

**AUDIT RISK AND GOVERNANCE COMMITTEE MEETING
ATTACHMENT 8.1**

SHIRE OF PEPPERMINT GROVE

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

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COMMUNITY VISION

"To remain a Shire valued for its ambience and independence"

Principal place of business:
1 Leake Street, PEPPERMINT GROVE

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

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

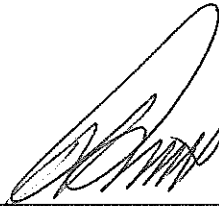
STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Peppermint Grove 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 Peppermint Grove 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

day of

2019



Donald Burnett, Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	20(a)	3,245,569	3,223,004	3,165,048
Operating grants, subsidies and contributions	2(a)	1,353,451	1,284,373	1,410,444
Fees and charges	2(a)	280,570	229,165	262,542
Interest earnings	2(a)	79,921	64,000	94,076
Other revenue	2(a)	55,762	12,338	46,353
		5,015,273	4,812,880	4,978,463
Expenses				
Employee costs		(2,269,409)	(2,241,641)	(2,200,437)
Materials and contracts		(1,976,028)	(1,853,519)	(1,879,206)
Utility charges		(123,955)	(130,043)	(129,779)
Depreciation on non-current assets	9(b)	(447,664)	(386,563)	(442,382)
Interest expenses	2(b)	(61,171)	(61,030)	(63,146)
Insurance expenses		(94,309)	(94,256)	(93,589)
Other expenditure		(61,930)	(77,250)	(64,250)
		(5,034,466)	(4,844,302)	(4,872,789)
		(19,193)	(31,422)	105,674
Non-operating grants, subsidies and contributions	2(a)	184,167	80,867	108,088
Profit on asset disposals	9(a)	2,973	0	278
(Loss) on asset disposals	9(a)	(1,480)	0	(2,300)
Fair value adjustments to financial assets at fair value through profit or loss	6	17,517	0	0
Share of net profit of associates and joint ventures accounted for using the equity method	18(a)	(22,746)	0	(47,078)
		180,431	80,867	58,988
Net result for the period		161,238	49,445	164,662
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	0	0	2,734,628
Total other comprehensive income for the period		0	0	2,734,628
Total comprehensive income for the period		161,238	49,445	2,899,290

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		69,812	16,088	50,225
General purpose funding		3,386,951	3,313,219	3,321,103
Law, order, public safety		12,571	12,000	9,415
Health		10,685	16,030	18,463
Education and welfare		909	0	909
Community amenities		156,422	94,085	93,661
Recreation and culture		1,304,114	1,312,658	1,400,862
Transport		15,155	18,050	18,176
Economic services		24,980	30,750	21,288
Other property and services		33,674	0	44,360
		5,015,273	4,812,880	4,978,462
Expenses				
	2(b)			
Governance		(862,171)	(982,110)	(1,080,836)
General purpose funding		(93,521)	(86,150)	(85,984)
Law, order, public safety		(42,322)	(46,700)	(38,645)
Health		(65,249)	(50,900)	(49,381)
Education and welfare		(54,767)	(65,165)	(67,233)
Community amenities		(866,480)	(688,786)	(692,315)
Recreation and culture		(2,087,610)	(2,025,394)	(1,970,863)
Transport		(843,181)	(742,067)	(751,184)
Economic services		(57,378)	(96,000)	(60,631)
Other property and services		(616)	0	(12,570)
		(4,973,295)	(4,783,272)	(4,809,642)
Finance Costs				
	2(b)			
Recreation and culture		(61,171)	(61,030)	(63,146)
		(61,171)	(61,030)	(63,146)
		(19,193)	(31,422)	105,674
Non-operating grants, subsidies and contributions	2(a)	184,167	80,867	108,088
Profit on disposal of assets	9(a)	2,972	0	278
(Loss) on disposal of assets	9(a)	(1,480)	0	(2,300)
Fair value adjustments to financial assets at fair value through profit or loss	6.	17,517	0	0
Share of net profit of associates and joint ventures accounted for using the equity method	18 (a)	(22,746)	0	(47,078)
		180,430	80,867	58,988
Net result for the period		161,238	49,445	164,662
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	0	0	2,734,628
Total other comprehensive income for the period		0	0	2,734,628
Total comprehensive income for the period		161,238	49,445	2,899,290

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

SHIRE OF PEPPERMINT GROVE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,141,270	1,539,702
Trade receivables	5	105,023	99,590
TOTAL CURRENT ASSETS		2,246,293	1,639,292
NON-CURRENT ASSETS			
Trade receivables	5	64,947	31,559
Other financial assets	6(b)	17,517	0
Investments accounted for using the equity method	18(a)	162,954	185,700
Property, plant and equipment	7	7,537,088	7,613,483
Infrastructure	8	14,256,699	14,427,663
TOTAL NON-CURRENT ASSETS		22,039,205	22,258,405
TOTAL ASSETS		24,285,498	23,897,697
CURRENT LIABILITIES			
Trade and other payables	11	426,934	177,507
Borrowings	12(b)	29,645	27,702
Employee related provisions	13	222,217	188,779
TOTAL CURRENT LIABILITIES		678,796	393,988
NON-CURRENT LIABILITIES			
Borrowings	12(b)	756,708	786,353
Employee related provisions	13	3,443	32,045
TOTAL NON-CURRENT LIABILITIES		760,151	818,398
TOTAL LIABILITIES		1,438,947	1,212,386
NET ASSETS		22,846,551	22,685,311
EQUITY			
Retained surplus		9,740,644	9,699,216
Reserves - cash backed	4	1,331,817	1,212,006
Revaluation surplus	10	11,774,090	11,774,090
TOTAL EQUITY		22,846,551	22,685,312

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		9,894,185	852,375	9,039,462	19,786,022
Comprehensive income					
Net result for the period		164,662	0	0	164,662
Other comprehensive income	10	0	0	2,734,628	2,734,628
Total comprehensive income		164,662	0	2,734,628	2,899,290
Transfers from/(to) reserves	4	(359,631)	359,631	0	0
Balance as at 30 June 2018		9,699,216	1,212,006	11,774,090	22,685,312
Comprehensive income					
Net result for the period		161,238	0	0	161,238
Total comprehensive income		161,238	0	0	161,238
Transfers from/(to) reserves	4	(119,811)	119,811	0	0
Balance as at 30 June 2019		9,740,644	1,331,817	11,774,090	22,846,551

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,299,941	3,268,004	3,180,304
Operating grants, subsidies and contributions		1,295,943	1,284,373	1,408,948
Fees and charges		280,570	231,165	262,542
Interest received		79,921	64,000	94,076
Goods and services tax received		194,144	202,000	211,379
Other revenue		98,860	12,338	46,353
		5,249,379	5,061,880	5,203,602
Payments				
Employee costs		(2,254,586)	(2,253,611)	(2,193,827)
Materials and contracts		(1,779,686)	(1,873,989)	(1,919,958)
Utility charges		(123,955)	(130,043)	(129,779)
Interest expenses		(61,171)	(61,030)	(62,282)
Insurance paid		(94,309)	(94,256)	(93,589)
Goods and services tax paid		(229,828)	(195,000)	(236,718)
Other expenditure		(61,930)	(77,250)	(64,250)
		(4,605,465)	(4,685,179)	(4,700,403)
Net cash provided by (used in) operating activities	14	643,914	376,701	503,199
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(139,853)	(164,500)	(124,913)
Payments for construction of infrastructure		(159,412)	(349,000)	(326,715)
Non-operating grants, subsidies and contributions		184,167	80,867	108,088
Proceeds from sale of property, plant & equipment		100,454	130,000	90,132
Net cash provided by (used in) investment activities		(14,644)	(302,633)	(253,408)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(27,702)	(27,701)	(25,884)
Net cash provided by (used in) financing activities		(27,702)	(27,701)	(25,884)
Net increase (decrease) in cash held		601,568	46,367	223,907
Cash at beginning of year		1,539,702	1,539,702	1,315,796
Cash and cash equivalents at the end of the year	14	2,141,269	1,586,069	1,539,702

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	21 (b)	61,001	234,565	177,536
		61,001	234,565	177,536
Revenue from operating activities (excluding rates)				
Governance		69,812	16,088	50,225
General purpose funding		141,382	90,215	156,055
Law, order, public safety		12,571	12,000	9,415
Health		10,685	16,030	18,463
Education and welfare		909	0	909
Community amenities		156,422	94,085	93,661
Recreation and culture		1,304,114	1,312,658	1,400,862
Transport		15,155	18,050	18,454
Economic services		24,980	30,750	21,288
Other property and services		36,646	0	44,360
		1,772,676	1,589,876	1,813,692
Expenditure from operating activities				
Governance		(862,171)	(982,110)	(1,080,836)
General purpose funding		(93,521)	(86,150)	(85,984)
Law, order, public safety		(42,322)	(46,700)	(38,645)
Health		(65,249)	(50,900)	(49,381)
Education and welfare		(54,767)	(65,165)	(67,233)
Community amenities		(866,480)	(688,786)	(692,315)
Recreation and culture		(2,148,781)	(2,086,424)	(2,034,009)
Transport		(843,181)	(742,067)	(753,484)
Economic services		(57,378)	(96,000)	(60,631)
Other property and services		(2,096)	0	(12,570)
		(5,035,946)	(4,844,302)	(4,875,088)
Non-cash amounts excluded from operating activities	21(a)	384,182	386,563	418,736
Amount attributable to operating activities		(2,818,087)	(2,633,298)	(2,465,124)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		184,167	80,867	108,088
Proceeds from disposal of assets	9(a)	100,454	130,000	90,132
Purchase of property, plant and equipment	7(a)	(139,853)	(164,500)	(124,913)
Purchase and construction of infrastructure	8(a)	(159,413)	(349,000)	(326,715)
Amount attributable to investing activities		(14,645)	(302,633)	(253,408)
FINANCING ACTIVITIES				
Repayment of borrowings	12(b)	(27,701)	(27,701)	(25,884)
Transfers to reserves (restricted assets)	4	(119,810)	(200,300)	(433,036)
Transfers from reserves (restricted assets)	4	0	22,920	73,405
Amount attributable to financing activities		(147,511)	(205,081)	(385,515)
Surplus/(deficit) before imposition of general rates		(2,980,243)	(3,141,012)	(3,104,047)
Total amount raised from general rates	20	3,245,569	3,223,004	3,165,048
Surplus/(deficit) after imposition of general rates	21(b)	265,326	81,992	61,001

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance	10,000		0
General purpose funding	58,731	23,965	50,497
Law, order, public safety	4,000	4,000	0
Health	6,480	8,500	9,911
Education and welfare	909		909
Community amenities	20,878		
Recreation and culture	1,244,649	1,241,858	1,343,061
Transport	7,804	6,050	6,066
	1,353,451	1,284,373	1,410,444
Non-operating grants, subsidies and contributions			
Recreation and culture	103,300	0	0
Transport	80,867	80,867	108,088
	184,167	80,867	108,088
Total grants, subsidies and contributions	1,537,618	1,365,240	1,518,532

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual \$	2019 Budget \$	2018 Actual \$
Other revenue			
Reimbursements and recoveries	55,328	12,088	46,017
Other	433	250	336
	55,762	12,338	46,353
Fees and Charges			
Governance	4,050	4,000	5,460
General purpose funding	2,730	2,250	8,500
Law, order, public safety	8,571	8,000	5,415
Health	4,205	7,530	8,552
Community amenities	135,544	94,085	93,661
Recreation and culture	59,465	70,800	63,532
Transport	7,351	12,000	12,110
Economic services	24,980	30,500	20,952
Other property and services	33,673	0	44,360
	280,570	229,165	262,542
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Reserve accounts interest	32,260	20,000	21,752
Rates installment and penalty interest (refer note 20 (b))	16,165	11,000	36,500
Other interest earnings	31,495	33,000	35,823
	79,921	64,000	94,075

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Significant expense

Legal Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other services

Interest expenses (finance costs)

Borrowings (refer Note 12(b))

Rental charges

- Operating leases

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Legal Expenses	163,969	80,000	111,217
- Audit of the Annual Financial Report	8,861	13,000	7,500
- Other services	1,530	2,000	1,913
	10,391	15,000	9,413
Borrowings (refer Note 12(b))	61,171	61,030	63,146
	61,171	61,030	63,146
- Operating leases	11,335	12,536	22,369
	11,335	12,536	22,369

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		809,453	327,696
Term deposits		1,331,817	1,212,006
		2,141,270	1,539,702
Comprises:			
- Unrestricted cash and cash equivalents		640,348	321,514
- Restricted cash and cash equivalents		1,500,922	1,218,188
		2,141,270	1,539,702
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Reserves cash backed - Leave Reserve	4	148,359	144,512
Reserves cash backed - Plant Reserve	4	20,532	20,000
Reserves cash backed - Infrastructure/ Building Res	4	565,191	550,536
Reserves cash backed - Information Technology Re	4	23,680	23,067
Reserves cash backed - Arts & Culture Reserve	4	20,484	2,858
Reserves cash backed - Legal Costs Reserve	4	157,262	85,000
Reserves cash backed - Road Reserve	4	385,356	375,365
Reserves cash backed - Library Infrastructure Rese	4	10,953	10,669
		1,331,817	1,212,007
Other restricted cash and cash equivalents			
Unspent grants/contributions	19	126,007	6,181
Bonds and Deposits Held	23	43,098	0
Total restricted cash and cash equivalents		1,500,922	1,218,188

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.

4. RESERVES - CASH BACKED

	2019 Actual		2019 Actual		2019 Budget		2019 Budget		2018 Actual		2018 Actual	
	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance
(a) Reserves cash backed - Leave Reserve	\$ 144,512	\$ 3,847	\$ 0	\$ 148,359	\$ 144,512	\$ 3,613	\$ (22,920)	\$ 125,205	\$ 170,577	\$ 10,780	\$ (36,845)	\$ 144,512
(b) Reserves cash backed - Plant Reserve	20,000	532	0	20,532	20,000	500	0	20,500	0	20,000	0	20,000
(c) Reserves cash backed - Infrastructure/ Building Reserve	550,536	14,654	0	565,190	550,537	13,763	0	564,300	377,871	209,225	(36,560)	550,536
(d) Reserves cash backed - Information Technology Reserve	23,067	614	0	23,681	23,067	577	0	23,644	22,474	593	0	23,067
(e) Reserves cash backed - Arts & Culture Reserve	2,858	17,626	0	20,484	2,858	20,071	0	22,929	2,784	74	0	2,858
(f) Reserves cash backed - Legal Costs Reserve	85,000	72,262	0	157,262	85,000	152,125	0	237,125	0	85,000	0	85,000
(i) Reserves cash backed - Road Reserve	375,365	9,991	0	385,356	375,365	9,384	0	384,749	268,277	107,088	0	375,365
(j) Reserves cash backed - Library Infrastructure Reserve	10,669	284	0	10,953	10,668	267	0	10,935	10,393	276	0	10,669
	1,212,006	119,811	0	1,331,817	1,212,006	200,300	(22,920)	1,389,387	862,376	433,036	(73,405)	1,212,006

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	on-going	To fund future Staff annual & Long Service leave Entitlements
(b) Reserves cash backed - Plant Reserve	on-going	To fund replacement and upgrading of Council's vehicles and plant
(c) Reserves cash backed - Infrastructure/ Building Reserve	on-going	To fund replacement and upgrading of Council's recreational infrastructure and municipal buildings
(d) Reserves cash backed - Information Technology Reserve	on-going	To fund replacement and upgrading of Council's information and technology assets
(e) Reserves cash backed - Arts & Culture Reserve	on-going	To enable the purchase of public art
(f) Reserves cash backed - Legal Costs Reserve	on-going	To provide for future general legal expenses including building and planning action
(i) Reserves cash backed - Road Reserve	on-going	To fund renewal and expansion of Council's roads and drainage systems
(j) Reserves cash backed - Library Infrastructure Reserve	on-going	To fund the Shire's portion of Capital Items at the Grove Library and/or Community Centre
(k) Unspent grants	31/12/2019	To part fund the cost of building a new headland along the Swan River foreshore

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Payroll Deductions in Advance	
Pensioner Rebate Clearing Account	

Non-current

Movement in Lease Rental Receivables	
--------------------------------------	--

2019	2018
\$	\$
29,705	84,077
36,584	13,139
36,023	338
2,036	2,036
675	0
105,023	99,590
64,947	31,559
64,947	31,559

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 22.

Previous accounting policy: Impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

6. OTHER FINANCIAL ASSETS**(a) Current assets****(b) Non-current assets**

Financial assets at fair value through profit and loss

17,517 0

17,517 0

Financial assets at fair value through profit and loss*- Unlisted equity investments*

Financial assets at fair value through profit and loss

17,517 0

17,517 0

During the year, the following gains/(losses) were recognised in profit and loss:

Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services

17,517 0

17,517 0

SIGNIFICANT ACCOUNTING POLICIES**Other financial assets at amortised cost**

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 22.

7. 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 - and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	815,000	0	815,000	5,803,708	5,803,708	6,618,708	23,636	219,080	6,861,424
Additions				19,160	19,160	19,160		105,753	124,913
(Disposals)	0	0	0	0	0	0	0	(92,154)	(92,154)
Revaluation increments / (decrements) transferred to revaluation surplus	0	831,190	831,190	0	0	831,190			831,190
Depreciation (expense)				(80,392)	(80,392)	(80,392)	(3,212)	(28,286)	(111,890)
Carrying amount at 30 June 2018	815,000	831,190	1,646,190	5,742,476	5,742,476	7,388,666	20,424	204,393	7,613,483
Comprises:									
Gross carrying amount at 30 June 2018	815,000	831,190	1,646,190	5,822,868	5,822,868	7,469,058	23,636	233,268	7,725,962
Accumulated depreciation at 30 June 2018	0	0	0	(80,392)	(80,392)	(80,392)	(3,212)	(28,875)	(112,479)
Accumulated impairment loss at 30 June 2018	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2018	815,000	831,190	1,646,190	5,742,476	5,742,476	7,388,666	20,424	204,393	7,613,483
Additions	0	0	0	0	0	0	9,001	130,852	139,853
(Disposals)	0	0	0	0	0	0	0	(98,962)	(98,962)
Depreciation (expense)	0	0	0	(80,392)	(80,392)	(80,392)	(7,879)	(29,016)	(117,287)
Carrying amount at 30 June 2019	815,000	831,190	1,646,190	5,662,084	5,662,084	7,308,274	21,546	207,267	7,537,087
Comprises:									
Gross carrying amount at 30 June 2019	815,000	831,190	1,646,190	5,822,868	5,822,868	7,469,058	32,637	247,688	7,749,383
Accumulated depreciation at 30 June 2019	0	0	0	(160,783)	(160,783)	(160,783)	(11,091)	(40,421)	(212,295)
Carrying amount at 30 June 2019	815,000	831,190	1,646,190	5,662,085	5,662,085	7,308,275	21,546	207,267	7,537,088

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	Level 3	Depreciated Replacement Costs	Independent	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Buildings - specialised	Level 3	Depreciated Replacement Costs	Independent	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Furniture and equipment					
	Level 3	Depreciated Replacement Costs	Independent	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Plant and equipment					
	Level 2	Depreciated Replacement Costs	Independent	June 2016	Current Replacement Cost/Condition Assessment (Level 2)

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 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.

8. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure- Drainage	Infrastructure- Parks & Ovals	Infrastructure- Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	8,856,616	1,833,945	760,436	1,051,804	25,201	12,528,002
Additions	135,648	46,593	0	68,718	75,756	326,715
Revaluation increments / (decrements) transferred to revaluation surplus	1,555,019	242,097	(29,282)	(89,612)	225,216	1,903,438
Depreciation (expense)	(187,118)	(56,314)	(15,607)	(68,305)	(3,148)	(330,492)
Carrying amount at 30 June 2018	10,360,165	2,066,321	715,547	962,605	323,025	14,427,663
Comprises:						
Gross carrying amount at 30 June 2018	10,360,165	2,066,321	715,547	962,605	323,025	14,427,663
Carrying amount at 30 June 2018	10,360,165	2,066,321	715,547	962,605	323,025	14,427,663
Additions	159,413	0	0	0	0	159,413
Depreciation (expense)	(187,118)	(56,314)	(15,607)	(64,391)	(6,947)	(330,377)
Carrying amount at 30 June 2019	10,332,460	2,010,007	699,940	898,214	316,078	14,256,699
Comprises:						
Gross carrying amount at 30 June 2019	10,519,578	2,066,321	715,547	962,605	323,025	14,587,076
Accumulated depreciation at 30 June 2019	(187,118)	(56,314)	(15,607)	(64,391)	(6,947)	(330,377)
Carrying amount at 30 June 2019	10,332,460	2,010,007	699,940	898,214	316,078	14,256,699

8. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Depreciated Replacement Cost	Independent	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure - Footpaths	Level 3	Depreciated Replacement Cost	Independent	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure- Drainage	Level 3	Depreciated Replacement Cost	Independent	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure- Parks & Ovals	Level 3	Depreciated Replacement Cost	Management Valuation	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure- Other	Level 3	Depreciated Replacement Cost	Management Valuation	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)

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.

9 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

9 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019		2019		2019		2019		2018		2018	
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual
Net Book Value	2019	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018
Value	Proceeds	Profit	Loss	Proceeds	Profit	Loss	Proceeds	Profit	Net Book Value	Net Book Value	Proceeds	Loss
Plant and equipment	\$ 98,962	\$ 100,454	\$ 2,973	\$ (1,481)	\$ 130,000	\$ 0	\$ 130,000	\$ 0	\$ 92,154	\$ 92,154	\$ 90,132	\$ (2,300)
	98,962	100,454	2,973	(1,481)	130,000	0	130,000	0	92,154	92,154	90,132	(2,300)

The following assets were disposed of during the year.

	2019		2019	
	Actual	Actual	Actual	Actual
Net Book Value	2019	2019	2019	2019
Value	Proceeds	Profit	Loss	Loss
Plant and Equipment				
Other property and services				
Ford Ranger (1GJF513)	39,662	38,182	0	(1,480)
Toyota Hilux (1GKF742)	29,508	31,136	1,628	0
Toyota Hilux (1GHP006)	29,792	31,136	1,344	0
	98,962	100,454	2,972	(1,480)
	98,962	100,454	2,972	(1,480)

9 PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - specialised	80,392	105,818	80,392
Furniture and equipment	7,879	2,955	3,212
Plant and equipment	29,016	28,300	28,286
Infrastructure - Roads	187,118	145,553	187,118
Infrastructure - Footpaths	56,314	52,886	56,314
Infrastructure- Drainage	15,607	14,681	15,607
Infrastructure- Parks & Ovals	64,391	34,970	68,305
Infrastructure- Other	6,947	1,400	3,148
	447,664	386,563	442,382

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings - Plant & Air Conditioning	15 years
Buildings - Other	40 years
Buildings - Long Life Structures	50 years
Furniture and Equipment	4 to 10 years
Light Vehicles	2 years
Plant and Equipment	5 to 15 years
Sealed Roads and Streets	
- formation	not depreciated
- pavement	40 years
- bituminous seals	20 years
Footpaths & Dual-Use Paths	
- formation	not depreciated
- concrete or paved	50 years
Drainage	70 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.

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

10 REVALUATION SURPLUS

	2019			2019			2019			2018			2018		
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance
Revaluation surplus - Land - freehold land	814,800	0	0	0	814,800	814,800	0	0	0	814,800	814,800	0	0	0	814,800
Revaluation surplus - Land - vested in and under the control of Council	831,190	0	0	0	831,190	0	831,190	0	831,190	831,190	831,190	0	0	831,190	831,190
Revaluation surplus - Buildings - specialised	(1,090,708)	0	0	0	(1,090,708)	(1,090,708)	0	0	0	(1,090,708)	(1,090,708)	0	0	0	(1,090,708)
Revaluation surplus - Furniture and equipment	(89,907)	0	0	0	(89,907)	(89,907)	0	0	0	(89,907)	(89,907)	0	0	0	(89,907)
Revaluation surplus - Plant and equipment	(26,937)	0	0	0	(26,937)	(26,937)	0	0	0	(26,937)	(26,937)	0	0	0	(26,937)
Revaluation surplus - Infrastructure - Roads	9,768,320	0	0	0	9,768,320	8,213,301	1,555,019	0	1,555,019	9,768,320	8,213,301	1,555,019	0	1,555,019	9,768,320
Revaluation surplus - Infrastructure - Footpaths	1,940,281	0	0	0	1,940,281	1,698,184	242,097	0	242,097	1,940,281	1,698,184	242,097	0	242,097	1,940,281
Revaluation surplus - Infrastructure- Drainage	418,528	0	0	0	418,528	447,810	0	0	0	418,528	447,810	0	(29,282)	(29,282)	418,528
Revaluation surplus - Infrastructure- Parks & Ovals	(1,019,445)	0	0	0	(1,019,445)	(929,833)	0	0	0	(929,833)	(929,833)	0	(89,612)	(89,612)	(1,019,445)
Revaluation surplus - Infrastructure- Other	227,968	0	0	0	227,968	2,752	225,216	0	225,216	227,968	2,752	225,216	0	225,216	227,968
	11,774,090	0	0	0	11,774,090	9,039,462	2,853,522	(118,894)	2,734,628	11,774,090	9,039,462	2,853,522	(118,894)	2,734,628	11,774,090

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.

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Bonds and Deposits Held (see Note 21)
Accrued salaries and wages
ATO liabilities
Building Levies
Pensioner Rebate

2019	2018
\$	\$
344,393	147,679
43,098	0
24,324	26,649
12,682	370
2,437	864
0	1,945
426,934	177,507

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.

CHIRE OF PEPPERMINT GROVE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2019

12. INFORMATION ON BORROWINGS

	2019	2018
	\$	\$
(a) Borrowings		
Current	29,645	27,701
Non-current	756,708	786,353
	786,353	814,054

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2018		30 June 2018		30 June 2018			
				Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
				Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Recreation and culture																							
Library/Community Centre		WATC																					

All loan repayments were financed by general purpose revenue.

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

12. INFORMATION ON BORROWINGS (Continued)

	<u>2019</u>	<u>2018</u>
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	200,000	200,000
Credit card limit	27,000	25,000
Credit card balance at balance date	<u>(10,998)</u>	<u>(7,906)</u>
Total amount of credit unused	216,002	217,094
Loan facilities		
Loan facilities - current	29,645	27,701
Loan facilities - non-current	<u>756,708</u>	<u>786,353</u>
Total facilities in use at balance date	786,353	814,054

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 22.

13. 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 Long Service Leave	Total
	\$	\$	\$
Current provisions	109,788	78,991	188,779
Non-current provisions	0	32,045	32,045
	109,788	111,036	220,824
Additional provision	18,376	(13,540)	4,836
Balance at 30 June 2019	128,164	97,496	225,660
Comprises			
Current	128,164	94,053	222,217
Non-current	0	3,443	3,443
	128,164	97,496	225,660

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

Expected reimbursements from other WA local governments

	2019	2018
	\$	\$
Less than 12 months after the reporting date	47,334	22,920
More than 12 months from reporting date	148,163	197,904
Expected reimbursements from other WA local governments	30,163	
	225,660	220,824

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.

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	2,141,270	1,586,069	1,539,702

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	161,238	49,445	164,662
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(17,517)		
Depreciation	447,664	386,563	442,382
(Profit)/loss on sale of asset	(1,492)	0	2,022
Share of profits of associates and joint ventures	22,746		47,078
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(38,821)	53,530	(11,579)
Increase/(decrease) in payables	249,427	(14,470)	(38,315)
Increase/(decrease) in provisions	4,836	(17,500)	5,037
Grants contributions for the development of assets	(184,167)	(80,867)	(108,088)
Net cash from operating activities	643,914	376,701	503,199

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	4,059,847	4,082,575
Community amenities	1,793,881	1,819,750
Recreation and culture	2,592,817	2,362,985
Transport	12,501,630	12,589,838
Other property and services	1,091,031	572,067
Unallocated	2,246,292	2,470,482
	24,285,498	23,897,697

16 CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

Payable:

- not later than one year

	2019	2018
	\$	\$
	22,707	0
	22,707	0
	22,707	0

The Shire has entered into a contract with oohMedia! to undertake "extended works" at five bus shelter replacement sites

(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
	\$	\$
	11,372	9,552
	17,074	7,938
	28,446	17,490

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.

17. 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	45,000	52,500	52,500
Shire President's Allowance	10,750	10,750	10,750
	<u>55,750</u>	<u>63,250</u>	<u>63,250</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	682,389	649,633
Post-employment benefits	102,384	102,202
Other long-term benefits	15,340	49,671
Termination benefits	22,920	13,359
	<u>823,033</u>	<u>814,865</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

17. 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
	\$	\$
Town of Mosman Park		
Sale of goods and services	663,486	709,776
Purchase of goods and services	755,298	755,419
Town of Cottesloe		
Sale of goods and services	575,974	621,053
Purchase of goods and services	660,885	660,991
Joint venture entities:		
Distributions received from joint venture entities	(22,746)	(47,078)

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

iv Amounts outstanding from related Parties

Trade & Other Receivables	8,435
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v Amounts payable to related parties

Trade & Other Payable	10,296
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SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

18. JOINT ARRANGEMENTS

(a) Carrying amount of investment in associate

The Western Metropolitan Regional Council (WMRC) was formally constituted in September 1989 to undertake waste management in the Western Suburbs on behalf of the Town of Cottesloe, Town of Claremont, Town of Mosman Park, Shire of Peppermint Grove and the City of Subiaco

The Shire's interest in the joint venture calculated by the WMRC as at 30 June 2019 is 3.98% representing its share of the net assets of \$4,094,318.

The Shire's interest in the assets and liabilities of WMRC is as follows
Interest in Joint Venture as at 30 June

Represented by share of Joint Venture entity financial position:

	2019 (Audited) \$	2018 (Audited) \$
Interest in Joint Venture as at 30 June	162,954	185,700
Current Assets	96,042	135,889
Non- Current Assets	89,415	89,181
Total Assets	185,457	225,070
Current liabilities	21,732	38,858
Non- current Liabilities	771	512
Total liabilities	22,503	39,370
NET ASSETS	162,954	185,700
- Share of profit/(loss)	(22,746)	(47,078)
- Share of associates other comprehensive income	0	0
Total Joint Venture Changes in Equity	(22,746)	(47,078)

(b) Share of joint operations

The Shire of Peppermint Grove, together with the Towns of Cottesloe, and Mosman Park have a joint arrangement with regard to the provision of a library and community centre.

The voting power held by the Shire is 33 1/3% and its share of net assets is 9.25%, Contribution 9.3%; Equity 9.09%

Property, Plant & Equipment	1,186,743	1,212,361
Current liabilities	19,695	19,823
Non- current Liabilities	(1,263)	
Total liabilities	18,432	19,823
Statement of comprehensive income		
Other revenue	1,356,128	1,306,018
Other expenditure	(1,487,784)	(1,417,227)
Net result for the period	(131,656)	(111,209)
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Total comprehensive loss for the period	(131,656)	(111,209)

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.

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
Metropolitan Youth Scholarship	8,017	0	(1,836)	6,181	0	(6,181)	0
Community amenities							
Bus Shelter extended works				0	22,707	0	22,707
Recreation and culture							
River Wall Stage 3	25,070			25,070		(25,070)	0
River Wall Riverbank Erosion	22,350			22,350		(22,350)	0
River Headland				0	103,300	0	103,300
Total	55,437	0	(1,836)	53,601	126,007	(53,601)	126,007

Notes:

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

20. RATING INFORMATION

(a) Rates

RATE TYPE

Differential general rate / general rate

Gross rental valuations

	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Residential	7.769	576	34,004,320	2,644,061	25,300	0	2,669,361	2,641,796	5,000	0	2,646,796	2,596,629
Commercial	7.769	22	6,012,427	467,105	0	0	467,105	467,105	0	0	467,105	461,173
Clubs	7.769	2	530,800	41,238	0	0	41,238	41,238	0	0	41,238	40,606
Sub-Total		600	40,547,547	3,152,404	25,300	0	3,177,704	3,150,139	5,000	0	3,155,139	3,098,408

Minimum payment

Gross rental valuations

Residential	1,385	34	493,740	47,090	0	0	47,090	47,090	0	0	47,090	46,240
Commercial	1,385	15	160,550	20,775	0	0	20,775	20,775	0	0	20,775	20,400
Sub-Total		49	654,290	67,865	0	0	67,865	67,865	0	0	67,865	66,640

Total amount raised from general rate

		649	41,201,837	3,220,269	25,300	0	3,245,569	3,218,004	5,000	0	3,223,004	3,165,048
												3,165,048

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

20 RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				6.00%
Rates in full (incl. arrears)	03 Sep 2018			
Option Two		15.00	3.00%	
First Instalment (incl. arrears)	03 Sep 2018			
Second Instalment	05 Nov 2018			
Third Instalment	03 Jan 2019			
Fourth Instalment	04 Mar 2019			

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	6,011	4,000	22,600
Interest on instalment plan	10,153	7,000	13,900
Charges on instalment plan	2,730	2,250	4,500
	18,895	13,250	41,000

21. 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) \$
(a) Non-cash amounts excluded from operating activities			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i>.</p>			
Adjustments to operating activities			
Less: Profit on asset disposals	9(a) (2,972)	0	(278)
Movement in lease rent receivable	(33,388)	0	(31,559)
Movement in employee benefit provisions (non-current)	(28,602)	0	5,891
Add: Loss on disposal of assets	9(a) 1,480	0	2,300
Add: Depreciation on assets	9(b) 447,664	386,563	442,382
Non cash amounts excluded from operating activities	384,182	386,563	418,736
(b) Surplus/(deficit) after imposition of general rates			
<p>The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.</p>			
Adjustments to net current assets			
Less: Reserves - restricted cash	3 (1,331,817)	(1,389,387)	(1,212,007)
Add: Borrowings	12(a) 29,645	29,645	27,701
Add: Current Liabilities not expected to be cleared at EOY	0	201,209	0
Total adjustments to net current assets	(1,302,172)	(1,158,533)	(1,184,306)
Net current assets used in the Rate Setting Statement			
Total current assets	2,246,293	1,630,095	1,639,294
Less: Total current liabilities	(678,796)	(389,570)	(393,987)
Less: Total adjustments to net current assets	(1,302,172)	(1,158,533)	(1,184,306)
Net current assets used in the Rate Setting Statement	265,325	81,992	61,001

22. FINANCIAL RISK MANAGEMENT

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

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	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 have not been required within 12 months, reducing the risk level to minimal.

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.87%	2,141,270	1,331,817	754,009	55,444
2018					
Cash and cash equivalents	2.73%	1,539,702	1,212,006	326,840	856

Sensitivity

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

Impact of a 1% movement in interest rates on profit and loss and equity*

* Holding all other variables constant

	2019	2018
	\$	\$
	21,413	15,397

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 12(b).

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

The Shire's major receivables comprise rates annual charges and library contributions. 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 interest charge disincentives.

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	29,651	54	0	0	29,705
Loss allowance	0	0	0	0	0

01 July 2018

Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	58,446	25,631	0	0	84,077
Loss allowance	0	0	0	0	0

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	29,393	4,316	0	2,875	36,584
Loss allowance	0	0	0	0	0

01 July 2018

Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	4,069	1,105	2,861	5,104	13,139
Loss allowance	0	0	0	0	0

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 12(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	368,397	0	0	368,397	426,934
Borrowings	83,400	333,600	875,700	1,292,700	786,353
	451,797	333,600	875,700	1,661,097	1,213,287
2018					
Payables	177,507	0	0	177,507	177,507
Borrowings	83,400	333,600	959,100	1,376,100	814,054
	260,907	333,600	959,100	1,553,607	991,561

23. TRUST FUNDS

There are no funds held at the balance date that are required to be held in the Trust Fund.

In previous years bonds and deposits were held as trust monies. They are now included in restricted cash at Note 3 and shown as a current liability at Note 11.

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted Cash	30 June 2019
	\$	\$	\$		\$
Manners Hill Park/Other Bonds	10,400	5,770	(14,220)	(1,950)	0
Footpath & Verge Bonds	104,060	8,000	(75,000)	(37,060)	0
Community Centre Bonds	5,638	550	(2,100)	(4,088)	0
	120,098	14,320	(91,320)	(43,098)	0

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has not 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.

(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

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

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

(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 their values through P-L. upon adoption of AASB9, the Shire has assessed the ECL as not significant.

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

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

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

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

(b) Leases

The Shire will adopt AASB 16 retrospectively from 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire will apply 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.

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. The Shire will assess the actual impact on the financial result in the 2019/20 financial year.

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

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

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

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

(c) Income For Not-For-Profit Entities

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

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.

The Shire will assess the actual impact on the financial result in the 2019/20 financial year.

26. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE</p> <p>To provide a decision-making process for the efficient allocation of scarce resources.</p>	Administration and operation of facilities and services to Members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers.
<p>GENERAL PURPOSE FUNDING</p> <p>To collect revenue to allow for the provision of services.</p>	Rates, general purpose government grants and interest revenue. Costs associated with raising of rates and other funding activities.
<p>LAW, ORDER, PUBLIC SAFETY</p> <p>To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision of various local laws, fire prevention, emergency services and animal control.
<p>HEALTH</p> <p>To provide an operational framework for environmental and community health.</p>	Maternal and infant health, immunisation control, health inspections, pest control and preventative services.
<p>EDUCATION AND WELFARE</p> <p>To provide services to disadvantaged persons, the elderly, children and youth.</p>	Contribution towards the operations of a community services provider, Aged Persons Support Service, community centre and other voluntary services.
<p>COMMUNITY AMENITIES</p> <p>To provide services to the community.</p>	Rubbish collection and recycling services, administration of the Town Planning Scheme, maintenance of bus shelters.
<p>RECREATION AND CULTURE</p> <p>To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.</p>	Maintenance of parks and reserves. Administration of the library and community centre that services the Cottesloe, Mosman Park and Peppermint Grove localities.
<p>TRANSPORT</p> <p>To provide safe, effective and efficient transport services to the community.</p>	Construction and maintenance of roads, drainage works, footpaths, parking facilities and traffic signs. Cleaning of streets and maintaining street verges and street trees.
<p>ECONOMIC SERVICES</p> <p>To help promote the Shire and its economic wellbeing.</p>	Implementation of building controls.
<p>OTHER PROPERTY AND SERVICES</p> <p>To monitor and control Council's overhead operating accounts.</p>	Plant operation and public works overhead costs.

28. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.41	1.69	2.02
Asset consumption ratio	0.98	1.00	0.99
Asset renewal funding ratio	1.30	0.76	0.81
Asset sustainability ratio	0.44	0.73	1.06
Debt service cover ratio	5.27	6.31	4.13
Operating surplus ratio	(0.01)	0.02	(0.03)
Own source revenue coverage ratio	0.73	0.73	0.69

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