

SHIRE OF PEPPERMINT GROVE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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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 30 JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 24th day of May 2021



Don Burnett
Chief Executive Officer

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Restated * \$
Revenue				
Rates	22(a)	3,316,331	3,310,667	3,245,569
Operating grants, subsidies and contributions	2(a)	223,581	1,363,459	237,638
Fees and charges	2(a)	228,728	249,534	233,124
Interest earnings	2(a)	49,033	75,600	79,921
Other revenue	2(a)	14,183	9,200	39,162
		<u>3,831,856</u>	<u>5,008,460</u>	<u>3,835,414</u>
Expenses				
Employee costs		(1,451,770)	(2,228,643)	(1,414,855)
Materials and contracts		(1,667,173)	(1,925,767)	(1,762,934)
Utility charges		(70,539)	(128,396)	(67,128)
Depreciation on non-current assets	9(b)	(519,869)	(473,123)	(496,926)
Interest expenses	2(b)	(63,424)	(59,316)	(61,171)
Insurance expenses		(59,342)	(100,952)	(70,638)
Other expenditure		(64,472)	(149,540)	(68,376)
		<u>(3,896,589)</u>	<u>(5,065,737)</u>	<u>(3,942,028)</u>
		(64,733)	(57,277)	(106,614)
Non-operating grants, subsidies and contributions	2(a)	331,264	357,684	184,167
Profit on asset disposals	9(a)	9,818	0	2,972
(Loss) on asset disposals	9(a)	0	0	(1,480)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	17,517
Share of net profit of associates accounted for using the equity method	21(a)	(17,909)	0	(22,746)
		<u>323,173</u>	<u>357,684</u>	<u>180,430</u>
		258,440	300,407	73,816
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	82,965	0	82,142
Share of comprehensive income of jointly controlled operation	21	0	0	(101,838)
Total other comprehensive income for the period		82,965	0	(19,696)
Total comprehensive income for the period		341,405	300,407	54,120

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

* Refer to note 27 (a) and 27 (b)

SHIRE OF PEPPERMINT GROVE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Restated * \$
Revenue				
	2(a)			
Governance		19,925	6,000	69,812
General purpose funding		3,408,714	3,421,267	3,386,951
Law, order, public safety		9,918	7,600	12,571
Health		11,473	12,780	10,685
Education and welfare		0	0	909
Community amenities		119,057	139,446	156,422
Recreation and culture		182,225	1,373,607	142,108
Transport		48,295	13,900	15,155
Economic services		31,021	33,860	24,980
Other property and services		1,328	0	15,824
		<u>3,831,956</u>	<u>5,008,460</u>	<u>3,835,413</u>
Expenses				
	2(b)			
Governance		(1,112,286)	(1,000,920)	(844,321)
General purpose funding		(102,701)	(103,350)	(93,521)
Law, order, public safety		(37,141)	(47,500)	(42,322)
Health		(33,969)	(43,931)	(65,249)
Education and welfare		(57,470)	(61,304)	(54,767)
Community amenities		(692,483)	(758,806)	(1,006,480)
Recreation and culture		(921,148)	(2,120,751)	(873,025)
Transport		(743,968)	(756,259)	(843,181)
Economic services		(114,973)	(113,600)	(57,378)
Other property and services		(17,126)	0	(615)
		<u>(3,833,265)</u>	<u>(5,006,421)</u>	<u>(3,880,859)</u>
Finance Costs				
	2(b)			
Recreation and culture		(56,936)	(59,316)	(61,171)
Economic services		(6,488)	0	0
		<u>(63,424)</u>	<u>(59,316)</u>	<u>(61,171)</u>
		<u>(64,733)</u>	<u>(57,277)</u>	<u>(106,614)</u>
Non-operating grants, subsidies and contributions	2(a)	331,264	357,684	184,167
Profit on disposal of assets	9(a)	9,818	0	2,972
(Loss) on disposal of assets	9(a)	0	0	(1,480)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	17,517
Share of net profit of associates accounted for using the equity method	21(a)	(17,909)	0	(22,746)
		<u>323,173</u>	<u>357,684</u>	<u>180,430</u>
Net result for the period		258,440	300,407	73,816
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	82,965	0	82,142
Share of comprehensive income of jointly controlled operation	21	0	0	(101,838)
Total other comprehensive income for the period		82,965	0	(19,696)
Total comprehensive income for the period		341,405	300,407	54,120

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

* Refer to note 27 (a) and 27 (b)

SHIRE OF PEPPERMINT GROVE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020 \$	2019 Restated *	2018 Restated *
			\$	\$
CURRENT ASSETS				
Cash and cash equivalents	3	1,782,107	2,141,270	1,539,702
Trade and other receivables	6	322,709	105,023	99,590
TOTAL CURRENT ASSETS		2,104,816	2,246,293	1,639,292
NON-CURRENT ASSETS				
Trade and other receivables	6	98,505	64,947	31,559
Other financial assets	5 (a)	17,517	17,517	0
Investment in associate	21(a)	145,045	162,954	185,700
Property, plant and equipment	7 (a)	15,121,899	15,784,239	15,827,753
Infrastructure	8(a)	14,390,661	14,256,699	14,427,663
Right of use assets	10(a)	93,071	0	0
TOTAL NON-CURRENT ASSETS		29,866,698	30,286,356	30,472,675
TOTAL ASSETS		31,971,514	32,532,649	32,111,967
CURRENT LIABILITIES				
Trade and other payables	12	549,063	426,935	177,507
Lease liabilities	13(a)	31,583	0	0
Borrowings	14(a)	32,212	29,645	27,701
Employee related provisions	15	216,269	222,217	188,779
Other provisions	16	0	140,000	0
TOTAL CURRENT LIABILITIES		829,127	818,797	393,987
NON-CURRENT LIABILITIES				
Lease liabilities	13(a)	65,237	0	0
Borrowings	14(a)	724,982	756,708	786,354
Employee related provisions	15	19,661	3,443	32,045
TOTAL NON-CURRENT LIABILITIES		809,880	760,151	818,399
TOTAL LIABILITIES		1,639,007	1,578,948	1,212,386
NET ASSETS		30,332,507	30,953,701	30,899,581
EQUITY				
Retained surplus		9,729,511	9,551,384	9,699,216
Reserves - cash backed	4	1,163,877	1,331,817	1,212,007
Revaluation surplus	11	19,439,119	20,070,500	19,988,358
TOTAL EQUITY		30,332,507	30,953,701	30,899,581

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

*Refer to Note 27 (a)

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		9,699,216	1,212,007	11,774,090	22,685,313
Prior period error	27 (a)	0	0	8,214,268	8,214,268
Restated balance at 1 July 2018		9,699,216	1,212,007	19,988,358	30,899,581
Comprehensive income					
Net result for the period (restated)		73,816	0		73,816
Prior period error	27 (b)	(101,838)			(101,838)
Other comprehensive income			0	82,142	82,142
Total comprehensive income		(28,022)	0	82,142	54,120
Transfers to reserves	4	(119,810)	119,810	0	0
Balance as at 30 June 2019		9,551,384	1,331,817	20,070,500	30,953,701
Initial application Accounting Standard	25 (d)	(126,007)	0	0	(126,007)
Initial application Accounting Standard	25 (d)	(5,402)			(5,402)
Due to changes in Regulations	26 (b)	(116,844)	0	(714,346)	(831,190)
Restated total equity at 1 July 2019		9,303,132	1,331,817	19,356,154	29,991,102
Comprehensive income					
Net result for the period		258,440	0		258,440
Other comprehensive income	11		0	82,965	82,965
Total comprehensive income		258,440	0	82,965	341,405
Transfers from reserves	4	310,000	(310,000)		
Transfers to reserves	4	(142,060)	142,060		
Balance as at 30 June 2020		9,729,511	1,163,877	19,439,121	30,332,507

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

SHIRE OF PEPPERMINT GROVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,325,658	3,313,212	3,299,941
Operating grants, subsidies and contributions		1,398,099	1,358,459	1,295,943
Fees and charges		270,081	249,534	280,570
Service charges		0		
Interest received		49,033	75,600	79,921
Goods and services tax received		189,057	200,000	194,144
Other revenue		14,183	9,200	98,860
		5,246,111	5,206,005	5,249,379
Payments				
Employee costs		(2,466,932)	(2,228,643)	(2,254,586)
Materials and contracts		(2,015,028)	(1,958,535)	(1,779,686)
Utility charges		(124,920)	(128,396)	(123,955)
Interest expenses		(63,424)	(59,316)	(61,171)
Insurance paid		(95,829)	(100,952)	(94,309)
Goods and services tax paid		(153,034)	(205,000)	(229,828)
Other expenditure		(129,920)	(149,540)	(61,930)
		(5,049,087)	(4,830,382)	(4,605,465)
Net cash provided by (used in) operating activities	17	197,024	375,623	643,914
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	7(a)	(262,653)	(364,264)	(139,853)
Payments for construction of infrastructure	8(a)	(460,834)	(718,300)	(159,413)
Non-operating grants, subsidies and contributions	2(a)	205,257	357,684	184,167
Proceeds from sale of property, plant & equipment	9(a)	21,818	27,200	100,454
Net cash provided by (used in) investment activities		(496,412)	(697,680)	(14,645)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(29,159)	(29,645)	(27,701)
Payments for principal portion of lease liabilities	13(b)	(30,616)	0	0
Net cash provided by (used in) financing activities		(59,775)	(29,645)	(27,701)
Net increase (decrease) in cash and cash equivalents		(359,163)	(351,702)	601,568
Cash at beginning of year		2,141,270	2,136,128	1,539,702
Cash and cash equivalents at the end of the year	17	1,782,107	1,784,426	2,141,270

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

SHIRE OF PEPPERMINT GROVE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	129,069	240,785	61,001
		<u>129,069</u>	<u>240,785</u>	<u>61,001</u>
Revenue from operating activities (excluding rates)				
Governance		19,925	6,000	69,812
General purpose funding		92,383	110,600	141,382
Law, order, public safety		9,918	7,600	12,571
Health		11,473	12,780	10,685
Education and welfare		0	0	909
Community amenities		119,057	139,446	135,580
Recreation and culture		182,225	1,373,607	142,108
Transport		48,295	13,900	15,155
Economic services		13,112	33,860	24,980
Other property and services		19,135	0	36,637
		<u>515,523</u>	<u>1,697,793</u>	<u>589,819</u>
Expenditure from operating activities				
Governance		(1,112,286)	(1,000,920)	(862,171)
General purpose funding		(102,701)	(103,350)	(93,521)
Law, order, public safety		(37,141)	(47,500)	(42,322)
Health		(33,969)	(43,931)	(65,249)
Education and welfare		(57,470)	(61,304)	(54,767)
Community amenities		(692,483)	(758,806)	(987,142)
Recreation and culture		(1,010,013)	(2,180,067)	(934,196)
Transport		(743,968)	(756,259)	(843,181)
Economic services		(121,461)	(113,600)	(57,378)
Other property and services		(16,388)	0	(2,097)
		<u>(3,927,880)</u>	<u>(5,065,737)</u>	<u>(3,942,024)</u>
Non-cash amounts excluded from operating activities	23(a)	510,620	431,088	336,835
Amount attributable to operating activities		<u>(2,772,668)</u>	<u>(2,696,071)</u>	<u>(2,954,369)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	331,264	357,684	184,167
Proceeds from disposal of assets	9(a)	21,818	27,200	100,454
Purchase of property, plant and equipment	7(a)	(262,653)	(364,264)	(139,853)
Purchase and construction of infrastructure	8(a)	(460,834)	(718,300)	(159,413)
Amount attributable to investing activities		<u>(370,405)</u>	<u>(697,680)</u>	<u>(14,625)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(29,159)	(29,645)	(27,701)
Payments for principal portion of lease liabilities	13(b)	(30,616)	0	0
Transfers to reserves (restricted assets)	4	(142,060)	(202,002)	(119,810)
Transfers from reserves (restricted assets)	4	310,000	348,866	0
Amount attributable to financing activities		<u>108,165</u>	<u>117,219</u>	<u>(147,511)</u>
Surplus/(deficit) before imposition of general rates		<u>(3,034,908)</u>	<u>(3,276,532)</u>	<u>(3,116,505)</u>
Total amount raised from general rates	22(a)	3,316,331	3,310,667	3,245,569
Surplus/(deficit) after imposition of general rates	23(b)	<u>281,423</u>	<u>34,135</u>	<u>129,063</u>

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

SHIRE OF PEPPERMINT GROVE
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FOR THE YEAR ENDED 30 JUNE 2020

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

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.

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or

after 1 July 2008, were not recognised in previous financial reports of the Shire. This was not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

From 1 July 2019, the Shire has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

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

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

AASB 1059 Service Concession Arrangements: Management will be assessing the impact on the financial report for future years.

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
Governance			10,000
General purpose funding	55,327	28,200	58,731
Law, order, public safety			4,000
Health	10,569		6,480
Education and welfare			909
Community amenities	14,400	20,707	20,878
Recreation and culture	143,285	1,306,652	128,836
Transport		7,900	7,804
	223,581	1,363,459	237,638
Non-operating grants, subsidies and contributions			
Community amenities	0	14,400	0
Recreation and culture	22,707	192,151	103,300
Transport	308,557	151,133	80,867
	331,264	357,684	184,167
	554,845	1,721,143	421,805
Total grants, subsidies and contributions			
Fees and charges			
Governance	4,000	4,000	4,050
General purpose funding	5,265	2,800	2,730
Law, order, public safety	9,918	7,600	8,571
Health	6,355	5,780	4,205
Community amenities	119,057	118,739	115,544
Recreation and culture	48,656	71,155	59,465
Transport	2,288	6,000	7,351
Economic services	31,860	33,460	24,980
Other property and services	1,329	0	6,228
	228,728	249,534	233,124

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Contracts with customers and transfers for recognisable non-financial assets				
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:				
Non-operating grants, subsidies and contributions		331,264	357,684	184,167
		331,264	357,684	184,167
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:				
Contracts with customers included as a contract liability at the start of the period	25 (a)	(126,007)	0	0
Other revenue from performance obligations satisfied during the year		457,271	357,684	184,167
		331,264	357,684	184,167
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:				
Trade and other receivables from contracts with customers	6	322,709		105,023

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
General rates	3,316,331	3,310,667	3,245,569
	3,316,331	3,310,667	3,245,569

Other revenue

Reimbursements and recoveries

Other

Reimbursements and recoveries	14,183	9,200	38,728
Other			434
	14,183	9,200	39,162

Interest earnings

Interest on reserve funds

Rates instalment and penalty interest (refer Note 22(b))

Other interest earnings

Interest on reserve funds	22,060	32,000	32,260
Rates instalment and penalty interest (refer Note 22(b))	16,463	14,100	16,164
Other interest earnings	10,510	29,500	31,497
	49,033	75,600	79,921

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 earned from financial assets that are held for cash management purposes.

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Significant expense				
Legal Expenses		0	0	303,969
Auditors remuneration				
- Audit of the Annual Financial Report		16,200	16,200	8,861
- Other services		8,230	3,000	1,530
		24,430	19,200	10,391
Interest expenses (finance costs)				
Borrowings	14(b)	56,935	59,316	61,171
Lease liabilities	13(b)	6,489		
		63,424	59,316	61,171
Sundry expenses		64,472	149,540	68,376

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2020	2019
		\$	\$
Cash at bank and on hand		618,230	809,453
Term deposits		1,163,877	1,331,817
Total cash and cash equivalents		1,782,107	2,141,270

Restrictions

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

- Cash and cash equivalents		1,250,855	1,500,922
		1,250,855	1,500,922

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

Reserves - cash backed	4	1,163,877	1,331,817
Unspent grants, subsidies and contributions		0	126,007
Bonds & Deposits held	12	86,978	43,098
Total restricted assets		1,250,855	1,500,922

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

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

4. RESERVES - CASH BACKED

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Leave Reserve	148,359	2,457	(45,000)	105,816	148,359	3,531	(45,566)	106,324	144,512	3,847		148,359
(b) Plant Reserve	20,532	341		20,873	20,532	489		21,021	20,000	532		20,532
(c) Infrastructure/ Building Reserve	565,190	129,362	(105,000)	589,552	565,191	183,755	(103,300)	645,646	550,536	14,654		565,190
(d) Information Technology Reserve	23,681	392		24,073	23,680	564		24,244	23,067	614		23,681
(e) Arts & Culture Reserve	20,484	339	(20,000)	823	20,484	488		20,972	2,858	17,626		20,484
(f) Legal Costs Reserves	157,262	2,605	(140,000)	19,867	157,262	3,743		161,005	85,000	72,262		157,262
(g) Roads Reserve	385,356	6,383		391,739	385,356	9,171	(200,000)	194,527	375,365	9,991		385,356
(h) Library Infrastructure Reserve	10,953	181		11,134	10,953	261		11,214	10,669	284		10,953
	1,331,817	142,060	(310,000)	1,163,877	1,331,817	202,002	(348,866)	1,184,953	1,212,007	119,810	0	1,331,817

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves cash backed - Leave Reserve	on-going	To Fund Future Annual and Long Service Leave Entitlements
(b) Plant Reserve	on-going	To fund replacement and upgrading of Council's vehicles and Plant
(c) Infrastructure/ Building Reserve	on-going	To fund replacement and upgrading of Council's infrastructure & Municipal Buildings
(d) Information Technology Reserve	on-going	To fund replacement and upgrading of Council's information Technology assets
(e) Arts & Culture Reserve	on-going	To fund the purchase of Public Art
(f) Legal Costs Reserves	on-going	To provide for future general legal expenses including building & planning actions
(g) Roads Reserve	on-going	To fund renewal and expansion of Council's Roads & drainage systems
(h) Library Infrastructure Reserve	on-going	To fund Council's portion of Capital items at the Grove Library and/or Community Centre

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

5. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
(a) Current assets		
(b) Non-current assets		
Financial assets at fair value through profit and loss	17,517	17,517
	17,517	17,517
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	17,517	17,517
	17,517	17,517

SIGNIFICANT ACCOUNTING POLICIES

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 24.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020
TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Other receivables- Payroll deductions in Advance	
Other receivables Penioners Cleaning Ac	

Non-current

Other receivables - Lease Rental Rec	
--------------------------------------	--

	2020	2019
	\$	\$
	20,378	29,705
	302,331	36,584
	0	36,023
	0	2,036
	0	675
	<u>322,709</u>	<u>105,023</u>
	98,505	64,947
	<u>98,505</u>	<u>64,947</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

Lease Rental Receivables

The Shire recognises lease payments from operating leases on a straightline basis over the lease period. The receivable relates to the 21 year lease of the building in Lilia Street, Peppermint Grove.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020
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 - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018 (Restated) *	7,058,624	831,190	7,889,814	0	7,713,124	15,602,938	20,424	204,391	15,827,753
Additions			0			0	9,001	130,852	139,853
(Disposals)	0	0	0	0	0	0	0	(98,960)	(98,960)
Revaluation increments / (decrements) transferred to revaluation surplus	62,436	0	62,436		19,706	82,142	0	0	82,142
Depreciation (expense)			0		(129,654)	(129,654)	(7,879)	(29,016)	(166,549)
Carrying amount at 30 June 2019	7,121,060	831,190	7,952,250	0	7,603,176	15,555,426	21,546	207,267	15,784,239
Comprises:									
Gross carrying amount at 30 June 2019	7,121,060	831,190	7,952,250	0	7,813,218	15,765,468	32,637	247,688	16,045,793
Accumulated depreciation at 30 June 2019	0	0	0	0	(210,042)	(210,042)	(11,091)	(40,421)	(261,554)
Carrying amount at 30 June 2019 (Restated) *	7,121,060	831,190	7,952,250	0	7,603,176	15,555,426	21,546	207,267	15,784,239
Change in regulations-1 July 2019		(831,190)	(831,190)		0	(831,190)	0	0	(831,190)
	7,121,060	0	7,121,060		7,603,176	14,724,236	21,546	207,267	14,953,049

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

Additions			0		105,024	105,024	10,047	147,582	262,653
(Disposals)	0	0	0	0	0	0	0	(12,000)	(12,000)
Revaluation increments / (decrements) transferred to revaluation surplus	63,061		63,061		19,905	82,966	0	0	82,966
Depreciation (expense)	0	0	0		(130,028)	(130,028)	(2,238)	(32,503)	(164,769)
Transfers	0	0	0		0	0	0	0	0
Carrying amount at 30 June 2020	7,184,121	0	7,184,121	0	7,598,077	14,782,198	29,355	310,346	15,121,899
Comprises:									
Gross carrying amount at 30 June 2020	7,184,121	0	7,184,121	0	7,937,314	15,121,435	42,684	383,271	15,547,390
Accumulated depreciation at 30 June 2020	0	0	0	0	(339,237)	(339,237)	(13,329)	(72,925)	(425,491)
Carrying amount at 30 June 2020	7,184,121	0	7,184,121	0	7,598,077	14,782,198	29,355	310,346	15,121,899

* Refer to Note 27 (a)

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

PROPERTY, PLANT AND EQUIPMENT (Continued)

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	Current Replacement Costs	Independent	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Land - freehold land - 1 Gibney Street Cottesloe	Level 3	Current Replacement Costs	Independent	June 2020	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Buildings - specialised	Level 3	Current Replacement Costs	Independent	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Buildings - specialised - 1 Gibney street Cottesloe	Level 3	Current Replacement Costs	Independent	June 2020	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

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

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

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	Other infrastructure- Footpaths	Other infrastructure- Drainage	Other infrastructure- Parks & Ovals	Other infrastructure	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	10,360,165	2,066,321	715,547	962,605	323,025	14,427,663
Additions	159,413					159,413
Depreciation (expense)	(187,118)	(56,314)	(15,607)	(64,391)	(6,947)	(330,377)
Transfers						0
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)
Accumulated impairment loss at 30 June 2019						0
Carrying amount at 30 June 2019	10,332,460	2,010,007	699,940	898,214	316,078	14,256,699
Additions	224,630			236,204		460,834
Depreciation (expense)	(187,118)	(56,314)	(15,607)	(60,886)	(6,947)	(326,872)
Carrying amount at 30 June 2020	10,369,972	1,953,693	684,333	1,073,532	309,131	14,390,661
Comprises:						
Gross carrying amount at 30 June 2020	10,744,208	2,066,321	715,547	1,198,809	323,025	15,047,910
Accumulated depreciation at 30 June 2020	(374,236)	(112,628)	(31,214)	(125,277)	(13,894)	(657,249)
Accumulated impairment loss at 30 June 2020						0
Carrying amount at 30 June 2020	10,369,972	1,953,693	684,333	1,073,532	309,131	14,390,661

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

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	Current Replacement Cost	Independent	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Other infrastructure- Footpaths	Level 3	Current Replacement Cost	Independent	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Other infrastructure- Drainage	Level 3	Current Replacement Cost	Independent	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Other infrastructure- Parks & Ovals	Level 3	Current Replacement Cost	Management Valuation	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Other infrastructure	Level 3	Current 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.

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

FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements 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 prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

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

In respect of land under roads acquired on or after 1 July 2008, as detailed above, the then *Local Government (Financial Management) Regulation 16(a)(i)* prohibited 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 was not included as an asset of the Shire.

Land under roads from 1 July 2019

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

The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

Vested improvements from 1 July 2019

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

Refer to Note 10 that details the significant accounting policies applying to leases (including right of use assets).

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

9 FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and equipment	\$ 12,000	\$ 21,818	\$ 0	\$ 9,818	\$ 27,200	\$ 27,200	\$ 0	\$ 0	\$ 98,962	\$ 100,454	\$ 2,973	\$ (1,481)
	12,000	21,818	0	9,818	27,200	27,200	0	0	98,962	100,454	2,973	(1,481)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Other property and services				
Disposal of ISUZU Tip Truck	12,000	21,818	9,818	0
	12,000	21,818	9,818	0
	12,000	21,818	9,818	0

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

9 FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - specialised	130,028	81,392	129,654
Furniture and equipment	2,238	8,045	7,879
Plant and equipment	32,503	38,392	29,016
Infrastructure - roads	187,118	195,352	187,118
Other infrastructure- Footpaths	56,314	58,314	56,314
Other infrastructure- Drainage	15,607	15,607	15,607
Other infrastructure- Parks & Ovals	60,886	64,942	64,391
Other infrastructure	6,210	11,079	6,947
Right of use assets - plant and equipment	28,965	0	0
	519,869	473,123	496,926

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation pavement seal	not depreciated
- bituminous seals	40 years
- asphalt surfaces pavement	20 years
Footpaths & Dual Use Paths	25 years
Drainage	50 years
	70 years

Depreciation on revaluation

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

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

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

Amortisation

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

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

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

10. RIGHT OF USE ASSETS

(a) Right of Use Assets

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

	Right of use assets - plant and equipment \$	Right of use assets Total
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	55,343	55,343
Restated total equity at the beginning of the financial year		0
Additions	66,693	66,693
Depreciation (expense)	(28,965)	(28,965)
Carrying amount at 30 June 2020	93,071	93,071

(b) Cash outflow from leases

Interest expense on lease liabilities	6,488	6,488
Lease principal expense	30,616	30,616
Total cash outflow from leases	37,104	37,104

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

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

Right-of-use assets - valuation

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

Refer to Note 9 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

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11. REVALUATION SURPLUS

	2020 Opening Balance * Restated	Changes in Accounting Policy Note 26	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance * Restated	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance * Restated
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	7,120,860	0	63,061	0	63,061	7,183,921	7,058,424	62,436	0	62,436	7,120,860
Revaluation surplus - Land - vested in and under the control of Council	831,190	(831,190)	0	0	0	0	831,190	0	0	0	831,190
Revaluation surplus - Buildings - specialised	899,642	0	19,904	0	19,904	919,546	879,936	19,706	0	19,706	899,642
Revaluation surplus - Furniture and equipment	(89,907)	89,907	0	0	0	0	(89,907)	0	0	0	(89,907)
Revaluation surplus - Plant and equipment	(26,937)	26,937	0	0	0	0	(26,937)	0	0	0	(26,937)
Revaluation surplus - Infrastructure - roads	9,768,320	0	0	0	0	9,768,320	9,768,320	0	0	0	9,768,320
Revaluation surplus - Other infrastructure- Footpaths	1,940,281	0	0	(1,019,445)	(1,019,445)	920,836	1,940,281	0	0	0	1,940,281
Revaluation surplus - Other infrastructure- Drainage	418,528	0	0	0	0	418,528	418,528	0	0	0	418,528
Revaluation surplus - Other infrastructure- Parks & Ovals	(1,019,445)	0	0	1,019,445	1,019,445	0	(1,019,445)	0	0	0	(1,019,445)
Revaluation surplus - Other infrastructure	227,968	0	0	0	0	227,968	227,968	0	0	0	227,968
	20,070,500	(714,346)	82,965	0	82,965	19,439,119	19,988,358	82,142	0	82,142	20,070,500

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.

* Refer to Note 27 (a)

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Accrued salaries and wages
 ATO liabilities
 Bonds and deposits held
 Other payables - Building Levies

	2020	2019
	\$	\$
	381,188	344,410
	52,337	24,324
	26,591	12,682
	86,978	43,098
	1,971	2,421
	<u>549,065</u>	<u>426,935</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

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

Prepaid rates

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

13. LEASE LIABILITIES

(a) Lease Liabilities

	2020	2019
	\$	\$
Current	31,583	0
Non-current	65,237	0
	96,820	0

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020
					Lease Principal	Actual	Actual	Actual	Actual
					1 July 2019	New Leases	Lease Principal Repayments	Lease Principal Outstanding	Lease Interest Repayments
					\$	\$	\$	\$	\$
Governance									
Photocopier- Office		FUJI EXEROX	6.90%	60 Months	0	63,735	11,348	52,387	2,848
Photocopier- Library		FUJI EXEROX	6.90%	48Months	56,994	0	17,216	39,778	3,292
Folding Machine		NEOPOST	6.90%	36 Months	0	6,707	2,052	4,655	348
					56,994	70,442	30,616	96,820	6,488

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14. INFORMATION ON BORROWINGS

(a) Borrowings	2020	2019
	\$	\$
Current	32,212	29,645
Non-current	724,982	756,708
	<u>757,194</u>	<u>786,353</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020					30 June 2020					30 June 2019				
				Actual Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2019	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Recreation and culture																		
Library/ Community Centre		WATC		786,353	0	29,159	56,935	757,194	786,353	0	29,645	59,316	756,708	814,053		27,701	61,171	786,353
				<u>786,353</u>	<u>0</u>	<u>29,159</u>	<u>56,935</u>	<u>757,194</u>	<u>786,353</u>	<u>0</u>	<u>29,645</u>	<u>59,316</u>	<u>756,708</u>	<u>814,053</u>	<u>0</u>	<u>27,701</u>	<u>61,171</u>	<u>786,353</u>

* WA Treasury Corporation

All other loan repayments were financed by general purpose revenue.

SHIRE OF PEPPERMINT GROVE
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14. INFORMATION ON BORROWINGS (Continued)

	2020	2019
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Loan facilities		
Loan facilities - current	32,212	29,645
Loan facilities - non-current	724,982	756,708
Lease liabilities - current	31,583	0
Lease liabilities - non-current	65,237	0
Total facilities in use at balance date	854,014	786,353
Unused loan facilities at balance date	0	0

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 24.

15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2019			
Current provisions	128,164	94,053	222,217
Non-current provisions		3,443	3,443
	128,164	97,496	225,660
Additional provision	47,335	(37,065)	10,270
Balance at 30 June 2020	175,499	60,431	235,930
Comprises			
Current	175,499	40,770	216,269
Non-current		19,661	19,661
	175,499	60,431	235,930

	2020	2019
	\$	\$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	23,315	47,334
More than 12 months from reporting date	212,615	148,163
Expected reimbursements from other WA local governments		30,163
	235,930	225,660

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.

16. OTHER PROVISIONS

	Provision for
	<u>Legal Costs</u>
	\$
Opening balance at 1 July 2019	
Current provisions	140,000
Non-current provisions	<u>0</u>
	140,000
Amount Used	<u>(140,000) *</u>
Closing Balance as at the 30 June 2020	<u><u>0</u></u>

*This refers to legal costs discharged during the year

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:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	1,782,107	1,784,426	2,141,270

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	258,440	300,407	73,816
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss			(17,517)
Depreciation on non-current assets	519,869	473,123	496,926
(Profit)/loss on sale of asset	(9,818)	0	(1,492)
Share of profits of associates	17,909		22,746
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(251,244)	(30,000)	(38,821)
Increase/(decrease) in payables	122,862	(32,768)	249,419
Increase/(decrease) in provisions	(129,730)	22,545	144,836
Non-operating grants, subsidies and contributions	(331,264)	(357,684)	(184,167)
Other Comprehensive Income- Share of jointly controlled operations			(101,838)
Net cash from operating activities	197,024	375,623	643,908

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2020</u>	<u>2019</u>
	\$	\$
Governance	9,404,959	9,613,401
Community amenities	1,670,920	1,793,881
Recreation and culture	7,937,314	7,603,176
Transport	12,647,976	12,431,160
Other property and services	310,345	1,091,031
	<u>31,971,514</u>	<u>32,532,649</u>

19. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

	<u>2020</u>	<u>2019</u>
	\$	\$
	22,707	22,707
	<u>22,707</u>	<u>22,707</u>

(b) Operating Lease Commitments

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

Payable:

- not later than one year

- later than one year but not later than five years

- later than five years

	<u>2020</u>	<u>2019</u>
	\$	\$
	0	11,372
	0	17,074
	0	
	<u>0</u>	<u>28,446</u>

20. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President.			
Meeting fees	56,245	72,731	45,000
President's allowance	6,810	15,047	10,750
Deputy President's allowance	1,298	3,762	
	<u>64,353</u>	<u>91,540</u>	<u>55,750</u>

Key Management Personnel (KMP) Compensation Disclosure

	2020 Actual	2019 Actual
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	768,007	682,389
Post-employment benefits	105,657	102,384
Other long-term benefits	15,340	15,340
Termination benefits	46,335	22,920
	<u>935,339</u>	<u>823,033</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).

20. 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.

	2020 Actual	2019 Actual
The following transactions occurred with related parties:		
Town of Mosman Park	\$	\$
Contributions Received towards the Community Centre	(731,863)	(663,486)
Town of Cottesloe		
Contributions Received towards the Community Centre	(634,893)	(575,974)
Joint venture entities:		
Distributions received from joint venture entities	(17,908)	(22,746)
Amounts outstanding from related parties:		
Trade and other receivables	297,212	8,435
Amounts payable to related parties:		
Trade and other payables	36,779	10,296

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. Joint venture entities accounted for under the proportionate consolidation method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint venture entities, refer to Note 21

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21 INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

	<u>2020</u>	<u>2019</u>
	\$	\$
(a) Investment in associate		
<p>The Shire of Peppermint Grove, together with the Town of Cottesloe Claremont and Mosman Park & the City of Subiaco, have a joint venture arrangement for the provision of a waste transfer Station via the Western Metropolitan Regional Council. The Shire's interest in the joint venture as at the 30 June 2020 is 3.98% (2019: 3.98%) representing its share of the net assets of the Western Metropolitan Regional Council of \$3,644,354 (2019: \$4,094,518)</p>		
Current assets	79,337	96,042
Non current assets	91,792	89,415
Property, plant and equipment	171,129	185,457
Total assets		
Current liabilities	24,689	19,197
Trade and other payables	1,395	3,306
Employee related provisions	26,084	22,503
Net assets	<u>145,045</u>	<u>162,954</u>
- Share of associates profit/(loss) from ordinary activities	162,954	185,700
- Share of associates other comprehensive income arising during the period	(17,909)	-22,746
- Share of associates total comprehensive income arising during the period	145,045	162,954
Carrying amount at beginning of period		
- Share of associates total comprehensive income arising during the period		
Carrying amount at end of period		
Share of joint operations	<u>145,045</u>	<u>162,954</u>
	145,045	162,954

SHIRE OF PEPPERMINT GROVE
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21. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

2020

2019

(b) Joint Operations

The Shire has a 9.09 per cent interest in the Grove Library, which is involved in the provision of library services for the ratepayers of the Shire of Peppermint Grove, Town of Cottesloe and Town of Mosman Park. The voting rights of the Shire is 33.33 per cent. The principal place of business of the Grove Library is 1 Leake Street, Peppermint Grove, WA 6011.

The Shire's interests in the Gove Library are accounted for as a joint operation using the proportional consolidation method in the financial statements. Summarised financial information of the joint operation, based on its IFRS financial statements as of 30 June 2020 and the year then ended, and adjusted for the Shire's proportional interest (9.09%) is set out below:

Non-current assets		
Property, plant & equipment	1,204,772	1,186,743
Total assets	<u>1,204,772</u>	<u>1,186,743</u>
Current liabilities		
Trade and other payables	21,468	18,432
Employee related provisions	2,052	1,263
Current liabilities	<u>23,520</u>	<u>19,695</u>
Total liabilities	23,520	19,695
Net Assets	1,181,252	1,167,048
Accumulated surplus		
Total Equity	<u>1,181,252</u>	<u>1,167,048</u>
Statement of Comprehensive income		
Revenue		
Operating grants, subsidies and contributions	135,855	128,835
Fees and charges	4135	4745
Other revenue	316	1660
	<u>140,306</u>	<u>135,240</u>
Expenses		
Employee costs	(85,017)	(85,355)
Depreciation		
Materials and contracts	(32,660)	(35,396)
Utility charges	(5,437)	(5,683)
Insurance expenses	(3,648)	(2,367)
Other expenses	(6,617)	(6,439)
	<u>(133,379)</u>	<u>(135,240)</u>
Net result for the period	6,927	0
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in asset revaluation surplus	0	0
Total other comprehensive income for the period	6,927	0

Total comprehensive income for the period

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.

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22. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
Residential	0.078466	570	34,299,365	2,691,334	33,209	0	2,724,543	2,691,334	5,000	22,545	2,718,879	2,669,361
Commerical	0.078466	28	6,136,902	481,538	0	0	481,538	481,538	0	0	481,538	467,105
Clubs	0.078466	2	530,800	41,650	0	0	41,650	41,650	0	0	41,650	41,238
Sub-Total		600	40,967,067	3,214,522	33,209	0	3,247,731	3,214,522	5,000	22,545	3,242,067	3,177,704
Minimum payment	Minimum \$											
Gross rental valuations												
Residential	1,400	34	493,740	47,600	0	0	47,600	47,600	0	0	47,600	47,090
Commerical	1,400	15	160,550	21,000	0	0	21,000	21,000	0	0	21,000	20,775
Sub-Total		49	654,290	68,600	0	0	68,600	68,600	0	0	68,600	67,865
		649	41,621,357	3,283,122		0	3,316,331	3,283,122	5,000	22,545	3,310,667	3,245,569
Discounts (Note 22(b))							0				0	0
Total amount raised from general rate							3,316,331				3,310,667	3,245,569
Concessions (Note 22(b))							0				0	0
Totals							3,316,331				3,310,667	3,245,569

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

22. 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				
Single full payment	8/12/2019	15.00	3.00%	6.00%
Option Two				
First instalment	8/12/2019			
Second instalment	14/10/2019			
Option Three				
First instalment	8/12/2019			
Second instalment	14/10/2019			
Third instalment	16/12/2019			
Fourth instalment	17/02/2020			
		2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates		7,188	10,000	6,011
Interest on instalment plan		9,275	4,100	10,153
Charges on instalment plan		2,385	2,800	2,731
		18,848	16,900	18,895

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23. RATE SETTING STATEMENT INFORMATION

Note	2019/20	2019/20	2019/20	2018/19		
	(30 June 2020 Carried Forward) \$	Budget (30 June 2020 Carried Forward) \$	(1 July 2019 Brought Forward) \$	(30 June 2019 Carried Forward) \$		
(a) Non-cash amounts excluded from operating activities						
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .						
Adjustments to operating activities						
	Less: Profit on asset disposals	9(a)	(9,818)	0	(2,972)	(2,972)
	Less: Movement in liabilities associated with restricted cash			(42,035)		
	Less: Movement in lease rent receivable		(33,558)		(33,388)	(33,388)
	Less: Fair value adjustments to financial assets at fair value through profit and loss		0		(17,517)	
	Less: Share of net profit of associates and joint ventures accounted for using the equity method		17,909	0	22,746	
	Less: Share of Joint arrangements				(101,838)	
	Movement in investment property (non-current)	11	0	0	0	0
	Movement in pensioner deferred rates (non-current)		0			
	Movement in employee benefit provisions (non-current)		16,218		(28,602)	(28,602)
	Add: Loss on disposal of assets	9(a)	0	0	1,480	1,480
	Add: Loss on revaluation of fixed assets	8(a)	0	0	0	0
	Add: Depreciation on non-current assets	9(b)	519,869	473,123	496,926	496,926
	Non cash amounts excluded from operating activities		510,620	431,088	336,835	433,444
(b) Surplus/(deficit) after imposition of general rates						
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates. <i>Note: adjustment to employee leave provisions related to Library services processed in 2020 financial year.</i>						
Adjustments to net current assets						
	Less: Reserves - cash backed	5(a)	0	0	0	0
	Less: Financial assets at amortised cost - self supporting loans	4	(1,163,877)	(1,184,953)	(1,331,817)	(1,331,817)
	Less: Current assets not expected to be received at end of year	6			(124,007)	
	- Land held for resale					
	Less Unspent Grants					
	Less Building Levies Payable					
	Add: Current liabilities not expected to be cleared at end of year					
	- Current portion of borrowings	14(a)	32,212	32,212	29,645	29,645
	- Current portion of contract liability held in reserve	13		106,324		
	- Leave Provisions reserve		105,816		129,752	
	- Current portion of lease liabilities		31,583			
	- Employee benefit provisions					
	Total adjustments to net current assets		(994,266)	(1,170,424)	(1,172,420)	(1,302,172)
Net current assets used in the Rate Setting Statement						
	Total current assets		2,104,816	1,716,417	2,246,293	2,246,293
	Less: Total current liabilities		(829,127)	(511,858)	(944,804)	(818,797)
	Less: Total adjustments to net current assets		(994,266)	(1,170,424)	(1,172,420)	(1,302,172)
(c) Net current assets used in the Rate Setting Statement						
			281,423	34,135	129,069	125,324

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

Total current liabilities at 30 June 2019

- Contract liabilities from contracts with customers

(818,797)
(126,007)

24. 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 debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

Financial risk management is carried out by the finance area under policies approved by 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 not relied upon, and 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
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.90%	1,782,107	1,163,877	618,230	0
2019					
Cash and cash equivalents	1.87%	2,141,270	1,331,817	754,009	55,444

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	6,182	7,570

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise of 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 rate payers to pay rates by the due date by charging overdue penalties if not paid.

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 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors 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 according 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 2020 and 1 July 2019 (on adoption of AASB 9) was considered to be insignificant receivable. No expected credit loss was forecast 1 July 2019 to 30 June 2020 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 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	20,856	(482)			20,374
Loss allowance					0
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	29,651	54			29,705
Loss allowance					0

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	61,807	233,296		7,228	302,331
Loss allowance					0
30 June 2019					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	29,393	4,316		2,875	36,584
Loss allowance					0

24. 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 14(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
	\$	\$	\$	\$	\$
2020					
Payables	522,474			522,474	549,065
Borrowings	32,212	304,442	420,540	757,194	757,194
Contract liabilities				0	0
Lease liabilities				0	96,820
	554,686	304,442	420,540	1,279,668	1,403,079
2019					
Payables	426,934			426,934	426,935
Borrowings	83,400	333,600	875,700	1,292,700	786,353
	510,334	333,600	875,700	1,719,634	1,213,288

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25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

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

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
Contract liabilities - current				
Contract liabilities from contracts with customers	26(b)	0	126,007	126,007
Adjustment to retained surplus from adoption of AASB 15		0	126,007	126,007

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

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

There were no uncompleted contracts or funds previously recognised as revenue, applicable under AASB 1058, at the date of initial application (1 July 2019).

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

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

	Note	2020 \$ As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Non-operating grants, subsidies and contributions	2(a)	331,264	(126,007)	205,257
Net result		258,440	(126,007)	132,433
Statement of Changes in Equity				
Net result		258,440	(126,007)	132,433
Retained surplus		9,729,511	(126,007)	9,603,504

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

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(c) AASB 16: Leases

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

	<u>Note</u>	<u>2020</u>
		\$
Operating lease commitments at 30 June 2019 applying AAS 117		28,446
Discount applied using incremental borrowing rate		28,548
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate of 6.9%	13(b)	<u>56,994</u>
Right-of-use assets recognised at 1 July 2019	10	<u>55,343</u>

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.

(d) Impact of New Accounting Standards on Retained Surplus

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

	<u>Note</u>	<u>Adjustments</u>	<u>2019</u>
			\$
Retained surplus - 30 June 2019			9,551,384
Adjustment to retained surplus from adoption of AASB 15	25(a)	(126,007)	
Adjustment to retained surplus from adoption of AASB 16	25	(5,402)	
Adjustment to retained surplus from adoption of the new accounting standards	25(b)	0	<u>(131,409)</u>
Retained surplus - 1 July 2019			9,419,975

26 CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the City was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	3	15,784,239	(831,190)	14,953,049
Revaluation surplus	11	20,070,500	(714,346)	19,356,154
Retained Earnings		9,419,976	(116,844)	9,303,132

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

(b) Impact of New Accounting Standards and changes in Accounting Policy on Retained Surplus

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			9,551,384
Adjustment to retained surplus from adoption of AASB 15		(126,007)	
Adjustment to retained surplus from adoption of AASB 16		(5,401)	
Adjustment to retained surplus from deletion of FM Reg 16	26(a)	(116,844)	
Adjustment to retained surplus from deletion of FM Reg 17	26(a)	0	(248,252)
Revaluation surplus - 1 July 2019			9,303,132

27 CORRECTION OF ERROR

- (a) During the year, the Shire identified land and building assets which were incorrectly not recognised in prior years. The Shire with another 3 local government entities (LGE) – Claremont, Cottesloe and Mosman Park, are the registered proprietor (25% proprietorship each) of the Land (Lot 555) and buildings known as Wearne Hostel (“the Property”) since 27 June 2008. The misstatement has been corrected and the assets are now reported in accordance with the Australian Accounting Standards and Local Government (Financial Management) Regulations 1996 which require these assets to be included at fair value.

The correction increased the opening balance of property, plant and equipment and revaluation reserve by \$8.2 million for the year ended 30 June 2019 compared to the balances previously reported. As a result of this adjustment, the closing balance of these accounts for the year ended 30 June 2019 have also increased compared to the balances previously reported.

Statement of Financial Position (Extract)	30 June 2019	Increase/ (Decrease)	30 June 2019 (Restated)	30 June 2018	Increase/ (Decrease)	01 July 2018 (Restated)
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	7,537,088	8,247,152	15,784,239	7,613,483	8,214,268	15,827,752
Net assets	22,706,551	8,247,150	30,953,701	22,685,312	8,214,268	30,899,581
Revaluation Surplus	11,774,090	8,296,410	20,070,500	11,774,090	8,214,268	19,988,358
Retained earnings	9,600,644	(49,259)	9,551,384	9,699,216		9,699,216
Total equity	22,706,551	8,247,151	30,953,701	22,685,312	8,214,268	30,899,581

Statement of Comprehensive Income (Extract)

Depreciation on non-current assets	447,664	49,259	496,923
Net Result for the period	123,075	(49,259)	73,816

- (b) During the year, the Shire identified that it had incorrectly recognised the entire revenue and expenses relating to a joint operation with two other local government entities (Town of Cottesloe and Town of Mosman Park) for managing the library and community centre buildings in Peppermint Grove. The misstatement has been corrected and the Shire’s portion of revenue and expenses are now reported in accordance with AASB 11 Joint Arrangements.

The correction resulted in a decrease of revenue by \$1.18 million, decrease of expenditure by \$1.23 million and the increase in net result by \$102k for the year ended 30 June 2019 compared to the balances previously reported

Statement of Comprehensive Income (Extract)	Note	30 June 2019	Increase/ (Decrease)	Increase/ 30 June 2019 (Restated)
Revenue				
Rates		3,245,569		3,245,569
Operating grants, subsidies and contributions		1,353,451	(1,115,814)	237,637
Fees and charges		280,570	(47,446)	233,124
Interest earnings		79,921		79,921
Other Revenue		55,762	(16,600)	39,162
Expenses				
Employee costs		(2,269,409)	854,555	(1,414,854)
Materials and contracts		(2,116,028)	353,094	(1,762,934)
Utility charges		(123,955)	56,827	(67,128)
Depreciation		(447,664)	(49,268)	(496,932)
Insurance expenses		(94,309)	23,671	(70,638)
Interest expense		(61,171)	0	(61,171)
Other expenditure		(61,930)	(6,440)	(68,370)
Non operating income		180,430		180,430
Net result for the period		21,237	52,579	73,816
Depreciation adjustment	27 (a)	0	49,259	49,259
		21,237	101,838	123,075

Statement of Financial Position (Extract)

Retained Earnings 1 July 2018	9,699,216		9,699,216
Net result for the period	21,237	101,838	123,075
* Share of Jointly Controlled Operation		(101,838)	(101,838)
Transfer from reserves	(119,811)		(119,811)
Retained Earnings 30 July 2019	9,600,642	-	9,600,642

* The Library operates on a cost recovery basis therefore the surplus of \$101,838 arising due to the above adjustment for 2018/19 is adjusted to retained surplus

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28 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.

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

29. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

ACTIVITIES

GOVERNANCE

To provide a decision-making process for the efficient allocation of scarce resources.

Administration and operation of facilities and services to Members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers.

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

Rates, general purpose government grants and interest revenue. Costs associated with raising of rates and other funding activities.

LAW, ORDER, PUBLIC SAFETY

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

Supervision of various local laws, fire prevention, emergency services and animal control.

HEALTH

To provide an operational framework for environmental and community health.

Maternal and infant health, immunisation control, health inspections, pest control and preventative services.

EDUCATION AND WELFARE

To provide services to disadvantaged persons, the elderly, children and youth.

Contribution towards the operations of a community services provider, Aged Persons Support Service, community centre and other voluntary services.

COMMUNITY AMENITIES

To provide services to the community.

Rubbish collection and recycling services, administration of the Town Planning Scheme, maintenance of bus shelters.

RECREATION AND CULTURE

To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.

Maintenance of parks and reserves. Administration of the library and community centre that services the Cottesloe, Mosman Park and Peppermint Grove localities.

TRANSPORT

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

Construction and maintenance of roads, drainage works, footpaths, parking facilities and traffic signs. Cleaning of streets and maintaining street verges and street trees.

ECONOMIC SERVICES

To help promote the Shire and its economic wellbeing.

Implementation of building controls.

OTHER PROPERTY AND SERVICES

To monitor and control Council's overhead operating accounts.

Plant operation and public works overhead costs.

30. FINANCIAL RATIOS

	2020 Actual	2019 Actual Restated	2018 Actual Restated
Current ratio	1.18	1.11	1.69
Asset consumption ratio	0.97	0.98	0.99
Asset renewal funding ratio	1.69	0.98	0.71
Asset sustainability ratio	1.35	0.12	0.72
Debt service cover ratio	5.93	5.04	6.31
Operating surplus ratio	(0.02)	(0.03)	0.02
Own source revenue coverage ratio	0.93	0.91	0.73

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