held on behalf of Groups	40	0	0	40	0
Unclaimed monies	100	952	0	1,052	0
Nomination Deposits	80	0	(80)	0	0
Bond Monies (Including Key Deposits)	4,040	7,410	(4,300)	7,150	0
	4,260	442,824	(438,842)	8,242	0

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

There are no events after the end of the reporting period to disclose.

## 29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

### AASB 9 Financial instruments

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

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

The effect of adopting AASB 9 was assessed as not material and therefore, no adjustment was required to be made.

#### (a) Classification and measurement

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

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

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

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

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

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

AASB 139 category	AASB 139 value	AASB 9 category Amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
<b>Loans and receivables</b>				
Trade receivables	417,800	417,800	0	0
Loans and advances	181,718	181,718	0	0
	599,518	599,518	0	0

**(b) Impairment**

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the effect was assessed as not material and therefore no adjustment was required to be made.

### 30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

#### (a) Revenue from Contracts with Customers

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

	AASB 118 carrying amount		AASB 15 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
<b>Contract liabilities - current</b>			
Unspent grants, contributions and reimbursements	23.	0	90,981
<b>Contract liabilities non-current</b>			
Adjustment to retained surplus from adoption of AASB 15	30(d)	(90,981)	

#### (b) Leases

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

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 is 2.99%.

	Note	2019
		\$
Operating lease commitments disclosed as at 30 June 2019	20(b)	81,778
Lease liability recognised as at 1 July 2019		
Discounted using the Shire's incremental borrowing rate of 2.99%		77,269
Right-of-use asset recognised at at 1 July 2019		<u>77,269</u>

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019.

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

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

30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

(c) Income For Not-For-Profit Entities

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

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

	AASB 1004 carrying amount		AASB 1058 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
Trade and other payables	217,265	26,037	243,302
Adjustment to retained surplus from adoption of AASB 1058	30(d)	(26,037)	

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

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

(d) Impact of changes to Retained Surplus

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

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			32,590,720
Adjustment to retained surplus from adoption of AASB 15	30(a)	(90,981)	
Adjustment to retained surplus from adoption of AASB 1058	30(c)	(26,037)	(117,018)
Retained surplus - 01 July 2019			32,473,702

### 32. OTHER SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

#### c) Rounding off figures

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

#### d) Comparative figures

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

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

#### e) Budget comparative figures

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

#### f) Superannuation

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

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

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

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

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

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

#### h) Fair value hierarchy

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

##### Level 1

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

##### Level 2

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

##### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

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

##### Market approach

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

##### Income approach

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

##### Cost approach

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

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

#### i) Impairment of assets

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

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

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

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

### 33. ACTIVITIES/PROGRAMS

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

#### PROGRAM NAME AND OBJECTIVES

#### ACTIVITIES

##### GOVERNANCE

Effective leadership and governance

Administration and operation of facilities and services to members of Council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.

##### GENERAL PURPOSE FUNDING

A financially sustainable Shire.

Rates, general purpose government grants and interest revenue.

##### LAW, ORDER, PUBLIC SAFETY

A safe community.

Fire prevention, animal control and assistance to emergency services.

##### HEALTH

Health and family support services that are accessible and meet the needs of the community.

Food quality control, provision of doctor services and maintenance of dental equipment.

##### EDUCATION AND WELFARE

Quality of life for the aged and disabled. Development and participation of young people.

Maintenance of a daycare centre and assistance to the provision of aged care accommodation.

##### COMMUNITY AMENITIES

Appropriate development which is diverse in nature and protects local heritage.

Rubbish and recyclables collection and disposal services, operation of the refuse site, administration of the town planning scheme, maintenance of the cemetery, maintenance of public toilets and maintenance of storm water drainage.

##### RECREATION AND CULTURE

Access to recreation, sporting and leisure opportunities.

Maintenance of the Town Hall, Pavilion, Community Centre, recreation ground, swimming pool complex, reserves, operation of the library together with support of cultural events.

##### TRANSPORT

Safe and reliable transport infrastructure.

Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets and depot maintenance.

##### ECONOMIC SERVICES

Support the promotion and marketing of local businesses and tourism initiatives.

The regulation and provision of building control, control of noxious weeds and vermin, standpipe water supplies and area promotion.

##### OTHER PROPERTY AND SERVICES

Provide support services for works and plant operations.

Private works operations, plant repairs and operation costs.

### 34. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	0.25	0.74	2.03
Asset consumption ratio	0.70	0.71	0.71
Asset renewal funding ratio	N/A	N/A	N/A
Asset sustainability ratio	0.83	2.90	2.23
Debt service cover ratio	2.86	2.92	0.25
Operating surplus ratio	(0.73)	(0.47)	(0.60)
Own source revenue coverage ratio	0.42	0.48	0.42

The above ratios are calculated as follows:

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



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

#### To the Councillors of the Shire of Pingelly

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the Shire of Pingelly which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

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

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

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

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

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

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

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

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

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

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report on Other Legal and Regulatory Requirements

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

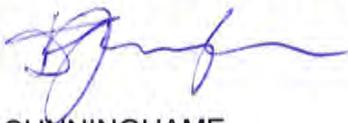
- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
  - a. The Current Ratio as reported in Note 34 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last two financial years.
  - b. The Operating Surplus Ratio as reported in Note 34 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:
  - a. The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long-term financial plan and asset management plan respectively.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the asset consumption ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

### Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 34 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

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

This auditor's report relates to the annual financial report of the Shire of Pingelly for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



DON CUNNINGHAME  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
25 November 2019