

SHIRE OF SERPENTINE JARRAHDALÉ
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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Principal place of business:
6 Paterson Street
Mundijong WA 6123

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

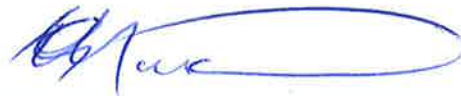
Signed on the

15

day of

November

2019



Paul Martin
Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	23(a)	23,169,149	23,332,715	21,048,793
Operating grants, subsidies and contributions	2(a)	3,659,699	3,371,490	3,630,698
Fees and charges	2(a)	6,311,762	6,216,349	6,184,900
Interest earnings	2(a)	1,118,182	779,000	941,738
Other revenue	2(a)	601,092	694,568	832,322
		<u>34,859,884</u>	<u>34,394,122</u>	<u>32,638,451</u>
Expenses				
Employee costs		(14,784,468)	(15,785,404)	(13,915,741)
Materials and contracts		(10,958,191)	(12,744,627)	(12,855,250)
Utility charges		(976,149)	(1,008,390)	(974,300)
Depreciation on non-current assets	11(c)	(7,877,094)	(6,339,545)	(6,306,178)
Interest expenses	2(b)	(142,125)	(160,000)	(79,796)
Insurance expenses		(413,578)	(431,079)	(421,982)
Other expenditure		(1,124,811)	(1,146,535)	(910,769)
		<u>(36,276,416)</u>	<u>(37,615,580)</u>	<u>(35,464,016)</u>
		(1,416,532)	(3,221,458)	(2,825,565)
Non-operating grants, subsidies and contributions	2(a)	13,592,873	7,474,171	4,325,601
Profit on asset disposals	11(a)	7,765	0	4,305
(Loss) on asset disposals	11(a)	(161,357)	(175,200)	(58,915)
Fair value adjustments to financial assets at fair value through profit or loss	8	41,901	0	0
		<u>13,481,182</u>	<u>7,298,971</u>	<u>4,270,991</u>
		12,064,650	4,077,513	1,445,426
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	137,784,277
Changes on subsequent measurement of available for sale financial assets.		0	0	(5,040)
Re-classification to profit or loss due to application of AASB 9		14,340	0	0
Total other comprehensive income for the period		14,340	0	137,779,237
Total comprehensive income for the period		12,078,990	4,077,513	139,224,663

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		0	0	160
General purpose funding		27,401,237	26,996,415	24,964,669
Law, order, public safety		614,470	633,590	704,875
Health		187,595	197,650	160,286
Education and welfare		1,455	500	8,190
Community amenities		4,984,285	4,929,799	4,870,964
Recreation and culture		617,231	368,768	625,392
Transport		400,129	325,000	314,266
Economic services		626,259	671,900	647,253
Other property and services		27,223	270,500	342,396
		<u>34,859,884</u>	<u>34,394,122</u>	<u>32,638,451</u>
Expenses				
	2(b)			
Governance		(2,167,430)	(2,518,663)	(1,639,257)
General purpose funding		(717,631)	(662,952)	(741,428)
Law, order, public safety		(3,450,665)	(3,099,495)	(2,634,866)
Health		(842,538)	(1,016,299)	(980,947)
Education and welfare		(31,747)	(38,859)	(41,295)
Community amenities		(8,364,567)	(9,110,173)	(9,497,891)
Recreation and culture		(9,311,826)	(9,416,154)	(8,459,051)
Transport		(8,900,205)	(8,712,886)	(8,530,847)
Economic services		(2,303,809)	(2,535,676)	(2,495,962)
Other property and services		(43,873)	(344,423)	(362,676)
		<u>(36,134,291)</u>	<u>(37,455,580)</u>	<u>(35,384,220)</u>
Finance Costs				
	2(b)			
Governance		(31,328)	(27,000)	(34,098)
Recreation and culture		(13,837)	(23,000)	(35,064)
Transport		(96,960)	(110,000)	(10,634)
		<u>(142,125)</u>	<u>(160,000)</u>	<u>(79,796)</u>
		<u>(1,416,532)</u>	<u>(3,221,458)</u>	<u>(2,825,565)</u>
Non-operating grants, subsidies and contributions	2(a)	13,592,873	7,474,171	4,325,601
Profit on disposal of assets	11(a)	7,765	0	4,305
(Loss) on disposal of assets	11(a)	(161,357)	(175,200)	(58,915)
Fair value adjustments to financial assets at fair value through profit or loss	8	41,901	0	0
		<u>13,481,182</u>	<u>7,298,971</u>	<u>4,270,991</u>
Net result for the period		12,064,650	4,077,513	1,445,426
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	137,784,277
Changes on subsequent measurement of available for sale financial assets.		0	0	(5,040)
Re-classification to profit or loss due to application of AASB 9		14,340	0	0
Total other comprehensive income for the period		14,340	0	137,779,237
Total comprehensive income for the period		12,078,990	4,077,513	139,224,663

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

SHIRE OF SERPENTINE JARRAHDAL
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	18,423,980	21,775,333
Trade receivables	5	4,099,302	2,813,513
Other financial assets	8	3,781,288	0
Inventories	6	34,886	26,947
Other assets	7	75,085	43,562
TOTAL CURRENT ASSETS		26,414,541	24,659,355
NON-CURRENT ASSETS			
Trade receivables	5	164,590	149,504
Other financial assets	8	74,126	17,885
Property, plant and equipment	9	43,287,858	42,265,943
Infrastructure	10	373,367,371	358,609,486
Investment property	13	747,182	747,182
TOTAL NON-CURRENT ASSETS		417,641,127	401,790,000
TOTAL ASSETS		444,055,668	426,449,355
CURRENT LIABILITIES			
Trade and other payables	14	5,241,468	2,394,066
Borrowings	15	3,493,339	668,942
Employee related provisions	16	1,697,805	1,703,605
TOTAL CURRENT LIABILITIES		10,432,612	4,766,613
NON-CURRENT LIABILITIES			
Borrowings	15	2,687,415	3,048,421
Employee related provisions	16	468,578	246,248
TOTAL NON-CURRENT LIABILITIES		3,155,993	3,294,669
TOTAL LIABILITIES		13,588,605	8,061,282
NET ASSETS		430,467,063	418,388,073
EQUITY			
Retained surplus		112,657,036	95,912,567
Reserves - cash/investment backed	4	12,543,618	17,223,437
Revaluation surplus	12	305,266,409	305,266,409
Financial assets revaluation surplus		0	(14,340)
TOTAL EQUITY		430,467,063	418,388,073

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

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

	NOTE	RETAINED SURPLUS	RESERVES CASH/INVESTMENT BACKED	REVALUATION SURPLUS	FINANCIAL ASSETS REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$		\$
Balance as at 1 July 2017		92,336,281	19,354,297	167,482,132	(9,300)	279,163,410
Comprehensive income						
Net result for the period		1,445,426	0	0		1,445,426
Changes on revaluation of assets					(5,040)	(5,040)
Other comprehensive income	12	0	0	137,784,277		137,784,277
Total comprehensive income		1,445,426	0	137,784,277	(5,040)	139,224,663
Transfers from/(to) reserves		2,130,860	(2,130,860)	0		0
Balance as at 30 June 2018		95,912,567	17,223,437	305,266,409	(14,340)	418,388,073
Comprehensive income						
Net result for the period		12,064,650	0	0	0	12,064,650
Re-classification to profit or loss due to application of AASB 9		0	0	0	14,340	14,340
Other comprehensive income	12	0	0	0	0	0
Total comprehensive income		12,064,650	0	0	14,340	12,078,990
Transfers from/(to) reserves		4,679,819	(4,679,819)	0	0	0
Balance as at 30 June 2019		112,657,036	12,543,618	305,266,409	0	430,467,063

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		23,215,953	23,582,715	20,779,682
Operating grants, subsidies and contributions		3,177,537	3,371,492	3,619,996
Fees and charges		6,311,762	6,216,349	6,184,900
Interest received		1,118,182	779,000	941,738
Goods and services tax received		1,719,161	12,500	2,505,522
Other revenue		601,092	694,568	832,322
		<u>36,143,687</u>	<u>34,656,624</u>	<u>34,864,160</u>
Payments				
Employee costs		(14,567,938)	(15,760,404)	(14,144,842)
Materials and contracts		(8,741,141)	(12,744,127)	(13,156,288)
Utility charges		(976,149)	(1,008,390)	(974,300)
Interest expenses		(139,322)	(159,700)	(69,329)
Insurance paid		(413,578)	(431,079)	(421,982)
Goods and services tax paid		(1,996,591)	0	(2,526,088)
Other expenditure		(1,124,811)	(1,146,535)	(910,769)
		<u>(27,959,530)</u>	<u>(31,250,235)</u>	<u>(32,203,598)</u>
Net cash provided by (used in) operating activities	17	<u>8,184,157</u>	<u>3,406,389</u>	<u>2,660,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,144,607)	(3,175,642)	(1,992,041)
Payments for construction of infrastructure		(13,600,520)	(18,116,105)	(9,584,144)
Payments for investment property		0	0	(747,182)
Payments for purchase of financial assets		(3,781,288)	0	0
Non-operating grants, subsidies and contributions		6,092,765	7,474,171	4,325,601
Proceeds from sale of property, plant & equipment		434,749	353,400	169,786
Net cash provided by (used in) investment activities		<u>(13,998,901)</u>	<u>(13,464,176)</u>	<u>(7,827,980)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(510,609)	(652,000)	(408,519)
Proceeds from new borrowings		2,974,000	2,974,000	2,761,924
Net cash provided by (used in) financing activities		<u>2,463,391</u>	<u>2,322,000</u>	<u>2,353,405</u>
Net increase (decrease) in cash held		<u>(3,351,353)</u>	<u>(7,735,787)</u>	<u>(2,814,013)</u>
Cash at beginning of year		21,775,333	20,522,167	24,589,346
Cash and cash equivalents at the end of the year	17	<u><u>18,423,980</u></u>	<u><u>12,786,380</u></u>	<u><u>21,775,333</u></u>

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

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

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	24 (b)	1,126,999	441,441	3,105,535
		1,126,999	441,441	3,105,535
Revenue from operating activities (excluding rates)				
Governance		5,818	0	160
General purpose funding		4,273,989	3,663,700	3,915,876
Law, order, public safety		614,470	633,590	704,875
Health		187,595	197,650	160,286
Education and welfare		1,455	500	8,190
Community amenities		4,986,048	4,929,799	4,870,964
Recreation and culture		617,231	368,768	625,392
Transport		400,129	325,000	316,057
Economic services		626,441	671,900	647,253
Other property and services		27,223	270,500	344,910
		11,740,399	11,061,407	11,593,963
Expenditure from operating activities				
Governance		(2,199,250)	(2,545,663)	(1,673,355)
General purpose funding		(717,631)	(662,952)	(741,428)
Law, order, public safety		(3,463,104)	(3,130,345)	(2,654,004)
Health		(846,938)	(1,016,299)	(980,947)
Education and welfare		(31,747)	(38,859)	(41,295)
Community amenities		(8,373,483)	(9,138,673)	(9,497,891)
Recreation and culture		(9,348,719)	(9,439,154)	(8,494,115)
Transport		(9,018,552)	(8,849,236)	(8,570,733)
Economic services		(2,320,001)	(2,548,326)	(2,495,962)
Other property and services		(118,346)	(421,273)	(373,202)
		(36,437,771)	(37,790,780)	(35,522,932)
Non-cash amounts excluded from operating activities	24(a)	8,185,379	6,514,745	6,386,861
Amount attributable to operating activities		(15,384,994)	(19,773,187)	(14,436,573)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		13,592,873	7,474,171	4,325,601
Proceeds from disposal of assets	11(a)	434,749	353,400	169,786
Purchase of property, plant and equipment	9(a)	(3,144,607)	(3,175,642)	(1,992,041)
Purchase and construction of infrastructure	10(a)	(21,100,628)	(18,116,105)	(9,584,144)
Purchase of investment property	13	0	0	(747,182)
Amount attributable to investing activities		(10,217,613)	(13,464,176)	(7,827,980)
FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(510,609)	(652,000)	(408,519)
Proceeds from borrowings	15(b)	2,974,000	2,974,000	2,761,924
Increase/(decrease) in financial assets & revaluation surplus		14,340	0	(5,040)
Transfers to reserves (restricted assets)	4	(2,323,704)	(2,394,668)	(4,893,992)
Transfers from reserves (restricted assets)	4	7,003,523	9,977,316	7,024,852
Transfers to restricted cash		(2,516,194)	0	(2,145,924)
Transfers from restricted cash		2,143,516	0	9,458
Amount attributable to financing activities		6,784,872	9,904,648	2,342,759
Surplus/(deficit) before imposition of general rates		(18,817,734)	(23,332,715)	(19,921,794)
Total amount raised from general rates	23	23,169,149	23,332,715	21,048,793
Surplus/(deficit) after imposition of general rates	24(b)	4,351,415	0	1,126,999

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

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 26 to these financial statements.

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
General purpose funding	2,630,133	2,559,000	2,572,362
Law, order, public safety	399,930	513,490	530,081
Education and welfare	0	0	7,379
Recreation and culture	356,330	150,000	361,027
Transport	263,384	140,000	150,881
Economic services	9,922	9,000	8,968
	<u>3,659,699</u>	<u>3,371,490</u>	<u>3,630,698</u>
Non-operating grants, subsidies and contributions			
Law, order, public safety	481,278	90,000	431,382
Community amenities	2,612,241	0	112,273
Recreation and culture	3,972,200	1,200,000	50,000
Transport	6,527,154	6,184,171	3,731,946
	<u>13,592,873</u>	<u>7,474,171</u>	<u>4,325,601</u>
Total grants, subsidies and contributions	<u>17,252,572</u>	<u>10,845,661</u>	<u>7,956,299</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 22. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Significant revenue			
Non-operating Grants, Subsidies & Contributions - Contributed Assets	7,500,108	0	0
Other revenue			
Reimbursements and recoveries	565,245	692,000	831,162
Other	35,847	2,568	1,160
	<u>601,092</u>	<u>694,568</u>	<u>832,322</u>
Fees and Charges			
General purpose funding	188,414	195,700	195,343
Law, order, public safety	211,787	119,600	173,729
Health	70,465	72,650	72,809
Education and welfare	1,455	500	811
Community amenities	4,984,283	4,929,799	4,870,964
Recreation and culture	108,745	59,700	71,777
Transport	136,536	185,000	162,455
Economic services	604,000	652,900	622,989
Other property and services	6,077	500	14,023
	<u>6,311,762</u>	<u>6,216,349</u>	<u>6,184,900</u>

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

Interest earnings

Reserve accounts interest	395,116	268,000	389,827
Rates instalment and penalty interest (refer Note 23(c))	512,957	305,000	380,408
Other interest earnings	210,109	206,000	171,503
	<u>1,118,182</u>	<u>779,000</u>	<u>941,738</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	50,000	42,000	21,146
- Other services	8,752	12,500	26,689
	58,752	54,500	47,835
Interest expenses (finance costs)			
Borrowings (refer Note 15(b))	142,125	160,000	79,796
	142,125	160,000	79,796
Rental charges			
- Operating leases	679,693	437,655	882,665
	679,693	437,655	882,665

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		18,423,980	21,775,333
Financial assets at amortised cost (term deposits)	8 (a)	3,781,288	0
		<u>22,205,268</u>	<u>21,775,333</u>
Comprises:			
- Unrestricted cash and cash equivalents		5,870,853	2,340,648
- Restricted cash and cash equivalents		16,334,415	19,434,685
		<u>22,205,268</u>	<u>21,775,333</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Reserves cash backed - Administration Building	4	507,604	135,201
Reserves cash backed - Briggs Park	4	93,012	156,097
Reserves cash backed - Building Asset Management	4	780,739	841,034
Reserves cash backed - Byford BMX Track	4	264,352	273,005
Reserves cash backed - Byford Developer Contribution Fund	4	3,781,662	7,035,646
Reserves cash backed - Car Parking	4	88,903	87,273
Reserves cash backed - Committed Works	4	13,059	81,017
Reserves cash backed - Community Facilities	4	515	283,227
Reserves cash backed - Community Grants	4	343,448	425,399
Reserves cash backed - Community Infrastructure	4	509,336	0
Reserves cash backed - Drainage Asset Management	4	158,323	285,138
Reserves cash backed - Emergency Management Fund	4	259,293	254,540
Reserves cash backed - Fire Asset Management	4	6,472	28,307
Reserves cash backed - Footpaths Asset Management	4	41,641	40,878
Reserves cash backed - Investment	4	676,818	664,229
Reserves cash backed - Jarrahdale Communications Tower	4	195,503	179,662
Reserves cash backed - Jarrahdale Community Infrastructure	4	50,934	50,000
Reserves cash backed - Leave	4	0	315,607
Reserves cash backed - Light Fleet & Plant Acquisition	4	499,121	1,271,515
Reserves cash backed - Local Government Election	4	21,392	0
Reserves cash backed - Miscellaneous Developer Contribution	4	983,000	955,321
Reserves cash backed - Multi Use Trails	4	18,097	17,765
Reserves cash backed - Mundijong Whitby Shire Contribution	4	205,584	201,816
Reserves cash backed - Parks & Gardens Asset Management	4	150,793	199,558
Reserves cash backed - Public Art	4	77,327	17,500
Reserves cash backed - Rates Revaluation	4	21,392	0
Reserves cash backed - Renewable Energy	4	33,769	33,150
Reserves cash backed - Road Asset Management	4	221,343	776,987
Reserves cash backed - Serpentine Jarrahdale Locality Funding	4	27,783	27,274
Reserves cash backed - Serpentine Jarrahdale Sporting Precinct	4	319,763	392,838
Reserves cash backed - Tourism	4	12,474	14,373
Reserves cash backed - Waste	4	2,158,616	2,161,220
		<u>12,522,068</u>	<u>17,205,577</u>
Other restricted cash and cash equivalents			
Unspent grants/contributions	22	248,649	1,711,371
Unspent loans	15(d)	2,353,136	517,737
Bonds and deposits held	14 & 26	1,210,562	0
Total restricted cash and cash equivalents		<u>16,334,415</u>	<u>19,434,685</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH/INVESTMENT BACKED	2019	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Administration Building	135,201	423,922	(51,519)	507,604	124,611	322,134	(445,000)	1,745	296,173	5,378	(166,350)	135,201
(b) Reserves cash backed - Briggs Park	156,097	2,915	(66,000)	93,012	65,936	977	(66,000)	913	162,431	2,950	(9,284)	156,097
(c) Reserves cash backed - Building Asset Management	841,034	15,704	(75,999)	780,739	903,466	17,518	(218,000)	702,984	851,167	205,680	(215,813)	841,034
(d) Reserves cash backed - Byford BMX Track	273,005	5,097	(13,750)	264,352	251,478	3,728	0	255,206	330,595	6,003	(63,593)	273,005
(e) Reserves cash backed - Byford Developer Contribution Fund	7,035,646	320,971	(3,574,955)	3,781,662	7,228,012	107,160	(4,840,675)	2,494,497	7,480,763	314,845	(759,962)	7,035,646
(f) Reserves cash backed - Byford Locality Funding	0	0	0	0	0	0	0	0	33,505	0	(33,505)	0
(g) Reserves cash backed - Car Parking	87,273	1,630	0	88,903	87,273	0	0	87,273	0	87,273	0	87,273
(h) Reserves cash backed - Committed Works	81,017	1,513	(69,471)	13,059	81,018	0	(81,018)	0	1,212,470	0	(1,131,453)	81,017
(i) Reserves cash backed - Community Facilities	283,227	5,288	(288,000)	515	284,178	4,213	(288,000)	391	278,176	5,051	0	283,227
(j) Reserves cash backed - Community Grants	425,399	7,943	(89,894)	343,448	429,943	6,374	(194,000)	242,317	0	523,482	(98,083)	425,399
(k) Reserves cash backed - Community Infrastructure	0	509,336	0	509,336	0	500,000	0	500,000	0	0	0	0
(l) Reserves cash backed - Drainage Asset Management	285,138	5,324	(132,139)	158,323	254,105	3,767	(195,000)	62,872	0	450,000	(164,862)	285,138
(m) Reserves cash backed - Emergency Management Fund	254,540	4,753	0	259,293	255,395	3,786	0	259,181	250,000	4,540	0	254,540
(n) Reserves cash backed - Fire Asset Management	28,307	529	(22,364)	6,472	30,790	456	(26,000)	5,246	0	46,652	(18,345)	28,307
(o) Reserves cash backed - Footpaths Asset Management	40,878	763	0	41,641	0	0	0	0	(1)	140,800	(99,921)	40,878
(p) Reserves cash backed - Investment	674,229	12,589	0	686,818	675,690	10,017	(150,000)	535,707	661,419	12,810	0	674,229
(q) Reserves cash backed - Jarrahdale Communications Tower	179,662	58,510	(42,669)	195,503	172,285	55,554	(49,494)	178,345	157,358	64,852	(42,548)	179,662
(r) Reserves cash backed - Jarrahdale Community Infrastructure	50,000	934	0	50,934	50,000	741	0	50,741	0	50,000	0	50,000
(s) Reserves cash backed - Jarrahdale Locality Funding	0	0	0	0	0	0	0	0	96,455	0	(96,455)	0
(t) Reserves cash backed - Keysbrook Locality Funding	0	0	0	0	0	0	0	0	63,461	0	(63,461)	0
(u) Reserves cash backed - Leave	315,607	0	(315,607)	0	316,667	0	(316,667)	0	309,978	5,629	0	315,607
(v) Reserves cash backed - Light Fleet & Plant Acquisition	1,271,515	623,741	(1,396,135)	499,121	1,083,099	616,057	(1,465,400)	233,756	1,023,081	486,646	(238,212)	1,271,515
(w) Reserves cash backed - Local Government Election	0	21,392	0	21,392	0	21,000	0	21,000	0	0	0	0
(x) Reserves cash backed - Miscellaneous Developer Contribution	955,321	27,679	0	983,000	927,917	13,756	0	941,673	1,150,683	46,510	(241,872)	955,321
(y) Reserves cash backed - Multi Use Trails	17,765	332	0	18,097	17,824	264	0	18,088	17,448	317	0	17,765
(z) Reserves cash backed - Mundijong Locality Funding	0	0	0	0	0	0	0	0	93,915	0	(93,915)	0
(aa) Reserves cash backed - Mundijong Whitby Shire Contribution	201,816	3,768	0	205,584	202,158	2,997	0	205,155	100,000	101,816	0	201,816
(ab) Reserves cash backed - Oakford Locality Funding	0	0	0	0	0	0	0	0	128,530	0	(128,530)	0
(ac) Reserves cash backed - Parks & Gardens Asset Management	199,558	43,726	(92,491)	150,793	113,546	41,683	(113,000)	42,229	65,630	226,792	(92,864)	199,558
(ad) Reserves cash backed - Polocrosse Grounds Redevelopment	0	80,410	(80,410)	0	0	75,000	(75,000)	0	0	0	0	0
(ae) Reserves cash backed - Public Art	17,500	59,827	0	77,327	17,500	259	0	17,759	0	17,500	0	17,500
(af) Reserves cash backed - Rates Revaluation	0	21,392	0	21,392	0	21,000	0	21,000	0	0	0	0
(ag) Reserves cash backed - Renewable Energy	33,150	619	0	33,769	33,261	493	0	33,754	32,559	591	0	33,150
(ah) Reserves cash backed - Road Asset Management	776,987	14,508	(570,152)	221,343	1,058,433	15,691	(486,114)	588,010	365,728	2,040,661	(1,629,402)	776,987
(ai) Reserves cash backed - Serpentine Jarrahdale Locality Funding	27,274	509	0	27,783	27,365	406	0	27,771	26,788	486	0	27,274
(aj) Reserves cash backed - Serpentine Jarrahdale Sporting Precinct	392,838	5,935	(79,010)	319,763	394,156	5,843	(75,000)	324,999	385,832	7,006	0	392,838
(ak) Reserves cash backed - Serpentine Locality Funding	0	0	0	0	0	0	0	0	100,572	0	(100,572)	0
(al) Reserves cash backed - Tourism	22,233	1,791	0	24,024	0	0	0	0	21,056	1,177	0	22,233
(am) Reserves cash backed - Unspent Grants & Contributions	0	0	0	0	852,948	0	(852,948)	0	1,475,773	0	(1,475,773)	0
(an) Reserves cash backed - Waste	2,161,220	40,354	(42,958)	2,158,616	2,138,475	543,794	(40,000)	2,642,269	2,122,675	38,545	0	2,161,220
(ao) Reserves cash backed - Workers Compensation Premium	0	0	0	0	0	0	0	0	60,077	0	(60,077)	0
	17,223,437	2,323,704	(7,003,523)	12,543,618	18,077,529	2,394,668	(9,977,316)	10,494,881	19,354,297	4,893,992	(7,024,852)	17,223,437

All of the reserve accounts are supported by money held in financial institutions and/or financial assets and match the amount shown as restricted cash in Note 3 and restricted investments in Note 8 to this financial report.

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

SHIRE OF SERPENTINE JARRAHDAL
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 FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH/INVESTMENT BACKED (CONTINUED)

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves cash backed - Administration Building	Ongoing	To provide for the building accommodation requirements of the Administration.
(b) Reserves cash backed - Briggs Park	2020	To provide for the future Briggs Park development as per the Briggs Park Master Plan.
(c) Reserves cash backed - Building Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.
(d) Reserves cash backed - Byford BMX Track	Future Date	To provide for the future Byford BMX track.
(e) Reserves cash backed - Byford Developer Contribution Fund	Future Date	To provide for future community infrastructure funded from the Byford Developer Contribution Plan.
(f) Reserves cash backed - Byford Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
(g) Reserves cash backed - Car Parking	Future Date	To provide for future public car parking infrastructure funded from Developer contributions for cash-in-lieu of car parking.
(h) Reserves cash backed - Committed Works	2020	To transfer unspent municipal funded expenditure on specific projects, to enable identification of carryover expenditure into the next financial year.
(i) Reserves cash backed - Community Facilities	2020	This reserve is for the establishment of additional facilities in the community
(j) Reserves cash backed - Community Grants	Future Date	To provide funds for individuals and community groups to build capacity within the community, encourage volunteering and youth development, and deliver sustainable, accessible and demonstrated social, environmental and economic benefits.
(k) Reserves cash backed - Community Infrastructure	Future Date	To provide for future community infrastructure, matching funds from the Community Infrastructure Developer Contribution Plan.
(l) Reserves cash backed - Drainage Asset Management	Ongoing	To ensure minimal funding gap to asset management plan requirements.
(m) Reserves cash backed - Emergency Management Fund	Ongoing	To provide for unanticipated significant emergency services events or plant repairs
(n) Reserves cash backed - Fire Asset Management	Ongoing	To provide for the future additions and maintenance required for fire fighting assets and mitigation strategies.
(o) Reserves cash backed - Footpaths Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.
(p) Reserves cash backed - Investment	Future Date	To support economic, subdivision and tourism development opportunities for the Shire.
(q) Reserves cash backed - Jarrahdale Communications Tower	Future Date	To provide for the upgrades and maintenance of the tower when required.
(r) Reserves cash backed - Jarrahdale Community Infrastructure	Future Date	To provide funds for the upgrade, renewal or replacement of community assets in the Jarrahdale locality.
(s) Reserves cash backed - Jarrahdale Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
(t) Reserves cash backed - Keysbrook Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
(u) Reserves cash backed - Leave	2020	To be used to fund annual, sick (including depot EBA) and long service leave requirements.
(v) Reserves cash backed - Light Fleet & Plant Acquisition	Ongoing	To provide for the replacement of Light Fleet, Plant and Equipment as required under the replacement and acquisition program.
(w) Reserves cash backed - Local Government Election	Ongoing	To provide for Bi-Annual, and other interim local government election expenses.
(x) Reserves cash backed - Miscellaneous Developer Contribution	Future Dates	To be used to fund capital works and administration as per each agreement
(y) Reserves cash backed - Multi Use Trails	Future Date	To allow for the construction of Multi Use Trails.
(z) Reserves cash backed - Mundijong Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
(aa) Reserves cash backed - Mundijong Whitby Shire Contribution	Future Dates	To provide towards the future contribution requirements of the Mundijong Whitby Community Development Contribution Scheme.
(ab) Reserves cash backed - Oakford Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
(ac) Reserves cash backed - Parks & Gardens Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.
(ad) Reserves cash backed - Polocrosse Grounds Redevelopment	2019	To fund capital expenditure on the Polocrosse Grounds.
(ae) Reserves cash backed - Public Art	Future Date	Public art development and provision.
(af) Reserves cash backed - Rates Revaluation	Ongoing	To provide for the tri-ennial Gross Rental Valuation (GRV)
(ag) Reserves cash backed - Renewable Energy	Future Date	This reserve is to allow Council to undertake renewable energy projects.
(ah) Reserves cash backed - Road Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.
(ai) Reserves cash backed - Serpentine Jarrahdale Locality Funding	Future Date	Council initiated townscape related projects in the Serpentine Jarrahdale Shire.
(aj) Reserves cash backed - Serpentine Jarrahdale Sporting Precinct	Closed	To provide funds for the Serpentine Jarrahdale Regional Sporting Precinct when grant applications require contribution funding.
(ak) Reserves cash backed - Serpentine Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
(al) Reserves cash backed - Tourism	Future Date	To fund the implementation of the tourism strategy and development of tourism throughout the district and region.
(am) Reserves cash backed - Unspent Grants & Contributions	Closed	To restrict unspent grants & contributions.
(an) Reserves cash backed - Waste	Future Date	To provide for waste management requirements and future waste infrastructure.
(ao) Reserves cash backed - Workers Compensation Premium	Closed	To transfer any surplus funds returned to the Shire as a result of good performance from the workers compensation insurer to assist in funding possible future compensation claims that exceed budget allocation.

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
Allowance for impairment of receivables	
GST receivable	

Non-current

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

	2019	2018
	\$	\$
	2,845,717	2,319,520
	756,707	234,545
	(40,000)	0
	536,878	259,448
	<u>4,099,302</u>	<u>2,813,513</u>
	164,590	149,504
	<u>164,590</u>	<u>149,504</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

Previous accounting policy: Impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

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

6. INVENTORIES

	<u>2019</u>	<u>2018</u>
	\$	\$
Current		
Fuel & Materials	13,110	9,539
History Books	2,321	2,321
Inventory	19,455	15,087
	<u>34,886</u>	<u>26,947</u>

The following movements in inventories occurred during the year:

Carrying amount at 1 July	26,947	61,421
Inventories expensed during the year	(163,540)	(195,431)
Additions to inventory	171,479	160,957
Carrying amount at 30 June	<u>34,886</u>	<u>26,947</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

7. OTHER ASSETS

Other current assets

Prepayments

Other assets

	2019	2018
	\$	\$
Prepayments	50,900	43,562
Other assets	24,185	0
	<u>75,085</u>	<u>43,562</u>

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

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

8. OTHER FINANCIAL ASSETS

	NOTE	2019 \$	2018 \$
(a) Current assets			
Other financial assets at amortised cost		3,781,288	0
		<u>3,781,288</u>	<u>0</u>
Other financial assets at amortised cost			
- Financial assets at amortised cost - term deposits	3	3,781,288	0
		<u>3,781,288</u>	<u>0</u>
(b) Non-current assets			
Financial assets at fair value through profit and loss		74,126	17,885
		<u>74,126</u>	<u>17,885</u>
Financial assets at fair value through profit and loss			
<i>- Equity investments</i>			
Financial assets at fair value through profit and loss - Listed (Shares)		11,550	0
Financial assets at fair value through profit and loss - Unlisted (Shares)		10,025	0
Financial assets at fair value through profit and loss - Unlisted (Units in Local Government House Trust)		52,551	0
Available for sale financial assets		0	17,885
		<u>74,126</u>	<u>17,885</u>

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

Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services		56,241	0
Re-classification to profit or loss due to application of AASB 9		(14,340)	0
		<u>41,901</u>	<u>0</u>

As management did not make an irrevocable election to present gains and losses on equity instruments in other comprehensive income, the application of AASB 9 resulted in these amounts being re-classified to profit or loss as at 1 July 2018.

The following restrictions over other financial assets have been imposed by regulations or other externally imposed requirements:

Reserve accounts

Reserves cash backed - Investment	4	10,000	10,000
Reserves cash backed - Tourism	4	11,550	7,860
		<u>21,550</u>	<u>17,860</u>

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 27 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

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

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Motor Vehicles	Computer Equipment	Capital Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	6,150,000	760,000	6,910,000	31,712,565	31,712,565	38,622,565	0	3,110,520	1,391,084	0	0	43,124,169
Additions	0	0	0	722,004	722,004	722,004	26,164	296,995	388,030	0	558,848	1,992,041
(Disposals)	0	0	0	0	0	0	0	(119,458)	(104,938)	0	0	(224,396)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	(907,173)	(907,173)	(907,173)	0	0	0	0	0	(907,173)
Depreciation (expense)	0	0	0	(1,250,630)	(1,250,630)	(1,250,630)	0	(342,981)	(125,087)	0	0	(1,718,698)
Carrying amount at 30 June 2018	6,150,000	760,000	6,910,000	30,276,766	30,276,766	37,186,766	26,164	2,945,076	1,549,089	0	558,848	42,265,943
Comprises:												
Gross carrying amount at 30 June 2018	6,150,000	760,000	6,910,000	45,269,571	45,269,571	52,179,571	40,876	3,532,944	1,767,748	1,200	558,848	58,081,187
Accumulated depreciation at 30 June 2018	0	0	0	(14,992,805)	(14,992,805)	(14,992,805)	(14,712)	(587,868)	(218,659)	(1,200)	0	(15,815,244)
Carrying amount at 30 June 2018	6,150,000	760,000	6,910,000	30,276,766	30,276,766	37,186,766	26,164	2,945,076	1,549,089	0	558,848	42,265,943
Additions	0	0	0	498,655	498,655	498,655	0	563,329	891,894	0	1,190,729	3,144,607
(Disposals)	0	0	0	(5,280)	(5,280)	(5,280)	0	(14,111)	(565,400)	0	0	(584,791)
Depreciation (expense)	0	0	0	(1,029,339)	(1,029,339)	(1,029,339)	(3,271)	(357,448)	(147,843)	0	0	(1,537,901)
Carrying amount at 30 June 2019	6,150,000	760,000	6,910,000	29,740,802	29,740,802	36,650,802	22,893	3,136,846	1,727,740	0	1,749,577	43,287,858
Comprises:												
Gross carrying amount at 30 June 2019	6,150,000	760,000	6,910,000	45,762,946	45,762,946	52,672,946	40,876	4,067,138	2,021,103	1,200	1,749,577	60,552,840
Accumulated depreciation at 30 June 2019	0	0	0	(16,022,144)	(16,022,144)	(16,022,144)	(17,983)	(930,292)	(293,363)	(1,200)	0	(17,264,982)
Carrying amount at 30 June 2019	6,150,000	760,000	6,910,000	29,740,802	29,740,802	36,650,802	22,893	3,136,846	1,727,740	0	1,749,577	43,287,858

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	3	Cost approach	Independent Valuers	June 2017	Improvements to land using current condition (level 2), residual values and remaining useful life assessments (level 3) inputs.
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent Valuers	June 2017	Price per hectare
Land - vested in and under the control of Council	3	Cost approach	Independent Valuers	June 2017	Improvements to land using current condition (level 2), residual values and remaining useful life assessments (level 3) inputs.
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent Valuers/ Management Valuation	June 2017	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Plant and equipment					
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
- Independent valuation 2016	2	Sales comparison approach	Independent Valuers	June 2016	Comparison to sales of similar items that have been transacted in the market
Motor Vehicles	2	Market approach using recent observable market data for similar assets	Management Valuation/ Independent Valuation	June 2016	Price per item
Computer Equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs

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

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

SHIRE OF SERPENTINE JARRAHDAL
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10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks & Ovals	Capital Works in Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	172,055,691	10,644,112	18,208,731	14,012,838	0	214,921,372
Additions	8,920,891	256,131	176,774	230,348	0	9,584,144
Revaluation increments / (decrements) transferred to revaluation surplus	62,478,434	8,642,447	50,876,530	16,694,039	0	138,691,450
Depreciation (expense)	(3,872,185)	(181,611)	(273,624)	(260,060)	0	(4,587,480)
Carrying amount at 30 June 2018	239,582,831	19,361,079	68,988,411	30,677,165	0	358,609,486
Comprises:						
Gross carrying amount at 30 June 2018	301,179,799	24,983,440	95,603,691	41,838,006	0	463,604,936
Accumulated depreciation at 30 June 2018	(61,596,968)	(5,622,361)	(26,615,280)	(11,160,841)	0	(104,995,450)
Carrying amount at 30 June 2018	239,582,831	19,361,079	68,988,411	30,677,165	0	358,609,486
Additions	5,619,110	532,209	2,640,047	3,544,821	8,764,441	21,100,628
(Disposals)	0	0	0	(3,550)	0	(3,550)
Depreciation (expense)	(4,143,047)	(321,436)	(924,048)	(950,662)	0	(6,339,193)
Carrying amount at 30 June 2019	241,058,894	19,571,852	70,704,410	33,267,774	8,764,441	373,367,371
Comprises:						
Gross carrying amount at 30 June 2019	306,798,909	25,515,650	98,243,738	45,379,277	8,764,441	484,702,015
Accumulated depreciation at 30 June 2019	(65,740,015)	(5,943,798)	(27,539,328)	(12,111,503)	0	(111,334,644)
Carrying amount at 30 June 2019	241,058,894	19,571,852	70,704,410	33,267,774	8,764,441	373,367,371

SHIRE OF SERPENTINE JARRAHDAL
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 FOR THE YEAR ENDED 30TH JUNE 2019

10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs

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

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

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

SHIRE OF SERPENTINE JARRAHDAL
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11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018
	Actual	Actual			Actual	Actual			Budget	Budget		
	Net Book	Sale	Profit	Loss	Net Book	Sale	Budget	Budget	Net Book	Sale	Actual	Actual
	Value	Proceeds			Value	Proceeds	Profit	Loss	Value	Proceeds	Profit	Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - specialised	5,280	0	0	(5,280)	0	0	0	0	0	0	0	0
Plant and equipment	14,111	2,049	1,383	(13,445)	0	0	0	0	119,458	90,386	0	(29,072)
Motor Vehicles	565,400	432,700	6,382	(139,082)	528,600	353,400	0	(175,200)	104,938	79,400	4,305	(29,843)
Infrastructure - Parks & Ovals	3,550	0	0	(3,550)	0	0	0	0	0	0	0	0
	588,341	434,749	7,765	(161,357)	528,600	353,400	0	(175,200)	224,396	169,786	4,305	(58,915)

The following assets were disposed of during the year.

	2019	2019	2019	2019
	Actual	Actual		
	Net Book	Sale	Profit	Loss
	Value	Proceeds		
	\$	\$	\$	\$
Governance				
Motor Vehicles	36,000	41,818	5,818	0
Motor Vehicles	29,400	17,045	0	(12,355)
Law, order, public safety				
Motor Vehicles	50,400	37,727	0	(12,673)
Community amenities				
Motor Vehicles	24,600	15,682	0	(8,918)
Recreation and culture				
Motor Vehicles	169,000	120,455	0	(48,545)
Transport				
Plant & Equipment	666	2,049	1,383	0
Motor Vehicles	77,200	53,864	0	(23,336)
Economic services				
Motor Vehicles	15,700	15,882	182	0
Motor Vehicles	31,400	30,909	0	(491)
Other property and services				
Motor Vehicles	15,300	15,682	382	0
Motor Vehicles	116,400	83,636	0	(32,764)
	566,066	434,749	7,765	(139,082)

Assets expensed due to change in accounting policy (note 30)

Community amenities				
Buildings	5,280	0	0	(5,280)
Recreation and culture				
Infrastructure - Parks & Ovals	3,550	0	0	(3,550)
Transport				
Plant & Equipment	13,445	0	0	(13,445)
	22,275	0	0	(22,275)
	588,341	434,749	7,765	(161,357)

(b) Fully Depreciated Assets in Use

The gross carrying value of assets held by the Shire which are currently in use yet fully depreciated are shown below.

	2019	2018
	\$	\$
Furniture and equipment	14,712	14,712
Plant and equipment	22,324	21,151
Computer Equipment	1,200	1,200
	38,236	37,063

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

(c) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings - specialised	1,029,339	630,537	1,250,630
Furniture and equipment	3,271	17,722	0
Plant and equipment	357,448	332,644	342,981
Motor Vehicles	147,843	161,496	125,087
Computer Equipment	0	1,446	0
Infrastructure - Roads	4,143,047	4,314,433	3,872,185
Infrastructure - Footpaths	321,436	215,580	181,611
Infrastructure - Drainage	924,048	329,620	273,624
Infrastructure - Parks & Ovals	950,662	336,067	260,060
	<u>7,877,094</u>	<u>6,339,545</u>	<u>6,306,178</u>

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Land	Not depreciated
Buildings	
Structural	50 -100 years
Internal Fit-Out	15 - 25 years
Mechanical Services	25 – 35 years
Security	15 years
Fire systems	15 years
Other Building Structures	15 – 25 years
Plant and Equipment	5 – 15 years
Motor Vehicles	2 – 5 years
Furniture and Equipment	4 – 10 years
Computer Equipment	2 – 5 years
Roads	
Subgrade	Not depreciated
Pavement	
Unsealed	5 - 10 years
Urban and Regional	60 - 100 years
Surface	5 – 20 years
Surface Water Channel	
Kerbing	20 - 40 years
Drains	8 - 15 years
Drainage	
Culvert	80 years
Stormwater Drainage	50 - 100 years
Footpaths	40 – 80 years
Parks and Reserves	
Land	Not depreciated
Softscapes	50 years
Hardscapes	40 – 80 years
Reticulation	10 - 20 years
Parks Furniture	10 – 20 years
Lighting	15 – 25 years
Other Structures	10 – 40 years

Depreciation (Continued)

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

- (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.

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12 REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	5,381,214	0	0	0	5,381,214	5,381,214	0	0	0	5,381,214
Revaluation surplus - Buildings	11,174,017	0	0	0	11,174,017	12,081,190	0	(907,173)	(907,173)	11,174,017
Revaluation surplus - Furniture and equipment	45,243	0	0	0	45,243	45,243	0	0	0	45,243
Revaluation surplus - Plant and equipment	17,648	0	0	0	17,648	17,648	0	0	0	17,648
Revaluation surplus - Computer Equipment	6,246	0	0	0	6,246	6,246	0	0	0	6,246
Revaluation surplus - Infrastructure - Roads	176,540,880	0	0	0	176,540,880	114,062,446	62,478,434	0	62,478,434	176,540,880
Revaluation surplus - Infrastructure - Footpaths	16,746,136	0	0	0	16,746,136	8,103,689	8,642,447	0	8,642,447	16,746,136
Revaluation surplus - Infrastructure - Drainage	67,928,039	0	0	0	67,928,039	17,051,509	50,876,530	0	50,876,530	67,928,039
Revaluation surplus - Infrastructure - Parks & Ovals	27,426,986	0	0	0	27,426,986	10,732,947	16,694,039	0	16,694,039	27,426,986
	305,266,409	0	0	0	305,266,409	167,482,132	138,691,450	(907,173)	137,784,277	305,266,409

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

13. INVESTMENT PROPERTIES

Non-current assets - at fair value

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Carrying balance at 1 July	747,182	0	0
Acquisitions	0	0	747,182
Closing balance at 30 June	747,182	0	747,182

Leasing arrangements

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:			
Within one year	5,200	0	0
Later than one year but not later than 5 years	0	0	0
Later than 5 years	0	0	0
	5,200	0	0

SIGNIFICANT ACCOUNTING POLICIES

Investment properties

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the Shire. They are carried at fair value. Changes in the fair values are presented in profit or loss as a part of other revenue.

Fair value of investment properties

A management valuation was performed to determine the fair value of investment properties. The main Level 3 inputs used in the valuation were discount rates, terminal yields, expected vacancy rates and rental growth rates estimated by management based on comparable transactions and industry data.

14. TRADE AND OTHER PAYABLES

Current

Trade payables
 Rates paid in advance
 Accrued Interest on Long Term Borrowings
 Bonds & deposits held (refer to note 3)

	2019	2018
	\$	\$
Trade payables	2,833,310	1,787,360
Rates paid in advance	1,183,777	595,690
Accrued Interest on Long Term Borrowings	13,819	11,016
Bonds & deposits held (refer to note 3)	1,210,562	0
	<u>5,241,468</u>	<u>2,394,066</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

Trade and other payables (Continued)

are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition. Rates paid in advance were previously offset against the rates debtors balance in the 2018 financial report but have now been re-classified to payables in the 2019 financial report.

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15. INFORMATION ON BORROWINGS

(a) Borrowings	2019	2018
	\$	\$
Current	3,493,339	668,942
Non-current	2,687,415	3,048,421
	6,180,754	3,717,363

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019					30 June 2019					30 June 2018																					
				Actual Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2018	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2017	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding																	
																			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance																																			
Council Chambers Refurbishment	117	WATC	4.36%	641,316	0	117,444	31,328	523,872	641,827	0	117,000	27,000	524,827	753,802	0	112,486	34,098	641,316																	
Recreation and culture																																			
Recreation Centre	91	WATC	6.02%	314,123	0	154,733	13,837	159,390	314,123	0	305,000	23,000	9,123	610,156	0	296,033	35,064	314,123																	
Briggs Park	Drawdown 1	WATC	1.65%	0	2,974,000	0	0	2,974,000	0	2,974,000	0	0	2,974,000	0	0	0	0	0																	
Transport																																			
Abernethy Road	121	WATC	3.20%	2,761,924	0	238,432	96,960	2,523,492	2,761,924	0	230,000	110,000	2,531,924	0	2,761,924	0	10,634	2,761,924																	
				3,717,363	2,974,000	510,609	142,125	6,180,754	3,717,874	2,974,000	652,000	160,000	6,039,874	1,363,958	2,761,924	408,519	79,796	3,717,363																	

All other loan repayments were financed by general purpose revenue.

SHIRE OF SERPENTINE JARRAHDALE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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15. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Briggs Park Lower Oval Upgrade	WATC	Debenture	3	Variable	2,974,000	2,974,000	620,864	2,974,000	0	2,353,136
					2,974,000	2,974,000	620,864	2,974,000	0	2,353,136

Loan of \$2,974,000 for Briggs Park Lower Oval Upgrade to be partially repurposed to fund Abernethy Road improvements in accordance with adopted statutory budget for the year ended 30 June 2020.

(d) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2018	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2019
Briggs Park Lower Oval Upgrade	May-19	\$ 0	\$ 2,974,000	\$ (620,864)	\$ 2,353,136
Construction of Abernethy Road	May-18	\$ 517,737	\$ 0	\$ (517,737)	\$ 0
		\$ 517,737	\$ 2,974,000	\$ (1,138,601)	\$ 2,353,136

(e) Undrawn Borrowing Facilities

	2019	2018
Credit Standby Arrangements	\$	\$
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	25,000	25,000
Credit card balance at balance date	(4,306)	(1,264)
Total amount of credit unused	120,694	123,736
Loan facilities		
Loan facilities - current	3,493,339	668,942
Loan facilities - non-current	2,687,415	3,048,421
Total facilities in use at balance date	6,180,754	3,717,363

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 25.

SHIRE OF SERPENTINE JARRAHDALE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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16. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions	Provision for Annual Leave	Provision for Sick Leave	Provision for Long Service Leave	Total
	\$		\$	\$
Opening balance at 1 July 2018				
Current provisions	983,819	86,351	633,435	1,703,605
Non-current provisions	0	0	246,248	246,248
	983,819	86,351	879,683	1,949,853
Additional provision	84,150	(6,283)	138,663	216,530
Balance at 30 June 2019	1,067,969	80,068	1,018,346	2,166,383
Comprises				
Current	1,067,969	80,068	549,768	1,697,805
Non-current	0	0	468,578	468,578
	1,067,969	80,068	1,018,346	2,166,383
	2019	2018		
	\$	\$		
Amounts are expected to be settled on the following basis:				
Less than 12 months after the reporting date	1,263,053	1,125,678		
More than 12 months from reporting date	853,330	774,175		
Expected reimbursements from other WA local governments	50,000	50,000		
	2,166,383	1,949,853		

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	18,423,980	12,786,380	21,775,333

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	12,064,650	4,077,513	1,445,426
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(41,901)	0	0
Depreciation	7,877,094	6,339,545	6,306,178
(Profit)/loss on sale of asset	153,592	175,200	54,610
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(1,300,875)	262,502	(300,379)
(Increase)/decrease in other assets	(31,523)	0	
(Increase)/decrease in inventories	(7,939)	5,500	34,474
Increase/(decrease) in payables	2,847,402	(4,700)	(325,045)
Increase/(decrease) in provisions	216,530	25,000	(229,101)
Grants contributions for the development of assets	(13,592,873)	(7,474,171)	(4,325,601)
Net cash from operating activities	8,184,157	3,406,389	2,660,562

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2019</u>	<u>2018</u>
	\$	\$
Governance	2,178,930	2,220,223
General purpose funding	14,274,291	10,423,151
Law, order, public safety	4,195,981	4,229,554
Health	514,159	500,000
Education and welfare	31,056	24,600
Community amenities	11,514,807	10,534,933
Recreation and culture	61,250,163	58,495,107
Transport	340,761,591	333,472,018
Economic services	609,248	621,307
Other property and services	8,725,442	5,928,462
	<u>444,055,668</u>	<u>426,449,355</u>

19. CONTINGENT LIABILITIES

The Shire of Serpentine Jarrahdale is currently engaged in the following legal matters which may result in a liability in the event in which damages are awarded against the Shire:

An outstanding matter exists in relation to a dispute regarding construction of a boundary fence of a type which contravenes the Shire's Fencing Local Laws and the Shire of Serpentine Jarrahdale Town Planning Scheme No. 2.

A second matter was recently determined in the Shire's favour with regard to an unauthorised development however is potentially subject to appeal.

A third matter in relation to a dispute with a contractor is currently being dealt with through an arbitration process. The dispute is in relation to application and interpretation of the contract.

In relation to all three matters the Shire does not believe that an unfavourable outcome is probable and so accordingly no provision has been raised.

20. CAPITAL AND LEASING COMMITMENTS

	<u>2019</u>	<u>2018</u>
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	8,838,549	9,054,944
	<u>8,838,549</u>	<u>9,054,944</u>
Payable:		
- not later than one year	8,838,549	9,054,944
The capital expenditure contracted but not yet spent at the end of the current reporting period relates to the following projects:		
Briggs Park Skate Park	0	15,739
Abernethy Road Upgrade Construction	5,731,954	8,032,526
Kalimna Cricket Net	0	20,676
Rowley Road - East of Blair Road	0	37,302
Wright Road	0	43,410
Rowley Road - West of Blair Road	0	24,081
Masters Road - South of Rowley Road	0	36,546
Kargotich Road - North of Lowlands Road	0	19,747
Abernethy Road - Downer EDI	0	824,917
Briggs Park	868,136	0
Byford Dog Park	480,150	0
Soldiers Road Footpath	193,573	0
Kargotich Road - Leipold to Mundijong	172,879	0
Webb Road Land Purchase	1,391,857	0
	<u>8,838,549</u>	<u>9,054,944</u>

(b) Operating Lease Commitments

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Payable:		
- not later than one year	236,109	437,655
- later than one year but not later than five years	255,932	366,523
	<u>492,041</u>	<u>804,178</u>

20. CAPITAL AND LEASING COMMITMENTS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

21. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President.			
Meeting Fees	161,131	161,229	169,007
Mayor/President's allowance	47,045	47,045	50,600
Deputy Mayor/President's allowance	11,761	11,761	12,692
Travelling expenses	316	35,000	10,844
Telecommunications allowance	31,499	31,500	30,389
	<u>251,752</u>	<u>286,535</u>	<u>273,532</u>

Key Management Personnel (KMP) Compensation Disclosure

	2019 Actual	2018 Actual
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	1,068,925	985,323
Post-employment benefits	118,420	82,364
Other long-term benefits	19,589	19,348
	<u>1,206,934</u>	<u>1,087,035</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.

21. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Sale of goods and services	2,004	1,996
Purchase of goods and services	0	70

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.

SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
Byford Youth Forum	9,457	285	(9,742)	0	0	0	0
Law, order, public safety							
Emergency Services - Cadets	3,906	0	0	3,906	0	0	3,906
Emergency Services - Family Fun Day	7,644	0	0	7,644	0	0	7,644
Fire Contributions from Developers	40,868	0	(40,868)	0	0	0	0
Royalties for Regions - Peel Development Commission	116,350	0	(116,350)	0	0	0	0
Fire Services Grant	0	200,000	(5,150)	194,850	0	(194,850)	0
DFES Operating Grant Q1 18/19	0	99,373	0	99,373	0	(99,373)	0
Community amenities							
Environmental Works - TTREE Transfer	69,556	0	0	69,556	0	0	69,556
Briggs Park - Local Jobs, Local Projects	0	200,000	0	200,000	0	(200,000)	0
Public Art Fund	0	17,500	0	17,500	59,827	0	77,327
Recreation and culture							
Byford & Districts Country Club	5,836	0	(5,836)	0	0	0	0
Senior's Grant	0	10,000	0	10,000	0	(10,000)	0
SJ Rec Centre - Byford Sports & Rec Council	2,079	0	0	2,079	0	0	2,079
Transport							
17 Clifton St. Byford - Laneway Cont	23,942	178	0	24,120	791	0	24,911
Blackspot Funding	2,408	0	0	2,408	0	0	2,408
Byford by the Scarp	201,004	0	(201,004)	0	0	0	0
Byford Central Stage 6A	13,880	3,846	0	17,726	528	0	18,254
Byford Developer Contributions	7,480,762	314,844	(759,962)	7,035,644	320,971	(2,339,522)	5,017,093
Drainage Cont - Thomas Road (Rivermoon)	68,046	506	0	68,552	2,042	0	70,594
L3 Thomas Road, Byford - Maint Landscaping	29,008	216	0	29,224	870	0	30,094
L3 Thomas Road, Byford - Maint Water Quality	74,982	558	0	75,540	2,250	0	77,790
L40 Beenyup Road, Byford - Laneway cont	30,499	218	0	30,717	915	0	31,632
L7 Beenyup Road, Byford - Laneway cont	30,635	218	0	30,853	919	0	31,772
L88 South West Hwy - Laneway cont	30,800	229	0	31,029	924	0	31,953
Thomas Road Design - Main Roads Grant	5,844	0	(5,844)	0	0	0	0
Regional Road Group Funding	115,194	0	(115,194)	0	0	0	0
Rivermoon Drainage Contribution	136,684	0	0	136,684	4,071	0	140,755
Rivermoon Landscape Contribution	470,334	638	0	470,972	14,028	0	485,000
Special Projects - Bridges	917,208	0	(66,668)	850,540	0	(850,540)	0
Roads to Recovery Medulla Road	48,946	0	(48,946)	0	0	0	0
Roads to Recovery Kiln Road	73,000	0	(73,000)	0	0	0	0
Roads to Recovery Linton Street	85,000	25,000	(110,000)	0	0	0	0
Roads to Recovery Gossage Road	84,299	391,826	(350,540)	125,585	0	(125,585)	0
Megara Fifteen - Turning Point Soldiers/Abernethy Road	21,688	0	(21,688)	0	0	0	0
Regional Road Group Soliders Road - Daisy & Bushlar	0	145,431	0	145,431	0	(145,431)	0
Roads to Recovery Marsh Road	0	22,770	(22,770)	0	0	0	0
Cash in Lieu Car Parking	0	87,273	0	87,273	0	0	87,273
L12 Gull Road	0	10,035	0	10,035	299	0	10,334
Huizenga - Corbel Lane, Byford	0	1,420	0	1,420	42	0	1,462
Soldiers Road - Grant Funding	0	0	0	0	28,130	(16,427)	11,703
Mundijong Rd/Kargotich Rd - Roundabout - Grant Funding	0	0	0	0	36,000	(30,150)	5,850
Rowley Road Resurfacing - Grant Funding	0	0	0	0	46,506	0	46,506
Hopeland Road & Karnup Road Intersection - Grant Funding	0	0	0	0	100,000	(7,610)	92,390
Abernethy Road/Kargotich Road - Grant Funding	0	0	0	0	6,608	0	6,608
Total	10,199,859	1,532,364	(1,953,562)	9,778,661	625,721	(4,019,488)	6,384,894

	Note	2018	2019
Portion of unexpended grants/contributions held in Reserve Funds		8,067,290	6,136,245
Portion of unexpended grants/contributions held in Municipal Funds	3	1,711,371	248,649
		<u>9,778,661</u>	<u>6,384,894</u>

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF SERPENTINE JARRAHDAL
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23. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
GRV Improved	0.090135	6,815	131,379,212	11,843,868	565,119	0	12,408,987	11,841,868	737,529	0	12,579,397	12,083,009
GRV Vacant	0.178467	492	5,762,700	1,028,451	0	0	1,028,451	1,028,451	0	0	1,028,451	470,907
GRV Commercial/Industrial	0.103331	119	13,436,783	1,388,436	0	0	1,388,436	1,388,436	0	0	1,388,436	0
Unimproved valuations												
UV General	0	0	0	0	0	0	0	0	0	0	0	6,662,749
UV Rural	0.003818	2,861	1,822,866,000	6,966,209	0	0	6,966,209	6,958,000	0	0	6,958,000	0
UV Intensive Farming	0.007599	18	14,325,000	108,856	0	0	108,856	108,856	0	0	108,856	0
Sub-Total		10,305	1,987,769,695	21,335,820	565,119	0	21,900,939	21,325,611	737,529	0	22,063,140	19,216,665
Minimum payment												
Gross rental valuations												
GRV Improved	1,260	308	3,755,020	388,080	0	0	388,080	388,080	0	0	388,080	346,800
GRV Vacant	960	454	2,064,169	435,840	0	0	435,840	435,840	0	0	435,840	1,084,200
GRV Commercial/Industrial	1,416	19	215,528	26,904	0	0	26,904	26,904	0	0	26,904	0
Unimproved valuations												
UV General	0	0	0	0	0	0	0	0	0	0	0	630,500
UV Rural	1,365	488	134,621,908	666,120	0	0	666,120	667,485	0	0	667,485	0
UV Intensive Farming	1,365	0	0	0	0	0	0	0	0	0	0	0
Sub-Total		1,269	140,656,625	1,516,944	0	0	1,516,944	1,518,309	0	0	1,518,309	2,061,500
		11,574	2,128,426,320	22,852,764	565,119	0	23,417,883	22,843,920	737,529	0	23,581,449	21,278,165
Discounts/concessions (refer Note 23(b))							(248,734)				(248,734)	(229,372)
Total amount raised from general rate							23,169,149				23,332,715	21,048,793

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

SHIRE OF SERPENTINE JARRAHDAL
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23. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$	Circumstances in which Discount is Granted
General Rates		2,000	2,000	2,000	2,000	Two prizes of \$1000 each, for payment of rates in full by 4.30pm on 15th August 2018. By paying on time rate payers automatically go in the draw to win.
			2,000	2,000	2,000	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$
UV Rural	Farmland Concession	31.00%		241,943	241,943	226,753
UV Rural	Conservation Concession	50.00%		4,791	4,791	619
				246,734	246,734	227,372

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
UV Rural	Where properties meet the Council SEG1 farmland Concession Policy criteria.	Council considers ratepayers eligible for the concession and maintain the rural character of the area in line with the strategic goals of Council.	This concession is in line with the vision category Financial Sustainability, Council provides a rate concession to properties maintaining genuine farming interests. It ensures that Council is protecting and developing appropriate agricultural and horticultural industries and pursuits within the Shire.
UV Rural	Where properties meet the conservation eligibility criteria.	Conservation zoning allows landowners with areas of high conservation value to receive reductions in council rates. The initiative has been established by Council to reward landowners who have retained and maintained bushland and wetland.	Council recognises that nature conservation on private land is essential to maintaining the quality of life that all residents of the Shire and Serpentine River Catchment area enjoy. Landowners must demonstrate to Council that their bush land and/or wetland area is of high conservation value by meeting the criteria.

23. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	15 Aug 2018	0.00	0.00%	0.00%
Option Two				
First instalment	15 Aug 2018	0.00	0.00%	0.00%
Second instalment	16 Oct 2018	10.00	5.50%	11.00%
Option Three				
First instalment	15 Aug 2018	0.00	0.00%	0.00%
Second instalment	16 Oct 2018	10.00	5.50%	11.00%
Third instalment	18 Dec 2018	10.00	5.50%	11.00%
Fourth instalment	19 Feb 2019	10.00	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	392,805	185,000	263,517
Interest on instalment plan	120,152	120,000	116,891
Charges on instalment plan	104,968	110,000	108,303
	<u>617,925</u>	<u>415,000</u>	<u>488,711</u>

24. RATE SETTING STATEMENT INFORMATION

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

(a) Non-cash amounts excluded from operating activities

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

Adjustments to operating activities

Less: Profit on asset disposals	11(a)	(7,765)	0	(4,305)
Less: Recognition of units in Local Government House Trust		(52,551)	0	0
Movement in pensioner deferred rates (non-current)		(15,086)	0	280
Movement in inventory (non-current)		0	0	31,881
Movement in employee benefit provisions (non-current)		222,330	0	(6,088)
Add: Loss on disposal of assets	11(a)	161,357	175,200	58,915
Add: Depreciation on assets	11(c)	7,877,094	6,339,545	6,306,178
Non cash amounts excluded from operating activities		8,185,379	6,514,745	6,386,861

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

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

Adjustments to net current assets

Less: Reserves - restricted cash	3	(12,522,068)	(10,494,881)	(17,205,577)
Less: Restricted cash - unspent borrowings		(2,353,136)	0	(517,737)
Less: Restricted cash - unspent grants, contributions & subsidies		(248,649)	0	(1,711,371)
Add: Current borrowings	15(a)	3,493,339	653,523	668,942
Total adjustments to net current assets		(11,630,514)	(9,841,358)	(18,765,743)

Net current assets used in the Rate Setting Statement

Total current assets		26,414,541	14,326,065	24,659,355
Less: Total current liabilities		(10,432,612)	(4,484,707)	(4,766,613)
Less: Total adjustments to net current assets		(11,630,514)	(9,841,358)	(18,765,743)
Net current assets used in the Rate Setting Statement		4,351,415	0	1,126,999

SHIRE OF SERPENTINE JARRAHDAL
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25. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	0.97%	18,423,980	12,422,071	5,699,392	302,517
Financial assets at amortised cost - term deposits	2.04%	3,781,288	3,781,288	0	0
2018					
Cash and cash equivalents	1.98%	21,775,333	17,866,760	3,908,573	0

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	222,053	219,542

* 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 15(b).

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,078,901	866,270	525,441	375,105	2,845,717
Loss allowance	0	0	0	0	0
01 July 2018					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,650,795	374,216	129,231	165,278	2,319,520
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2019 (on adoption of AASB 9) was determined as follows for sundry receivables. No credit loss was deemed applicable at 1 July 2018.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	1.50%	2.10%	5.00%	7.50%	
Gross carrying amount	260,925	19,453	1,991	474,338	756,707
Loss allowance	3,914	411	100	35,575	40,000
01 July 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	155,047	5,093	478	73,927	234,545
Loss allowance	0	0	0	0	0

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	5,241,468	0	0	5,241,468	5,241,468
Borrowings	3,598,534	1,735,315	1,299,685	6,633,534	6,180,754
	<u>8,840,002</u>	<u>1,735,315</u>	<u>1,299,685</u>	<u>11,875,002</u>	<u>11,422,222</u>
2018					
Payables	2,394,066	0	0	2,394,066	2,394,066
Borrowings	796,412	1,878,432	1,624,605	4,299,449	3,717,363
	<u>3,190,478</u>	<u>1,878,432</u>	<u>1,624,605</u>	<u>6,693,515</u>	<u>6,111,429</u>

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26. TRUST FUNDS

In previous years, bonds and deposits were held as trust monies. In the current year they are included in the restricted cash at Note 3 and shown as a current liability at Note 14.

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

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted Cash	30 June 2019
	\$	\$	\$		\$
Maintenance Bonds	145,602	39,957	(39,073)	(146,486)	0
Builders Registration Board Levy	0	154,378	(155,617)	1,239	0
BCTIF Collections	0	168,404	(148,275)	(20,129)	0
Footpath Bonds	442,383	363,764	(285,353)	(520,794)	0
Halls / Ovals Bonds	25,335	22,750	(22,300)	(25,785)	0
Sundry Bonds	24,969	8,824	(10,640)	(23,153)	0
Road Closures / Street Events	2,180	0	0	(2,180)	0
Fence Bonds	906	0	0	(906)	0
Excavation Bonds	28,498	41	0	(28,539)	0
Cash in Lieu of Public Open Space	302,234	283	0	0	302,517
Capital Projects Retention Funds	346,142	30,838	(70,457)	(306,523)	0
Temporary Accommodation	3,000	0	0	(3,000)	0
Development Assessment Panel	0	28,957	(19,546)	(9,411)	0
Subdivision Clearance Bonds	89,419	38,069	(7,200)	(120,288)	0
SJ Tourism Association Trust	4,607	0	0	(4,607)	0
	1,415,275	856,265	(758,461)	(1,210,562)	302,517

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 retrospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies, however there were no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	<u>Adjustments</u>	<u>01 July 2018</u>
		\$
Assets		
Trade receivables	(a),(b)	0
Available for sale financial assets	(a)	<u>0</u>
Total Assets		0
Total adjustments on Equity		
Accumulated surplus/(deficit)	(a),(b)	<u>0</u>
		0

The nature of these adjustments are described below:

(a) Classification and measurement

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

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

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

- Trade receivables classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire designated financial assets as at fair value through profit and loss.

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

AASB 139 category	AASB 139 value \$	AASB 9 category amortised cost \$	Fair value through OCI \$	Fair value through P/L \$
Loans and receivables				
Trade receivables	2,554,065	2,554,065	0	0
Available for sale financial assets	17,885	0	0	17,885
	2,571,950	2,554,065	0	17,885

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018 \$	Remeasurement \$	ECL under AASB 9 as at 01 July 2018 \$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	0	0	0
	0	0	0

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

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

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

(a) Revenue from Contracts with Customers

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

	AASB 118 carrying amount		AASB 15 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
Contract liabilities - current			
Unspent grants, contributions and reimbursements	0	248,649	248,649
Contract liabilities non-current			
Developer contributions	0	4,764,662	4,764,662
Cash in lieu of parking	0	88,903	88,903
Adjustment to retained surplus from adoption of AASB 15	28(d)	0	(5,102,214)

(b) Leases

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

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is 2.03%.

Note	2019
	\$
Operating lease commitments disclosed as at 30 June 2019	492,041
Lease liability recognised as at 1 July 2019	470,673
discounted using the Shire's incremental borrowing rate of 2.03%	470,673
Right of use asset recognised as at 1 July 2019	470,673
Low-value leases recognised on a straight-line basis as an expense	11,642

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an operating lease' applying AASB 117. This right-of-use asset is deemed to be equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. Property, plant and equipment increases by \$470,763 on 1 July 2019 and the net impact on retained earnings on 1 July 2019 will be nil.

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

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

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

(c) Income For Not-For-Profit Entities

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 no changes will occur to the following financial statement line items by application of AASB 1058 as compared to AASB 1004 Contributions before the change:

	AASB 1004 carrying amount		AASB 1058 carrying amount	
	Note	30 June 2019	Reclassification	01 July 2019
Trade and other payables		\$ 5,241,468	\$ 0	\$ 5,241,468

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. In accordance with the Shire's current accounting policies, prepaid rates have been recognised as a liability as at 30 June 2019. Therefore, the initial application of AASB 1058 Income for Not-for-Profit entities on 1 July 2019 will not have an impact on the recognition and classification of prepaid rates.

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

Volunteer Services in relation to Volunteer Fire Services will not be recognised in revenue and expenditure as the fair value of the services cannot be reliably estimated.

(d) Impact of changes to Retained Surplus

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

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			112,657,036
Adjustment to retained surplus from adoption of AASB 15	28(a)	(5,102,214)	(5,102,214)
Adjustment to retained surplus from adoption of AASB 16	28(b)	0	0
Adjustment to retained surplus from adoption of AASB 1058	28(c)	0	0
Retained surplus - 01 July 2019		(5,102,214)	107,554,822

29. CORRECTION OF ERROR

On 30 June 2018 the Shire of Serpentine Jarrahdale undertook a revaluation of Infrastructure assets. Subsequent to the revaluation it was identified that some of the assets which had been captured as part of the revaluation had previously been classified as Buildings and duplication of the value of these assets had occurred as a result.

It is management's view that the assets should be classified as Park Infrastructure and not Buildings and accordingly an adjustment to Buildings was necessary by debiting the revaluation surplus in the Shire's equity and recognising this as a Change on Revaluation of non-current Assets in the Statement of Comprehensive Income.

The error has been corrected by restating each of the affected financial statement line items in the prior period as follows:

Statement of Comprehensive Income (Extract)	2018	Increase/ (Decrease)	2018 (Restated)
	\$	\$	\$
By Nature or Type			
Other comprehensive income			
Changes in asset revaluation surplus	138,691,450	(907,173)	137,784,277
Total comprehensive income for the period	140,131,836	(907,173)	139,224,663

By program			
Other comprehensive income			
Changes in asset revaluation surplus	138,691,450	(907,173)	137,784,277
Total comprehensive income for the period	140,131,836	(907,173)	139,224,663

Statement of Financial Position (Extract)	30 June 2018	Increase/ (Decrease)	30 June 2018 (Restated)
	\$	\$	\$
Property, plant and equipment	43,173,116	(907,173)	42,265,943
Net assets	43,173,116	(907,173)	42,265,943
Revaluation surplus	306,173,582	(907,173)	305,266,409
Total equity	306,173,582	(907,173)	305,266,409

Statement of Changes In Equity (Extract)	2018	Increase/ (Decrease)	2018 (Restated)
	\$	\$	\$
Revaluation Surplus			
Balance as at 1 July 2017	167,482,132	0	167,482,132
Changes on revaluation of assets	138,691,450	(907,173)	137,784,277
Balance as at 30 June 2018	306,173,582	(907,173)	305,266,409

Note 9 - Property, Plant and Equipment (Extract)	2018	Increase/ (Decrease)	2018 (Restated)
	\$	\$	\$
Buildings - Revaluation increments / (decrements) transferred to revaluation surplus	0	(907,173)	(907,173)
Carrying Amount at 30 June 2018	31,183,939	(907,173)	30,276,766

Note 12 - Revaluation Surplus (Extract)	2018	Increase/ (Decrease)	2018 (Restated)
	\$	\$	\$
Revaluation surplus - Buildings	12,081,190	(907,173)	11,174,017
Total Asset Revaluation Surplus	306,173,582	(907,173)	305,266,409

Note 18 - Total Assets Classified by Function & Activity (Extract)	2018	Increase/ (Decrease)	2018 (Restated)
	\$	\$	\$
Community Amenities	11,442,106	(907,173)	10,534,933

30. IMPACT OF CHANGE IN ACCOUNTING POLICY

On the 26 June 2018 Paragraph 17A (5) was inserted into Local Government (Financial Management) Regulations 1996. The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000.

Australian Accounting Standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, requires this amendment to the asset values to be treated as a change in accounting policy. This standard requires balances to be adjusted retrospectively, unless it is impracticable to determine the period-specific or cumulative effects of the change. As the overall impact was immaterial, an adjustment to prior period balances was not required.

As a result, during the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018 have been excluded from the assets of the Shire along with those assets acquired during the year ended 30 June 2019 with a fair value of under \$5,000 which were capitalised in error (refer to Note 11). See below for further details.

Asset Class	Carrying Amount - 1 July 2018	Depreciation Expense	Carrying Amount - 30 June 2019
Buildings	5,763	483	5,280
Infrastructure - Parks & Ovals	4,011	461	3,550
Plant & Equipment	17,923	4,478	13,445
	<u>27,697</u>	<u>5,422</u>	<u>22,275</u>

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31. 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.

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32. 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.

Members of Council and Chief Executive Office.

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

Rate revenue, late payment penalty, general purpose grants, untied road grants, commissions, interest on investments, reimbursements and banking costs.

LAW, ORDER, PUBLIC SAFETY

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

Volunteer bushfire brigades, fire prevention, animal control, emergency management and public safety.

HEALTH

To provide an operational framework for environmental and community health.

Health services including infant health, inspection of premises, pest control, and preventative maintenance.

EDUCATION AND WELFARE

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

Pre-schools, community services and family centres.

COMMUNITY AMENITIES

To provide services required by the community.

Waste management including household refuse and recycling, bulk verge green and hard waste collections, environmental and sustainability, town planning, public conveniences and cemeteries.

RECREATION AND CULTURE

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

Provision of facilities and support of organisations with leisure activities and sport including halls, sports grounds, parks and gardens, community development and the Mundijong Library.

TRANSPORT

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

Construction and maintenance of roads, bridges, footpaths, Council depot, purchases of plant and equipment and engineering design.

ECONOMIC SERVICES

To help promote the shire and its economic wellbeing.

Rural services such as weed control of reserves, tourism and area promotion, management of building applications and economic development.

OTHER PROPERTY AND SERVICES

To monitor and control overhead operating accounts.

Private works, public works overheads, plant operation, Jarrahdale Heritage Park development, finance and administration costs.

33. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.46	1.28	1.73
Asset consumption ratio	0.74	0.77	0.96
Asset renewal funding ratio	0.70	0.46	0.67
Asset sustainability ratio	0.94	0.66	0.64
Debt service cover ratio	9.94	7.18	12.25
Operating surplus ratio	(0.05)	(0.10)	0.00
Own source revenue coverage ratio	0.86	0.82	0.86

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Serpentine Jarrahdale

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Shire of Serpentine Jarrahdale:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

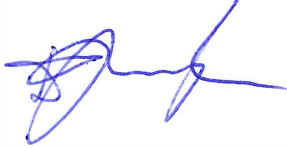
- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 33 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



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