



**Shire of Derby /
West Kimberley**

Annual Report 2019

 www.sdwk.wa.gov.au

Guidelines prepared by Market Creations

OUR ANNUAL REPORT

The Shire of Derby/West Kimberley is happy to present this Annual Report which serves to document its activities and achievements throughout the 2018/19 financial year.

With an emphasis on best practice and continual improvement, the information in these pages sets out to provide a snapshot of the Shire's progress over this period focusing on community, infrastructure, environment and strategic direction.

It is organised to align with our Strategic Community Plan 2012-2021 and Corporate Business Plan 2018 - 2022. These plans highlight the strategic vision for The Derby West Kimberley Shire based on the following themes:

Community wellbeing

a diverse, caring and safe community providing opportunities for all its people.

Environment

a balance between natural and built environments that meet the needs of the community and supports future growth.

Strong local economy

a strong local economy that is supported by a broad industry base with opportunities for business development and employment.

Good Governance

leadership that provides strategic direction for the community, supported by efficient and effective service delivery.

Our Annual Report focuses on the key projects delivered in 2018/19 under each theme, marking our continued progress towards realising our community vision — 'A friendly and diverse place with awesome opportunities.'

Copies of the Strategic Community Plan 2012-2021 can be downloaded from our website <http://www.sdwk.wa.gov.au/our-council/council-documents/annual-reports>.

Our financial statements have been certified by an independent auditor.



ACKNOWLEDGEMENT OF COUNTRY



The Shire of Derby/West Kimberley acknowledges First Nations peoples living and working in the Shire. Council recognises the people of the Warrwa, Bardi, Jawi, Ngarinyin, Worrorra, Nyikina, Mangala, Unggumi, Bunuba, Walmajarri, Kija, Gooniyandi, Oogardang, Oomeday, Yow Jabi and Wangkatjunka Nations as the original custodians of the lands now known as Shire of Derby/West Kimberley. On behalf of the Shire, Council pays respect to their Elders, past, present and future and extends that respect to all Aboriginal Australians living within the Shire of Derby/West Kimberley.

*Photo: Mowanjum Arts Festival –
Junba Gathering*

OUR COMMUNITY AND ABORIGINAL HERITAGE

The area now known as the Shire of Derby/West Kimberley has a diverse Indigenous Australian heritage.

Across this area a large number of language and cultural groups have a long history that predates European contact.

Traditionally, prior to contact, Aboriginal people from the Warrwa, Bardi, Jawi, Ngarinyin, Worrorra, Nyikina, Mangala, Unggumi, Bunuba, Walmajarri, Kija, Gooniyandi, Oogardang, Oomeday, Yow Jabi and Wangkatjunka language groups (among others) would interact for law and ceremonial business.

Our Shire is home to over 7,730 people living in 54 sites across the vast West Kimberley.

The Gibb River Road, the mighty Fitzroy River, the Devonian Reef and the amazing Horizontal Waterfalls are just a few of the incredible assets that make up our 118,560 square kilometres.

The Shire of Derby/West Kimberley looks forward to an ongoing partnership with Indigenous organisations to improve the wellbeing of our Indigenous communities and residents.



QUICK FACTS

1961

Became the Shire of Derby
West Kimberley (West Kimberley Road
District in 1884)

Total Population

7,730



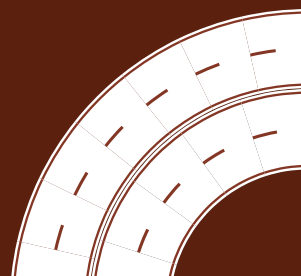
Total assets

220.897M



2,872.01kms

Total Length of Roads



17

Number of Shire
Facilities

118,560sqm

Total Area

8,883

Total Waste
Volume Collected
Tonnes



Rates revenue
2018/19

1925

Number of Rateable Properties



6.86M

2,074

Tonnes

Total Waste Recycled

Total revenue
2018/19

24.014M

8000

Books Loaned



Dog and Cats Registered



PRESIDENT AND CHIEF EXECUTIVE OFFICER'S REPORT

The Shire of Derby/West Kimberley has undergone a significant period of transition over the last twelve months, with a change in CEO as well as a number of staff and those in managerial positions.

Local government is being called upon by its communities and State and Federal Governments to think beyond Roads, Rates and Rubbish and provide innovative community solutions.

Council has continued to lobby for positive outcomes in key areas such as:

- Flight Services for Derby – ongoing negotiations continue with key stakeholders in an effort to secure direct flights for Derby. The Shire has been promised that the funds remain a key budget commitment of the McGowan Government.
- Increased Wharf Operations.
- Tourism Growth.

Council completed a significant amount of projects over the year:

- Road Repairs under the State's WANDRRA funding has taken up a considerable amount of time and effort.
- Major works were undertaken at the Port to improve safety and security.

Council continues to work to support key community events and activities and this year successfully supported over 80 clubs and activities in the community. We have also had the pleasure of hosting Citizenship Ceremonies welcoming nine new citizens to our community.

Council continues to work alongside the Kimberley Regional Councils and has been lobbying for safer roads and action to be taken regarding straying cattle, the construction of the Tanami Road and the widening of single lane bridges in an effort to improve access to the Kimberley to encourage tourism and economic development across the area.

On behalf of my fellow Councillors, I would like to take this opportunity to thank our residents for their support over the last 12 months. I would also like to thank our outgoing CEO Stephen Gash for his commitment and contribution to the Shire of Derby/West Kimberley and welcome Amanda O'Halloran to the role. We have a very exciting future in the Shire with many opportunities on the horizon and I look forward to continuing to work with Council to make some of them a reality in the coming years.

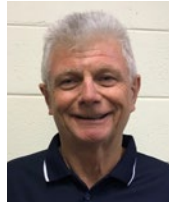


Photo: Warrwa Country

COUNCILLORS



Cr Geoff Haerewa
Shire President



Cr Paul White
Deputy Shire President



Cr Chris Kloss
Councillor



Cr Iris Prouse
Councillor



Cr Andrew Twaddle
Councillor



Cr Geoff Davis
Councillor



Cr Denise Andrews
Councillor



Cr Peter McCumstie
Councillor



Cr Peter Coggins
Councillor



Elected Members Attendance at Council Meetings

Elected Members attended the following Council meetings during the 2018-19 year:

| Councillor | 26 Jul 2018 | 30 Aug 2018 | 27 Sep 2018 | 25 Oct 2018 | 28 Nov 2018 | 10 Dec 2018 | 28 Feb 2019 | 14 Mar 2019 | 28 Mar 2019 | 11 Apr 2019 | 18 Apr 2019 | 30 May 2019 | 30 May 2019 | 27 Jun 2019 |
|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | OCM | OCM | OCM | OCM | OCM | OCM | OCM | SCM | OCM | SCM | OCM | OCM | AGM | OCM |
| P White | ✓ | ✓ | LOA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| P Coggins | LOA | ✓ | ✓ | ✓ | ✓ | LOA | ✓ | ✓ | ✓ | A | ✓ | LOA | A | ✓ |
| C Kloss | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| P McCumstie | ✓ | LOA | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| I Prouse | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| A Twaddle | ✓ | LOA | ✓ | ✓ | ✓ | ✓ | ✓ | A | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| G Davis | ✓ | ✓ | A | A | A | * | * | * | * | * | * | * | * | * |
| G Haerewa | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| D Andrews | ✓ | ✓ | ✓ | LOA | A | ✓ | LOA | A | A | A | ✓ | ✓ | A | A |

*Determination finalised by State Administrative Tribunal (SAT) on 28 August 2019. SAT determined that Councillor Geoff Davis is not disqualified from holding office as a Councillor of the Shire of Derby/West Kimberley.

SHIRE STAFF



THE 2018/19 YEAR IN REVIEW

Set out under strategic plan framework

| Community wellbeing | A balance between the natural and built environments | A strong and diverse local economy | Good governance and effective organisation |
|--|--|------------------------------------|---|
| Derby and Fitzroy Crossing Expo's | Derby Airport | Annual Budget | Records Management |
| School Holiday Programs | Derby Wharf | | Governance and Compliance |
| Library Services | Transport and Safe Infrastructure | Financial Summary Snapshot | Human Resources |
| Local History and Heritage | Attractive Parks and Gardens | | Payments to Employees |
| Kimberley Art Prize & Kimberley Photographic Award | Local Planning Strategy | Tourism | Participation in Employment Opportunities for Youth |
| Australia Day Awards | Local Planning Scheme No.8 | | National Competition Policy – Compliance |
| Support of the Notre Dame Project | Coastal Vulnerability Study & Coastal Hazard Risk Management and Adaptation Plan | Fitzroy Crossing Visitors Centre | Competitive Neutrality |
| Community Grants and Sponsorships | Native Title | | Legislation Review |
| Aquatic and Recreation | Environmental Health | | Structural Reform |
| Fitzroy Crossing Recreation | Aboriginal Environmental Health | | Register of Complaints |
| Disability Access and Inclusion | Building Services | | Freedom of Information |
| | Waste Management | | Public Interest Disclosure |
| | Ranger Services | | Register of Gifts |
| | | | Fitzroy Crossing Visitor Centre |
| | | | Customer Service |

COMMUNITY WELLBEING

Derby and Fitzroy Crossing Expo's

A record number of 45 exhibitors displayed stalls to over 500 visitors during the February 2019 Derby Expo, while in Fitzroy Crossing, the inaugural event caught the attention of 20 exhibitors and more than 150 community members. As the first expo of its kind in Fitzroy Crossing, the event was a huge success and left service providers talking about participation in future events.

School Holiday Programs

The Junior program is available to all primary school age children age 4 to 13 years. It is run by the Aquatic and Recreation team, utilising the facilities at either the Derby Memorial Swimming Pool or Derby Recreation Centre and Undercover courts. Participants enjoy activities such as; cooking, arts and craft, movie days, sports days, trail walks and novelty days. The team also organises the extremely popular Community Pool Party which is held on the last Friday of every school holiday period.

The Senior program is available for all the Youth living and visiting the Derby Community. The youth team collaborate with Winun Ngari's Remote School Attendance Strategy team in providing attractive activities such as; fishing trips, cooking, Broome trips, and activities at the Derby Youth Centre. This combined effort has also had great success in hosting sporting days to encourage physical activity and teamwork. The youth team also host the Annual NAIDOC Family Fun Day for all community members to participate and enjoy.

Library Services

Over 12,000 people visited the Derby and Fitzroy Crossing libraries where over 19,000 physical and electronic items such as e-books and e-audiobooks were issued. Family literacy sessions (Rhyme Time and Story Time) continue to be well supported at both libraries, with nearly 2,000 members attending over the year.

Derby Library retired its Monday Lego afternoons and introduced Crafternoons (craft sessions for primary age children) and Challengers (STEM based sessions for any age). The library space was put to good use for the School Holiday programs (movie mornings) and as a quiet meeting area for small community groups. School visits continued with hundreds of school children from Derby District High School and Holy Rosary School visiting the library over the 12 months.

The introduction of school visits and community collaboration for events in Fitzroy Crossing included:

- Weekly visits from Baya Gawi for reading and accessing resources
- Participation in Deadly Diva Day
- Town treasure hunt
- School Holiday activities which were in high demand with over 300 children choosing to participate in various programs over the period
- After school activities each Monday




Photo: Mowanjumb Arts Festival – Junba Gathering

Local History and Heritage

The library continues to register local history articles and photographs; the collection has grown to now house over 10,000 items, 2000 of which are photographs of people and places in the Shire.

Kimberley Art Prize & Kimberley Photographic Award

The Art Prize exhibition displayed 113 amazing pieces and the Photographic Award hosted 207 entries with each of these events attracting over 600 people, including the opening night and following 6 days when open for viewing. The overall winners were Katie Breckon with her art entry "Worrorra Stone Tool – Vic Cox Collection" and Landi Bradshaw with her photographic entry "Bastion Bolt".

Australia Day Awards

The winners of the Premier's Australia Day Active Citizenship Awards who are recognised for "fostering Australian Pride and spirit through active citizenship and outstanding contribution to community" in the Shire of Derby/West Kimberley were:

Person Under 25 Years Old: Courteney Perry

Person Over 25 Years Old: Pene Brown

Senior Person Over 60 Years Old:

Rosmarie Wilson and Mary Aiken

Community Group/Event: Derby Speedway Club

Support of the Notre Dame Project

Notre Dame Medical School has a program for 2nd year medical students as part of the Kimberley Remote Area Health Placement program.

The program is unique to Medical Schools in Australia and has been running for 13 years in the communities of Derby, Fitzroy Crossing and Broome.

It is a 1 week placement that allocates students to small town/s or remote community schools, pastoral stations and local organisations. The program provides students with the opportunity to live with, and learn from Kimberley people and has been effective in encouraging medical students to work in rural or remote places.

Each year the Shire hosts three students and this year they worked with the Aboriginal Environmental Health Department, Community Development team and Rangers. At the end of the program, students were treated to a special Kimberley experience and were taken Mud Crabbing!

Community Grants and Sponsorships

The community grants scheme continues to support the community with \$37,982.00 donated amongst various groups to assist in the delivery of various programs. Additional, larger grants supported community festivals, youth initiatives, animal welfare, environmental programs and club development.



COMMUNITY WELLBEING

Aquatic and Recreation

Events staged throughout the year included; Flippa Ball come and try day, Derby Dash and Splash and many private party bookings over the festive season. Programs ran included the Junior School Holiday Program and the Learn to Swim Program. Pool Memberships increased over the 2018/19 period and we look to increase the number of programs that will be available to the community in the upcoming financial year.

Fitzroy Crossing Recreation

The Aquatic and Recreation team began to make a larger presence in Fitzroy Crossing over the past year. The team is negotiating an extension of the SDWK/Garnduwa Memorandum of Understanding and is also working with Garnduwa and the Youth Education, Employment and Training subcommittee on a "Youth Hub". This year staff again ran the three day 'Work Inspiration' program that showcased a variety of career options within the Shire to a group of year 9 and 10 students.

Disability Access and Inclusion

The following is a summary of our achievements under the Shire of Derby/West Kimberley Disability Access Plan for 2018/19. Significant DAIP initiatives undertaken by, or on behalf of Shire of Derby/West Kimberley by agents and contractors, in 2018-2019 included::

- Improvements to, and construction of new pathways
- Modification to the entry of the Jetty walkway to allow access by mobility scooters
- Completion of Clarendon Street upgrade including crossovers and ACROD parking bays
- Participated in the Department of Communities' ten year State Disability Plan consultation process



Photo: Bunuba Country

A BALANCE BETWEEN THE NATURAL AND BUILT ENVIRONMENTS

Derby Airport

- Upgrade to Terminal Building complete.
- Complete upgrade to reticulated water system and treatment plant.
- Installation of new power back-up generator and electrical upgrade throughout.
- Installation of new Fire Hydrant system.
- Installation of new LED runway lighting system and new apron lights.
- Re-construction and extension of apron to take jets.

Derby Wharf

- Installation of hand rails to replace ageing timber handrail system.
- Repairs to the goods shed on the wharf.
- Repairs to some of the supporting structure of the wharf where required – this work included replacement and strengthening portions of the deck and columns.

Transport and Safe Infrastructure

- Reconstructed sections of Forrest Road (0.90km - \$309,918) and Geikie Gorge Rd (0.96km - \$302,513) in Fitzroy Crossing.
- Reconstructed Knowsley St West (Marmion St to Heytesbury St, 0.60km - \$736,637) and commenced reconstruction of Sutherland St (Loch St to Ord St 0.64km - \$936,730) in Derby.

- Reconstructed the intersection of Nevill and Rowan Streets in Derby as a State Blackspot funded project for \$168,416.
- Reshaped the formation and gravel re-sheeted the road pavement and replaced 3 cattle grids on Calwynyardah-Noonkanbah Rd (4.61km - \$310,304), Cherrabun Rd (2.56km - \$251,811), Fairfield-Leopold Downs Rd (3.00km - \$223,850) and Milligiddee Access Rd (1.48km - \$72,296).
- Completed 74.35km of reinstatement of unsealed roads (\$3.25 million) and 0.45km of sealed roads (\$410,430) damaged by the flooding in January 2017.
- Completed reinstatement of 62.37km of unsealed roads damaged by the flooding in January/February 2018 for \$2.33 million.
- Constructed new floodways on Fairfield-Leopold Downs Rd (\$197,912) and Mt Anderson Rd (\$549,467) to reduce damage caused to these roads most wet seasons.

Attractive Parks and Gardens

Completion of the new park at the Fitzroy Crossing Recreation precinct. This project was the first of its kind in Western Australia, working with Marra Worra Worra and young local artists in designing the artworks to be included and carefully screened onto elements of the park.



Photo: Danggu

A BALANCE BETWEEN THE NATURAL AND BUILT ENVIRONMENTS

Local Planning Strategy

The Local Planning Strategy (LPS) is the overarching land use planning document which will facilitate the Shire's decision-making over the next 10 to 15 years. It encompasses the eight key areas of planning: natural resource management and environment protection, population and housing, economy and employment, activity centres, tourism, open space and community facilities, rural land uses, urban design and heritage, transport and infrastructure services. The Plan has been approved by the Western Australian Planning Commission (WAPC) and provides direction for the preparation of the whole new District Local Planning Scheme No.8, which the Council resolved to prepare in February 2015.

Local Planning Scheme No.8

The Planning and Development Act 2005 requires that local planning schemes be reviewed periodically. The new Local Planning Scheme (LPS) will be the statutory document that controls the use and development of land within the whole of the Shire of Derby/West Kimberley.

The Council has resolved to prepare a new Local Planning Scheme that will cover the whole of the district and ultimately will supersede both TPS No.5 and TPS No.7.

The implementation of a new whole of district Local Planning Scheme will enable the Council for

the first time to exercise Planning Controls over the whole of the Shire, rather than only within the gazetted town sites. The preparation of the new scheme is being guided by the Council's endorsed Local Planning Strategy (LPS) which will set a clear picture of objectives, planning intentions and proposals of both the Council and the community.

Plans or strategies may also be prepared for specific precincts to account for local history and character and/or specific land use and planning issues. Such studies include the Coastal Vulnerability Study as it applies to the Derby town site and the Fitzroy Futures Town Plan which will provide the basis for the planning of Fitzroy Crossing.

Coastal Vulnerability Study & Coastal Hazard Risk Management and Adaption Plan

State Planning Policy No.2.6 – State Coastal Planning Policy was prepared by the Western Australian Planning Commission to provide guidance for decision-making within coastal zones across the State. Section 77 of the Planning and Development Act 2005 requires that local governments have regard to the policy where it affects its district when preparing a local planning scheme.

Consequently, in order to support the preparation of the new Local Planning Scheme No.8, the Shire



Photo: Garaanngaddim in Dambimangari Country

has now completed a Coastal Vulnerability Study (CVS) over the Derby Town Site and immediate surroundings (Study Area). The purpose of the CVS is to identify and understand the risks of coastal vulnerability over the Study Area resulting from a range of factors including erosion, coastal inundation and freshwater flooding over a 100- year planning timeframe.

The hazard mapping delivered through the CVS identifies those properties, assets and or the immediate surrounds that are potentially impacted by coastal inundation and or coastal erosion over the 100-year planning timeframe.

Under the State Planning Policy Framework, the Shire was required to undertake a process to analyse the identified coastal hazard risk and develop management and adaption measures where appropriate. This additional work is identified as the Coastal Hazard Risk Management and Adaption Plan (CHRMAP). The purpose of the CHRMAP is to further evaluate the identified coastal hazards from the CVS and develop suitable risk management and adoption measures in consultation with local community and relevant stakeholders. The CHRMAP process involves stakeholder and community engagement to:

- Consider coastal hazards and evaluate their likelihood and the consequence for specific assets;
- Identify realistic and effective management and adaptation responses to those risks; and
- Prioritise potential management and adaptation responses.

The CHRMAP process recognises the inherent uncertainty associated with coastal hazard impacts and timeframes, and seeks to provide a tool

through which decision makers can manage coastal hazard risk into the future. This understanding will allow the Shire to make informed decision-making on land-use planning including designation of coastal reserves, new development and infrastructure, establishing building set-backs and stormwater drainage.

Native Title

There are twenty four Native Title applications within the Shire boundaries. These include Wanjina/ Waunggurr-Willinggin, Dambimangari; Nookanbah, Ngurrara, Bunuba No.1 and No.2, Gooniyandi; Nyikina Mangala; Kurungal, Yi Martnwarra Ngurrara and Yarrangi Riwi Yoowarni Gooniyandi, Yi-Martnwarra Ngurrara Native Title applications.

The balance of other applications being the Warrawa Mawadjala Gadjidgar, Warrwa Combined, Boorroola Moorrool Moorrool, Bindunbar, Yi Martuwarra Ngurrara, Ngurrara D1, Warlungurru, Bunuba #2 Part B, Yurriyangem Taam and Ginijawarni Yoowaniya Riwi Native Title applications that are located within the Shire are at various stages of progress and will be actioned as individual matters are progressed by the claimant groups and the Federal Court.



Photo: Garaanngaddim in Dambimangari Country

Environmental Health

The environmental health department continued its role in public health education, enforcement and compliance across various areas of the health discipline and fulfilled statutory obligations pursuant to various legislation.

The department continued to increase the use of social media to communicate environmental health related messages with some positive results. Regular duties continued throughout the year which included routine inspections at food premises, caravan parks and camping grounds, public buildings and lodging houses with an increasing focus on traders, stallholders and public events.

Aboriginal Environmental Health

The Shire's Aboriginal environmental health unit continued to deliver environmental health related services to the 54 Aboriginal communities located within the Shire.

The unit participated in the Department of Health "You gotta wash Ya Face to Come to my Place" health promotion program at Kalumburu. Clinic Environmental Health Referrals became a larger focus with a tie-in to the Safe Bathroom Assessment and Squeaky Clean Kids projects.

A new indigenous trainee was employed and they have been successfully progressing through training courses and in-field experience to build capacity and contribute to team goals.

The team continued to work in partnership with Nindillingarri, Mowanjum and Looma who are also contracted to provide environmental health services in the Aboriginal communities within the Shire area.

Building Services

The Shire of Derby/West Kimberley had relatively steady growth again this year. Development and building applications remained steady but are still down on the peak of 6-7 years ago.

The processing of building permit applications continued with a contract arrangement with All West Building Approvals, to ensure statutory timeframes for processing were met. Training continues to be invested to ensure several staff are trained to perform the administrative functions of the building surveyor along with several process improvements to ensure compliance with the Act.

Waste Management

Waste management services continued to be provided with the contractual arrangement with Cleanaway (previously Toxfree) in both the Derby and Fitzroy Crossing townsites, while Camballin's waste management service is provided by Looma Community Inc. Total waste volumes have remained stable from the previous year and recycling volumes slightly increased.

All legislated functions were met including the annual waste census and national pollution inventory reporting.

Ranger Services

Ranger services have continued to educate and inform the public on requirements across a range of topics including animal management, fire hazard mitigation, cyclone preparedness, litter management and nuisance control. The goal is to deliver positive outcomes within the community through education and enforcement. There has been a solid focus in process improvement and consistency of service delivery to the members of the community.

A STRONG AND DIVERSE LOCAL ECONOMY

Annual Budget

The Annual Budget is required to be prepared each year and adopted by Council by 31 August. The 2018-19 financial year's budget was prepared and adopted by Council on 30 August 2018. The budget also forms the basis for determining the level of Council's rates, which incurred an increase of 0.9% for the 2018/19 year. The discount rates system was again utilised offering a 2% discount on rates for those properties paying in full by the due date.

Tourism

Fitzroy Crossing Visitors Centre

2018/19 saw the completion of a mural within the Visitors' Centre painted by local Artists and

the upgrade to shelving within the Visitor Centre completed the internal aesthetics. The tourist season was shorter and sharper when compared to previous years. Implementation of a new phone system assisted in streamlining information and giving customers 24hr access to accurate information, and improved productivity within the centre's direct inquiries. Over 50% of stock sold through the Visitors' Centre is locally produced, supporting social enterprise, and with the increased focus on Australian-made products for resale. The enormous amount of positive feedback suggests it's a winner. Through 19/20 we will continue to focus on sourcing and stocking more merchandise that is both, locally and Australian made, thus supporting the Kimberley's tourism initiatives.

FINANCIAL SUMMARY SNAPSHOT AT A GLANCE

The total operating revenue for 2018/19 was \$17.883M

Employee wages costs for 83 permanent and casual employees were \$6.30M

58 Employees at 30/06/2019

Rates and charges comprised of \$10.74M of the total income received

Council's total grant funding for the year was \$12.50M

A \$10.73M capital works program was delivered

Cash and investments as of June 2019 totalled \$6.03M

Council borrowing are \$7.46M at the end of the year

GOOD GOVERNANCE AND EFFECTIVE ORGANISATION

Records Management

The Shire of Derby/West Kimberley remains committed to accurate and compliant record keeping practices in accordance with best practice and complying with the relevant legislation, including the State Records Act 2000. A records management training program is delivered to all new staff on a one-on-one basis. The training includes an outline of employees' roles and responsibilities to ensure compliance with the Shire's record keeping obligations. Staff participate in an annual training program which was undertaken in November 2018, with on-going refreshers provided as required. The Shire's recordkeeping plan was adopted by Council in October 2018 and approved by the State Records Office in December 2018.

Governance and Compliance

The annual Compliance Audit Return is required to be completed by Council by 31 March each year, for activities carried out in the previous calendar year 1 January to 31 December, to ascertain terminations, negotiation of enterprise employee agreements and resolution of employee disputes.

Human Resources

As part of the Shire's Health and Wellbeing Program supported by the Shire's insurers LGIS, all staff were offered support, training and opportunities with hearing testing and free flu shots.

To meet our obligations in Health and Safety to our staff and the community, the following two programs were completed:

In October and November 2018, nineteen (19) Technical services staff covering Fitzroy Crossing and Derby attended Traffic Management Accreditation, providing skills and qualifications in controlling traffic and to be able to implement a traffic management plan. This enables our workforce and the community to remain safe while Shire staff are undertaking work on our streets.

In November 2018 a Firearms Handling & Safety course was undertaken by six staff in the work areas of aboriginal environmental health, ranger

services and airports (in Derby and Fitzroy Crossing) to ensure our staff are equipped to safely carry out their functions in this area.

Recruitment

2018/2019 provided promotional opportunities for three (3) of our staff internally supporting retention and succession planning.

Thirteen permanent positions were advertised from which there were 8 appointments, with four positions based in Fitzroy Crossing needing to be advertised again.

In addition the shire recruited two (2) temporary staff and twelve (12) casuals to provide cover at Derby pool, Derby youth centre, and to assist with the Shire's school holiday program.

Payments to Employees

A requirement under section 19B of the Local Government (Administration) Regulations is that the annual report is to contain details of the number of employees of the local government entitled to an annual salary of \$100,000 or more in bands of \$10,000 for each band over \$100,000.

| Salary Range | 2018-2019 |
|--------------------|-----------|
| 100,000 to 109,999 | 6 |
| 110,000 to 119,999 | 1 |
| 120,000 to 129,999 | 3 |
| 130,000 to 139,999 | |
| 140,000 to 149,999 | |
| 150,000 to 159,999 | |
| 160,000 to 169,999 | 1 |
| 170,000 to 179,999 | |
| 180,000 to 189,999 | |
| 190,000 to 199,999 | |
| 200,000 to 209,999 | |
| 210,000 to 219,999 | |
| 220,000 to 229,999 | |
| 230,000 to 239,999 | 1 |
| 240,000 to 249,999 | 1 |

Participation in Employment Opportunities for Youth

Transition Pathways Expo – Derby District High School

The Shire again participated in the annual Transition Pathways Youth Expo organised by Derby District High School in August 2018. The event showcased training, employment and other support agencies to year 10, 11 and 12 students. The Shire provided support to this initiative by hosting an exhibit stall for students to visit and talk individually with Shire employees about career paths.

Workplace learning WPL - Derby District High School and Fitzroy Valley District High School

The Shire made itself available this year to support both The Derby District and Fitzroy Valley High School workplace learning programs, providing valuable work experience at our Derby Memorial Swimming Pool, Administration, Works Departments and the Fitzroy Crossing Visitors Centre.

National Competition Policy – Compliance

In 1995 the Council of Australian Governments entered into a number of agreements, collectively known as the National Competition Policy.

Local government is affected mainly where it operates significant business activities which compete, or could compete, with private sector businesses. Local government is also affected where Local Laws unnecessarily affect competition.

The Shire is required to comply with certain policies contained within the National Competition Policy Statement and report on progress in connection with the National Competitive Neutrality Principles and review of Local Laws.

Each local government must report its progress in achieving National Competition Policy reforms in its annual report broadly under the following categories:

- Competitive Neutrality
- Legislation Review
- Structural Reform

Competitive Neutrality

This principle deals with ensuring that government business operations have no advantage or disadvantage in comparison with the private sector. The policy dictates that competitive neutrality should apply to all business activities which generate a user pays income of over \$200,000 unless it can be shown that it is not in the public interest. In this regard, no significant new business activities for the purposes of competitive neutrality were initiated or considered during the year and no non-compliance allegations were made.

Legislation Review

The Shire of Derby/West Kimberley did not promulgate any new legislation and as legislation is reviewed, it will be done with the National Competition Policy in mind. The Local Government Act 1995 requires all existing Local Laws to be reviewed every eight years. As part of this process the intention to review Local Laws is advertised in the media giving residents and ratepayers the opportunity to comment on any proposed changes, additions or deletions to the Shire's Local Laws.

Structural Reform

The Shire of Derby/West Kimberley did not undertake any structural reform during the 2018 - 19 financial year.

Register of Complaints

Section 5.121 of the Local Government Act 1995 requires the complaints officer of the local government to maintain a register of complaints which records all complaints that result in an action under section 5.110 (6)(b) or (c). For the purposes of section 5.53(2) (hb) of the Local Government Act 1995 it is advised that the Shire of Derby/West Kimberley received zero (0) complaints during this period.

GOOD GOVERNANCE AND EFFECTIVE ORGANISATION

Freedom of Information

In accordance with section 96 and 97 of the Freedom of Information Act 1992, the Shire is required to publish an information statement that details the process for applying for information under the Act, as well as information that the Shire provides outside the Act. This document is reviewed annually and available from the Shire's administration office or website. During 2018-19 the Shire received two Freedom of Information applications, which were both provided access. The Act requires that all applications are responded to within 45 days with which the Shire is compliant.

Public Interest Disclosure

In accordance with the requirements of the Public Interest Disclosure Act 2003, the Shire of Derby/West Kimberley has established procedures to facilitate the making of disclosures under the Act. These procedures set out the processes in respect to protected disclosures, generally to protect people from reprisal for making protected disclosures, and to provide guidance on investigations. The Shire reviewed its document on rights and obligations under the Public Interest Disclosures Act 2003 and the updated document is now available on the Shire's website.

In the 2018-19 financial year, no disclosures relating to improper conduct were made to the Shire and therefore no disclosures were referred to the Ombudsman.

Register of Gifts

Changes in the Local Government Act 1995 in March 2016 now require Elected Members and employees of the Shire to disclose any gift or contribution to travel received over \$200.00 in writing to the Chief Executive Officer within 10 days of receipt.

The Chief Executive Officer keeps a register of gifts which is made available on the Shire's website during the year. The register is also available for public inspection at the Shire's Administration building.

Fitzroy Crossing Visitor Centre

The Shire's office in Fitzroy Crossing is a central point of contact for Council services in the town, including dog and cat registrations, rate and debtor payments, facility hire and development application lodgement.

This multi-purpose building is also home to the Fitzroy Crossing public library with over 500 items available for short term borrowing including books, DVDs, magazines and internet access on a fee for time basis. This year the library has had the ability to offer after school arts and crafts activities, adult craft sessions with the library accessible for borrowers after work hours, rhyme time for the littlies on Friday mornings, and many visits from surrounding schools incorporating the town library as part of their enquiry based learning curriculum.

Department of Transport services are provided to Fitzroy Crossing and surrounding communities two days a week.

Customer Service

The Shire of Derby/West Kimberley Customer Service Charter was adopted in March 2019. The Shire is committed to the provision of timely, efficient, consistent and quality services that meet our customer's expectations. The Shire's aim at all times is to provide service of the highest quality. By knowing what to expect, our customers can monitor our performance, provide feedback on how we measure up and ensure we deliver on our undertakings. We may not be able to provide complete satisfaction but we will always strive for the best possible solution.

A copy of the Shire's Customer Service Charter can be found on our website: sdwk.wa.gov.au.

2019/20 – THE YEAR AHEAD



Photo: Lalgardi Barlu – Dinner Tree Derby

A PLAN FOR THE FUTURE

Council is intending to undertake a significant review of its Community Strategic Plan and associated documents such as the Corporate Business Plan, Asset Management Plan and Workforce Management Plan during the 2020 calendar year.

This will be a fantastic opportunity to engage with residents and key stakeholders and to better understand the communities' hopes and dreams. Council is keen to work with Agencies and the Youth Network to grow and connect services, and will monitor to ensure that the needs of our communities is being met.

The Council is excited to raise the volume of the community conversation across all sectors particularly families and youth. The Shire will look to engage Champions to assist and ensure that all voices are given an opportunity to yell out loud and proud what they want from their Shire and what they think their community needs.

2018/19 FINANCIAL REPORT CONTENTS

2018/19 Financial Statements

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Community Vision

A friendly and diverse place with awesome opportunities.

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

SHIRE OF DERBY/WEST KIMBERLEY
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

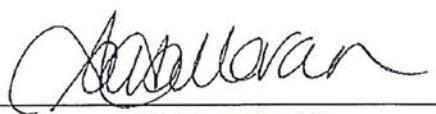
STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Derby/West Kimberley 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 Derby/West Kimberley 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 9th

day of December

2019



Chief Executive Officer

Amanda O'Halloran

Name of Chief Executive Officer



STATEMENT OF COMPREHENSIVE INCOME BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|---|-------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Rates | 21(a) | 6,861,475 | 6,716,700 | 6,809,136 |
| Operating grants, subsidies and contributions | 2(a) | 6,374,913 | 3,417,300 | 6,417,947 |
| Fees and charges | 2(a) | 3,874,461 | 3,754,500 | 3,686,387 |
| Interest earnings | 2(a) | 391,058 | 306,500 | 269,044 |
| Other revenue | 2(a) | 382,048 | 290,200 | 908,314 |
| | | 17,883,955 | 14,485,200 | 18,090,828 |
| Expenses | | | | |
| Employee costs | | (6,309,034) | (6,420,600) | (6,477,899) |
| Materials and contracts | | (6,242,158) | (14,296,900) | (13,788,476) |
| Utility charges | | (1,056,843) | (1,011,300) | (884,086) |
| Depreciation on non-current assets | 9(b) | (6,855,338) | (9,018,200) | (8,995,235) |
| Interest expenses | 2(b) | (239,119) | (244,300) | (144,835) |
| Insurance expenses | | (958,257) | (989,000) | (888,991) |
| Other expenditure | | (2,123,558) | (1,097,200) | (1,486,303) |
| Amortisation of waste landfill | 11 | (282,909) | 0 | (282,909) |
| | | (24,067,216) | (33,077,500) | (32,948,734) |
| | | (6,183,261) | (18,592,300) | (14,857,906) |
| Non-operating grants, subsidies and contributions | 2(a) | 6,130,032 | 9,979,700 | 13,318,649 |
| Profit on asset disposals | 9(a) | 425 | 0 | 79,362 |
| (Loss) on asset disposals | 9(a) | 0 | 0 | (2,334,991) |
| | | 6,130,457 | 9,979,700 | 11,063,020 |
| Net result for the period | | | | |
| | | (52,804) | (8,612,600) | (3,794,886) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes in asset revaluation surplus | 10 | 0 | 0 | 30,033,843 |
| Total other comprehensive income for the period | | | | |
| | | 0 | 0 | 30,033,843 |
| Total comprehensive income for the period | | | | |
| | | (52,804) | (8,612,600) | 26,238,957 |

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



STATEMENT OF COMPREHENSIVE INCOME BY PROGRAM

FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|---|------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Governance | | 29,183 | 62,100 | 120,754 |
| General purpose funding | | 11,535,985 | 9,028,200 | 11,230,951 |
| Law, order, public safety | | 43,957 | 46,500 | 275,036 |
| Health | | 544,244 | 527,600 | 294,242 |
| Education and welfare | | 149,189 | 400,000 | 455,304 |
| Housing | | 11,444 | 18,100 | 35,556 |
| Community amenities | | 1,871,351 | 1,877,300 | 1,982,068 |
| Recreation and culture | | 255,204 | 295,700 | 365,038 |
| Transport | | 3,271,069 | 2,076,700 | 2,646,607 |
| Economic services | | 109,609 | 89,000 | 304,987 |
| Other property and services | | 62,720 | 64,000 | 380,285 |
| | | 17,883,955 | 14,485,200 | 18,090,828 |
| Expenses | | | | |
| Governance | | (1,807,246) | (1,405,100) | (1,371,169) |
| General purpose funding | | (484,615) | (301,000) | (282,868) |
| Law, order, public safety | | (393,999) | (463,400) | (419,114) |
| Health | | (802,307) | (905,800) | (885,111) |
| Education and welfare | | (571,760) | (713,700) | (763,955) |
| Housing | | (183,097) | (157,500) | (84,999) |
| Community amenities | | (5,149,986) | (4,032,900) | (4,571,522) |
| Recreation and culture | | (3,657,362) | (4,347,500) | (3,767,335) |
| Transport | | (8,813,711) | (18,212,000) | (17,777,766) |
| Economic services | | (542,995) | (702,800) | (765,363) |
| Other property and services | | (1,421,019) | (1,591,500) | (2,114,697) |
| | | (23,828,097) | (32,833,200) | (32,803,899) |
| Finance Costs | | | | |
| Governance | | 0 | 0 | (8,091) |
| General purpose funding | | (369) | (1,000) | (21,323) |
| Housing | | (64,970) | (65,600) | (69,581) |
| Recreation and culture | | (3,031) | (3,900) | (7,445) |
| Transport | | (153,325) | (156,400) | (20,021) |
| Economic services | | (17,424) | (17,400) | (18,374) |
| | 2(b) | (239,119) | (244,300) | (144,835) |
| | | (6,183,261) | (18,592,300) | (14,857,906) |
| Non-operating grants, subsidies and contributions | 2(a) | 6,130,032 | 9,979,700 | 13,318,649 |
| Profit on disposal of assets | 9(a) | 425 | 0 | 79,362 |
| (Loss) on disposal of assets | 9(a) | 0 | 0 | (2,334,991) |
| | | 6,130,457 | 9,979,700 | 11,063,020 |
| Net result for the period | | (52,804) | (8,612,600) | (3,794,886) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes in asset revaluation surplus | 10 | 0 | 0 | 30,033,843 |
| Total other comprehensive income for the period | | 0 | 0 | 30,033,843 |
| Total comprehensive income for the period | | (52,804) | (8,612,600) | 26,238,957 |

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



STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

| | NOTE | 2019 \$ | 2018 Restated * | 1 July 2017 Restated * |
|--------------------------------------|-------|--------------------|--------------------|---------------------------|
| | | | \$ | \$ |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 3 | 6,031,260 | 6,448,202 | 5,702,964 |
| Trade receivables | 5 | 4,178,303 | 5,739,441 | 1,852,169 |
| Inventories | 6 | 93,038 | 125,656 | 116,553 |
| TOTAL CURRENT ASSETS | | 10,302,601 | 12,313,299 | 7,671,686 |
| NON-CURRENT ASSETS | | | | |
| Trade receivables | 5 | 101,680 | 37,994 | 37,994 |
| Property, plant and equipment | 7 | 40,839,716 | 39,715,409 | 35,323,222 |
| Infrastructure | 8 | 163,369,168 | 160,617,158 | 136,427,036 |
| Rehabilitation assets | 11 | 6,284,313 | 6,567,222 | 6,850,131 |
| TOTAL NON-CURRENT ASSETS | | 210,594,877 | 206,937,783 | 178,638,383 |
| TOTAL ASSETS | | 220,897,478 | 219,251,082 | 186,310,069 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 12 | 3,977,715 | 3,099,057 | 2,393,662 |
| Borrowings | 13(a) | 5,556,320 | 176,969 | 141,083 |
| Employee related provisions | 14 | 752,496 | 935,639 | 971,092 |
| TOTAL CURRENT LIABILITIES | | 10,286,531 | 4,211,665 | 3,505,837 |
| NON-CURRENT LIABILITIES | | | | |
| Borrowings | 13(a) | 1,900,665 | 7,426,905 | 1,882,179 |
| Employee related provisions | 14 | 108,164 | 151,973 | 138,109 |
| Other provisions | 15 | 10,301,035 | 9,245,637 | 8,807,999 |
| TOTAL NON-CURRENT LIABILITIES | | 12,309,864 | 16,824,515 | 10,828,287 |
| TOTAL LIABILITIES | | 22,596,395 | 21,036,180 | 14,334,124 |
| NET ASSETS | | 198,301,083 | 198,214,902 | 171,975,945 |
| EQUITY | | | | |
| Retained surplus | | 65,878,010 | 65,791,829 | 69,438,717 |
| Reserves - cash backed | 4 | 1,552,654 | 1,552,654 | 1,700,652 |
| Revaluation surplus | 10 | 130,870,419 | 130,870,419 | 100,836,576 |
| TOTAL EQUITY | | 198,301,083 | 198,214,902 | 171,975,945 |

* See note 28 for details regarding the restatement as a result of an error

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



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | RETAINED SURPLUS | RESERVES CASH BACKED | REVALUATION SURPLUS | TOTAL EQUITY |
|---|--------|---------------------|----------------------------|------------------------|--------------------|
| | | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2017 | | 71,396,585 | 1,700,652 | 100,836,576 | 173,933,813 |
| Correction of error | 28 | (1,957,868) | 0 | 0 | (1,957,868) |
| Restated total equity at the beginning of the financial year | | 69,438,717 | 1,700,652 | 100,836,576 | 171,975,945 |
| Comprehensive income | | | | | |
| Net result for the period | | (3,794,886) | 0 | 0 | (3,794,886) |
| Other comprehensive income | 10 | 0 | 0 | 30,033,843 | 30,033,843 |
| Total comprehensive income | | (3,794,886) | 0 | 30,033,843 | 26,238,957 |
| Transfers from/(to) reserves | | 147,998 | (147,998) | 0 | 0 |
| Balance as at 30 June 2018 | | 65,791,829 | 1,552,654 | 130,870,419 | 198,214,902 |
| Change in accounting policy | 26 (c) | 138,985 | 0 | 0 | 138,985 |
| Restated total equity at the beginning of the financial year | | 65,930,814 | 1,552,654 | 130,870,419 | 198,353,887 |
| Comprehensive income | | | | | |
| Net result for the period | | (52,804) | 0 | 0 | (52,804) |
| Other comprehensive income | 10 | 0 | 0 | 0 | 0 |
| Total comprehensive income | | (52,804) | 0 | 0 | (52,804) |
| Transfers from/(to) reserves | | 0 | 0 | 0 | 0 |
| Balance as at 30 June 2019 | | 65,878,010 | 1,552,654 | 130,870,419 | 198,301,083 |

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|---|------|----------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Rates | | 6,418,114 | 6,716,700 | 6,230,547 |
| Operating grants, subsidies and contributions | | 8,422,145 | 8,504,100 | 3,422,564 |
| Fees and charges | | 3,874,461 | 3,754,500 | 3,686,387 |
| Interest received | | 391,058 | 306,500 | 269,044 |
| Goods and services tax received | | 1,812,020 | 1,620,090 | 827,818 |
| Other revenue | | 382,048 | 290,200 | 908,314 |
| | | 21,299,846 | 21,192,090 | 15,344,674 |
| Payments | | | | |
| Employee costs | | (6,563,735) | (6,420,600) | (6,467,520) |
| Materials and contracts | | (4,247,735) | (14,983,100) | (12,064,492) |
| Utility charges | | (1,056,843) | (1,011,300) | (884,086) |
| Interest expenses | | (239,119) | (244,300) | (1,204,495) |
| Insurance paid | | (958,257) | (989,000) | (888,991) |
| Goods and services tax paid | | (1,779,454) | (1,620,090) | (1,141,118) |
| Other expenditure | | (2,123,558) | (1,097,200) | (1,048,665) |
| | | (16,968,701) | (26,365,590) | (23,699,367) |
| Net cash provided by (used in) operating activities | 16 | 4,331,145 | (5,173,500) | (8,354,693) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for purchase of property, plant & equipment | | (1,369,661) | (2,319,400) | (5,142,408) |
| Payments for construction of infrastructure | | (9,362,389) | (6,985,900) | (4,833,285) |
| Non-operating grants, subsidies and contributions | | 6,130,032 | 9,979,700 | 13,318,649 |
| Proceeds from sale of property, plant & equipment | | 820 | 419,500 | 176,363 |
| Net cash provided by (used in) investment activities | | (4,601,198) | 1,093,900 | 3,519,319 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of borrowings | | (146,889) | (160,700) | (130,588) |
| Proceeds from new borrowings | | 0 | 0 | 5,711,200 |
| Net cash provided by (used in) financing activities | | (146,889) | (160,700) | 5,580,612 |
| Net increase (decrease) in cash held | | (416,942) | (4,240,300) | 745,238 |
| Cash at beginning of year | | 6,448,202 | 6,453,200 | 5,702,964 |
| Cash and cash equivalents at the end of the year | 16 | 6,031,260 | 2,212,900 | 6,448,202 |

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

RARE SETTING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|---|-------|----------------------|----------------------|----------------------|
| OPERATING ACTIVITIES | | | | |
| Net current assets at start of financial year - surplus/(deficit) | 22(b) | 6,725,949 | 3,626,300 | 2,606,280 |
| | | 6,725,949 | 3,626,300 | 2,606,280 |
| Revenue from operating activities (excluding rates) | | | | |
| Governance | | 29,183 | 62,100 | 120,754 |
| General purpose funding | | 4,674,510 | 2,311,500 | 4,421,815 |
| Law, order, public safety | | 43,957 | 46,500 | 275,036 |
| Health | | 544,669 | 527,600 | 358,498 |
| Education and welfare | | 149,189 | 400,000 | 455,304 |
| Housing | | 11,444 | 18,100 | 35,556 |
| Community amenities | | 1,871,351 | 1,877,300 | 1,982,068 |
| Recreation and culture | | 255,204 | 295,700 | 365,038 |
| Transport | | 3,271,069 | 2,076,700 | 2,646,607 |
| Economic services | | 109,609 | 89,000 | 304,987 |
| Other property and services | | 62,720 | 64,000 | 395,391 |
| | | 11,022,905 | 7,768,500 | 11,361,054 |
| Expenditure from operating activities | | | | |
| Governance | | (1,807,246) | (1,405,100) | (1,379,260) |
| General purpose funding | | (484,984) | (302,000) | (304,191) |
| Law, order, public safety | | (393,999) | (463,400) | (664,965) |
| Health | | (802,307) | (905,800) | (885,111) |
| Education and welfare | | (571,760) | (713,700) | (800,297) |
| Housing | | (248,067) | (223,100) | (154,580) |
| Community amenities | | (5,149,986) | (4,032,900) | (4,774,259) |
| Recreation and culture | | (3,660,393) | (4,351,400) | (5,032,872) |
| Transport | | (8,967,036) | (18,368,400) | (18,318,709) |
| Economic services | | (560,419) | (720,200) | (854,784) |
| Other property and services | | (1,421,019) | (1,591,500) | (2,114,697) |
| | | (24,067,216) | (33,077,500) | (35,283,725) |
| Non-cash amounts excluded from operating activities | 22(a) | 8,224,710 | 9,018,200 | 11,985,275 |
| Amount attributable to operating activities | | 1,906,348 | (12,664,500) | (9,331,116) |
| INVESTING ACTIVITIES | | | | |
| Non-operating grants, subsidies and contributions | | 6,130,032 | 9,979,700 | 13,318,649 |
| Proceeds from disposal of assets | 9(a) | 820 | 419,500 | 176,363 |
| Purchase of property, plant and equipment | 7(a) | (1,369,661) | (2,319,400) | (5,142,408) |
| Purchase and construction of infrastructure | 8(a) | (9,362,389) | (6,985,900) | (4,833,285) |
| Amount attributable to investing activities | | (4,601,198) | 1,093,900 | 3,519,319 |
| FINANCING ACTIVITIES | | | | |
| Repayment of borrowings | 13(b) | (146,889) | (160,700) | (130,588) |
| Proceeds from borrowings | 13(c) | 0 | 0 | 5,711,200 |
| Transfers to reserves (restricted assets) | 4 | 0 | (1,287,900) | (304,122) |
| Transfers from reserves (restricted assets) | 4 | 0 | 6,302,500 | 452,120 |
| Amount attributable to financing activities | | (146,889) | 4,853,900 | 5,728,610 |
| Surplus/(deficit) before imposition of general rates | | (2,841,739) | (6,716,700) | (83,187) |
| Total amount raised from general rates | 21(a) | 6,861,475 | 6,716,700 | 6,809,136 |
| Surplus/(deficit) after imposition of general rates | 22(b) | 4,019,736 | 0 | 6,725,949 |

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 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 to the extent they are not inconsistent with *Local Government Act 1995* and accompanying regulations) 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 24 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(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 | 4,269,697 | 1,970,000 | 4,145,545 |
| Health | 489,835 | 492,000 | 482,485 |
| Education and welfare | 127,399 | 362,000 | 412,543 |
| Community amenities | 0 | 0 | 2,025 |
| Recreation and culture | 26,710 | 34,300 | 50,925 |
| Transport | 1,452,490 | 551,000 | 1,195,755 |
| Economic services | 0 | 0 | 36,478 |
| Other property and services | 8,782 | 8,000 | 92,191 |
| | 6,374,913 | 3,417,300 | 6,417,947 |
| Non-operating grants, subsidies and contributions | | | |
| Law, order, public safety | 0 | 231,000 | 231,000 |
| Recreation and culture | 158,789 | 168,800 | 41,211 |
| Transport | 5,971,243 | 9,579,900 | 13,046,438 |
| | 6,130,032 | 9,979,700 | 13,318,649 |
| Total grants, subsidies and contributions | 12,504,945 | 13,397,000 | 19,736,596 |

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 20.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

2. REVENUE AND EXPENSES

(a) Revenue (Continued)

| | 2019 Actual | 2019 Budget | 2018 Actual |
|--|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Other revenue | | | |
| Reimbursements and recoveries | 281,581 | 0 | 9,949 |
| Other | 100,467 | 290,200 | 898,365 |
| | 382,048 | 290,200 | 908,314 |
| Fees and Charges | | | |
| Governance | 16,686 | 37,600 | 22,670 |
| General purpose funding | 13,755 | 15,000 | 14,845 |
| Law, order, public safety | 18,766 | 25,200 | 18,369 |
| Health | 45,705 | 30,000 | 38,539 |
| Education and welfare | 0 | 4,000 | 4,471 |
| Housing | 11,444 | 16,100 | 35,400 |
| Community amenities | 1,871,351 | 1,877,300 | 1,980,043 |
| Recreation and culture | 137,733 | 213,400 | 123,607 |
| Transport | 1,694,960 | 1,436,500 | 1,364,422 |
| Economic services | 21,186 | 47,100 | 44,515 |
| Other property and services | 42,875 | 52,300 | 39,506 |
| | 3,874,461 | 3,754,500 | 3,686,387 |
| Interest earnings | | | |
| Rates instalment and penalty interest (refer Note 21(c)) | 282,488 | 211,500 | 221,684 |
| Other interest earnings | 108,570 | 95,000 | 47,360 |
| | 391,058 | 306,500 | 269,044 |

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

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report *
- Other services
- Audit fees associated with grant acquittals

| | 2019 Actual | 2019 Budget | 2018 Actual |
|---|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| - Audit of the Annual Financial Report * | 42,197 | 65,000 | 46,903 |
| - Other services | 78,250 | 85,000 | 20,232 |
| - Audit fees associated with grant acquittals | 24,090 | 0 | 16,060 |
| | 144,537 | 150,000 | 83,195 |
| Interest expenses (finance costs) | | | |
| Borrowings (refer Note 13(b)) | 188,915 | 243,300 | 115,596 |
| Other | 49,835 | 1,000 | 0 |
| Interest on overdraft | 369 | 0 | 29,239 |
| | 239,119 | 244,300 | 144,835 |

* Indicative fee for the Audit of the 2019 Financial report is \$65,000.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

3. CASH AND CASH EQUIVALENTS

| | NOTE | 2019 \$ | 2018 \$ |
|---|-------|------------------|------------------|
| Cash at bank and on hand | | 4,478,606 | 6,448,202 |
| Term deposits | | 1,552,654 | 0 |
| | | <u>6,031,260</u> | <u>6,448,202</u> |
| Comprises: | | | |
| - Unrestricted cash and cash equivalents | | 2,229,405 | 1,298,588 |
| - Restricted cash and cash equivalents | | <u>3,801,855</u> | <u>5,149,614</u> |
| | | 6,031,260 | 6,448,202 |
| The following restrictions have been imposed by regulations or other externally imposed requirements: | | | |
| Reserve accounts | | | |
| Leave reserve | 4 | 452,441 | 452,441 |
| Office Building Reserve | 4 | 814,511 | 814,511 |
| Airport Reserve | 4 | 28,456 | 28,456 |
| Derby Wharf Maintenance Reserve | 4 | 3,721 | 3,721 |
| Economic Development Reserve | 4 | 19,936 | 19,936 |
| Fitzroy Crossing Recreation Hall Reserve | 4 | 46,771 | 46,771 |
| Staff Housing Reserve | 4 | 159,965 | 159,965 |
| Energy Developments Ltd West Kimberley Cement I | 4 | <u>26,853</u> | <u>26,853</u> |
| | | 1,552,654 | 1,552,654 |
| Other restricted cash and cash equivalents | | | |
| Unspent grants/contributions | 20 | 1,108,927 | 2,373,615 |
| Unspent loans | 13(c) | 781,371 | 1,223,345 |
| Bonds and deposits held in payables | 24 | <u>358,903</u> | <u>0</u> |
| Total restricted cash and cash equivalents | | <u>3,801,855</u> | <u>5,149,614</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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

4. RESERVES - CASH BACKED

| | 2019 Opening Balance | 2019 Actual Transfer to | 2019 Actual Transfer (from) | 2019 Actual Closing Balance | 2019 Budget Opening Balance | 2019 Budget Transfer to | 2019 Budget Transfer (from) | 2019 Budget Closing Balance | 2018 Actual Opening Balance | 2018 Actual Transfer to | 2018 Actual Transfer (from) | 2018 Actual Closing Balance |
|---|----------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|
| (a) Leave reserve | 452,441 | 0 | 0 | 452,441 | 452,400 | 0 | 0 | 452,400 | 452,441 | 950 | (950) | 452,441 |
| (b) Unspent Grants and Contributions Reserve | 0 | 0 | 0 | 0 | 5,375,500 | 286,300 | (5,375,500) | 286,300 | 0 | 0 | 0 | 0 |
| (c) Office Building Reserve | 814,511 | 0 | 0 | 814,511 | 814,500 | 0 | (50,000) | 764,500 | 593,330 | 301,034 | (69,853) | 814,511 |
| (d) Airport Reserve | 28,456 | 0 | 0 | 28,456 | 28,500 | 0 | (28,500) | 0 | 28,456 | 60 | (60) | 28,456 |
| (e) Derby Wharf Maintenance Reserve | 3,721 | 0 | 0 | 3,721 | 3,700 | 0 | (3,700) | 0 | 3,721 | 8 | (8) | 3,721 |
| (f) Economic Development Reserve | 19,936 | 0 | 0 | 19,936 | 19,900 | 0 | (19,900) | 0 | 19,936 | 42 | (41) | 19,936 |
| (g) Fitzroy Crossing Recreation Hall Reserve | 46,771 | 0 | 0 | 46,771 | 46,800 | 0 | 0 | 46,800 | 46,771 | 98 | (98) | 46,771 |
| (h) Staff Housing Reserve | 159,965 | 0 | 0 | 159,965 | 160,000 | 0 | 0 | 160,000 | 159,965 | 1,120 | (1,120) | 159,965 |
| (i) Capital Works Building Reserve | 0 | 0 | 0 | 0 | 0 | 1,001,600 | (798,000) | 203,600 | 0 | 0 | 0 | 0 |
| (j) Admin Building Construction Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 299,180 | 462 | (299,642) | 0 |
| (k) Energy Developments Ltd West Kimberley Cement Donations Reserve | 26,853 | 0 | 0 | 26,853 | 26,900 | 0 | (26,900) | 0 | 106,853 | 348 | (80,348) | 26,853 |
| | 1,552,654 | 0 | 0 | 1,552,654 | 6,928,200 | 1,287,900 | (6,302,500) | 1,913,600 | 1,700,652 | 304,122 | (452,120) | 1,552,654 |

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

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

| Name of Reserve | Anticipated date of use | Purpose of the reserve |
|---|-------------------------|---|
| (a) Leave reserve | ongoing | To be used to fund annual and long service leave requirements |
| (b) Unspent Grants and Contributions Reserve | ongoing | To be used to quarantine unspent grant funds and contributions at the end of each financial year |
| (c) Office Building Reserve | ongoing | To be used to fund the new Derby administration building |
| (d) Airport Reserve | ongoing | To be used to fund airport capital works, primarily bitumen resealing |
| (e) Derby Wharf Maintenance Reserve | ongoing | To be used to carry out major wharf maintenance |
| (f) Economic Development Reserve | ongoing | To promote economic development within the Shire |
| (g) Fitzroy Crossing Recreation Hall Reserve | ongoing | To be used to quarantine funds received from the lease of the FX Recreation Hall to be utilised for any upgrade works |
| (h) Staff Housing Reserve | ongoing | To help with the construction of staff housing |
| (i) Capital Works Building Reserve | ongoing | To help with the construction/maintenance of major works |
| (j) Admin Building Construction Reserve | 30.6.2018 | To administer the funds provided by Energy Developments Limited to create lasting value throughout the West Kimberley by contributing to not-for-profit projects or activities that benefit the Shire of Derby West/Kimberley |
| (k) Energy Developments Ltd West Kimberley Cement Donations Reserve | ongoing | |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

5. TRADE RECEIVABLES

Current

| | 2019 \$ | 2018 \$ |
|---|------------|------------|
| Rates receivable | 2,784,435 | 2,404,760 |
| Sundry receivables | 1,416,485 | 3,426,543 |
| GST receivable | 487,183 | 519,749 |
| Allowance for impairment of receivables | (556,959) | (655,249) |
| Other receivables | 47,159 | 43,638 |
| | 4,178,303 | 5,739,441 |

Non-current

| | | |
|------------------------------------|---------|--------|
| Pensioner's rates and ESL deferred | 101,680 | 37,994 |
| | 101,680 | 37,994 |

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:-

Rates outstanding

Includes:

Past due and not impaired

| | | |
|------------------------|-----------|-----------|
| - 1 to 3 months | 3,145 | 6,470 |
| - 3 months to one year | 36,173 | 45,283 |
| - 1 to 5 years | 2,037,494 | 1,358,815 |
| - more than 5 years | 679,165 | 455,081 |

Sundry debtors

Includes:

Past due and not impaired

| | | |
|------------------------|---------|--------|
| - up to one month | 44,520 | 41,337 |
| - 1 to 3 months | 6,653 | 9,050 |
| - 3 months to one year | 213,316 | 25,933 |
| - 1 to 5 years | 179,929 | 31,582 |
| - more than 5 years | 0 | 35,941 |

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 23.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

6. INVENTORIES

Current

Fuel and materials

| 2019 | 2018 |
|--------|---------|
| \$ | \$ |
| 93,038 | 125,656 |
| 93,038 | 125,656 |

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

Carrying amount at 30 June

| | |
|-----------|-----------|
| 125,656 | 116,553 |
| (176,613) | (148,813) |
| 143,995 | 157,916 |
| 93,038 | 125,656 |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

| | Land - freehold land | Total land | Buildings | Total buildings | Total land and buildings | Furniture and equipment | Plant and equipment | Computer equipment | Total property, plant and equipment |
|--|-------------------------|------------|-------------|--------------------|-----------------------------|----------------------------|------------------------|-----------------------|--|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 3,543,000 | 3,543,000 | 29,972,857 | 29,972,857 | 33,515,857 | 27,260 | 1,697,608 | 82,497 | 35,323,222 |
| Additions | 0 | 0 | 4,655,209 | 4,655,209 | 4,655,209 | 0 | 418,560 | 68,639 | 5,142,408 |
| (Disposals) | 0 | 0 | 0 | 0 | 0 | 0 | (97,001) | 0 | (97,001) |
| Depreciation (expense) | 0 | 0 | (777,390) | (777,390) | (777,390) | (3,674) | (269,475) | (27,056) | (1,077,595) |
| Transfers | 0 | 0 | 424,375 | 424,375 | 424,375 | 0 | 0 | 0 | 424,375 |
| Carrying amount at 30 June 2018 | 3,543,000 | 3,543,000 | 34,275,051 | 34,275,051 | 37,818,051 | 23,586 | 1,749,692 | 124,080 | 39,715,409 |
| Comprises: | | | | | | | | | |
| Gross carrying amount at 30 June 2018 | 3,543,000 | 3,543,000 | 35,113,066 | 35,113,066 | 38,656,066 | 30,704 | 2,405,271 | 193,384 | 41,285,425 |
| Accumulated depreciation at 30 June 2018 | 0 | 0 | (838,015) | (838,015) | (838,015) | (7,118) | (655,579) | (69,304) | (1,570,016) |
| Carrying amount at 30 June 2018 | 3,543,000 | 3,543,000 | 34,275,051 | 34,275,051 | 37,818,051 | 23,586 | 1,749,692 | 124,080 | 39,715,409 |
| Additions | 0 | 0 | 1,268,859 | 1,268,859 | 1,268,859 | 0 | 100,802 | 0 | 1,369,661 |
| (Disposals) | 0 | 0 | 0 | 0 | 0 | 0 | (395) | 0 | (395) |
| Depreciation (expense) | 0 | 0 | (839,616) | (839,616) | (839,616) | (3,673) | (274,848) | (31,403) | (1,149,540) |
| Transfers | 0 | 0 | 904,581 | 904,581 | 904,581 | 0 | 0 | 0 | 904,581 |
| Carrying amount at 30 June 2019 | 3,543,000 | 3,543,000 | 35,608,875 | 35,608,875 | 39,151,875 | 19,913 | 1,575,251 | 92,677 | 40,839,716 |
| Comprises: | | | | | | | | | |
| Gross carrying amount at 30 June 2019 | 3,543,000 | 3,543,000 | 37,286,506 | 37,286,506 | 40,829,506 | 30,705 | 2,505,643 | 193,385 | 43,559,239 |
| Accumulated depreciation at 30 June 2019 | 0 | 0 | (1,677,631) | (1,677,631) | (1,677,631) | (10,792) | (930,392) | (100,708) | (2,719,523) |
| Carrying amount at 30 June 2019 | 3,543,000 | 3,543,000 | 35,608,875 | 35,608,875 | 39,151,875 | 19,913 | 1,575,251 | 92,677 | 40,839,716 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|---------------------------|----------------------|---|-------------------------------|------------------------|---|
| Land and buildings | | | | | |
| Land - freehold land | Level 2 | Market approach using recent observable market data for similar properties / income approach using discounted cash flow methodology | Independent registered valuer | June 2017 | Price per hectare / market borrowing rate |
| Buildings | Level 2 | Improvements to land valued using cost approach using depreciated replacement cost | Independent registered valuer | June 2017 | Perth based construction rates with appropriate district allowance applied to each location |
| Furniture and equipment | Level 2 | Market approach using recent observable market data for similar items | Independent valuer | August 2016 | Observable market data |
| Plant and equipment | Level 2 | Market approach using recent observable market data for similar items | Independent valuer | August 2016 | Open market values of similar items adjusted for condition and comparability |
| Computer equipment | Level 2 | Market approach using recent observable market data for similar items | Independent valuer | August 2016 | Observable market data |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

8. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

| | Infrastructure - roads | Other drainage | Infrastructure - footpaths | Other lands & parks | Infrastructure - wharf | Other airports | Infrastructure - street furniture | Other infrastructure - structures | Total Infrastructure |
|--|------------------------|----------------|----------------------------|---------------------|------------------------|----------------|-----------------------------------|-----------------------------------|----------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 109,250,142 | 5,939,431 | 1,541,023 | 2,100,307 | 3,077,857 | 8,665,695 | 55,039 | 5,797,542 | 136,427,036 |
| Additions | 373,222 | 69,040 | 63,008 | 0 | 887,755 | 1,266,428 | 0 | 2,163,832 | 4,833,285 |
| (Disposals) | (46,282) | 0 | 0 | (531,441) | 0 | 0 | 0 | (1,757,268) | (2,334,991) |
| Revaluation increments / (decrements) transferred to revaluation surplus | 16,589,372 | 390,445 | 192,005 | 767,114 | 0 | 9,427,280 | 0 | 2,667,627 | 30,033,843 |
| Depreciation (expense) | (5,589,721) | (692,117) | (153,936) | (128,750) | (96,000) | (755,330) | 0 | (521,786) | (7,917,640) |
| Transfers | (519,633) | 0 | 500,000 | (577,830) | (402,348) | (287,100) | (55,039) | 917,575 | (424,375) |
| Carrying amount at 30 June 2018 | 120,077,100 | 5,706,799 | 2,142,100 | 1,629,400 | 3,477,264 | 18,316,973 | 0 | 9,267,522 | 160,617,158 |
| Comprises: | | | | | | | | | |
| Gross carrying amount at 30 June 2018 | 120,077,100 | 5,706,799 | 2,142,100 | 1,629,400 | 3,477,264 | 18,316,973 | 0 | 9,267,522 | 160,617,158 |
| Accumulated depreciation at 30 June 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Carrying amount at 30 June 2018 | 120,077,100 | 5,706,799 | 2,142,100 | 1,629,400 | 3,477,264 | 18,316,973 | 0 | 9,267,522 | 160,617,158 |
| Additions | 8,485,159 | 2,161 | 231,524 | 0 | 441,974 | 19,414 | 0 | 182,157 | 9,362,389 |
| Depreciation (expense) | (3,049,587) | (670,025) | (84,246) | (122,108) | (186,556) | (1,058,908) | 0 | (554,368) | (5,705,798) |
| Transfers | 12,774 | 0 | 191,231 | 0 | 0 | (1,281,651) | 0 | 173,065 | (904,581) |
| Carrying amount at 30 June 2019 | 125,525,446 | 5,038,935 | 2,500,609 | 1,507,292 | 3,732,682 | 15,995,828 | 0 | 9,068,376 | 163,369,168 |
| Comprises: | | | | | | | | | |
| Gross carrying amount at 30 June 2019 | 128,575,032 | 5,708,960 | 2,564,855 | 1,629,400 | 3,919,238 | 17,054,736 | 0 | 9,622,744 | 169,074,965 |
| Accumulated depreciation at 30 June 2019 | (3,049,586) | (670,025) | (84,246) | (122,108) | (186,556) | (1,058,908) | 0 | (554,368) | (5,705,797) |
| Carrying amount at 30 June 2019 | 125,525,446 | 5,038,935 | 2,500,609 | 1,507,292 | 3,732,682 | 15,995,828 | 0 | 9,068,376 | 163,369,168 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

8. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|---|----------------------|--|-------------------------------|------------------------|---|
| Infrastructure - roads | Level 3 | Cost approach using depreciated replacement cost | Management valuation | June 2018 | Construction costs and current condition, residual values and remaining useful life assessments |
| Other infrastructure - drainage | Level 3 | Cost approach using depreciated replacement cost | Management valuation | June 2018 | Construction costs and current condition, residual values and remaining useful life assessments |
| Other infrastructure - footpaths | Level 3 | Cost approach using depreciated replacement cost | Management valuation | June 2018 | Construction costs and current condition, residual values and remaining useful life assessments |
| Other infrastructure - lands & parks | Level 3 | Cost approach using depreciated replacement cost | Independent valuation | June 2018 | Construction costs and current condition, residual values and remaining useful life assessments |
| Other infrastructure - wharf | Level 3 | Cost approach using depreciated replacement cost | Management valuation | June 2018 | Construction costs and current condition, residual values and remaining useful life assessments |
| Other infrastructure - airports | Level 3 | Cost approach using depreciated replacement cost | Independent valuation | June 2018 | Construction costs and current condition, residual values and remaining useful life assessments |
| Other infrastructure - street furniture | Level 3 | Cost approach using depreciated replacement cost | Management valuation | June 2018 | Construction costs and current condition, residual values and remaining useful life assessments |
| Other infrastructure - other structures | Level 3 | Cost approach using depreciated replacement cost | Independent registered valuer | June 2018 | Perth based construction rates with appropriate discount allowance applied to each location |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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

(a) Disposals of Assets

| | 2019 Actual Net Book Value | 2019 Actual Sale Proceeds | 2019 Actual Profit | 2019 Actual Loss | 2019 Budget Net Book Value | 2019 Budget Sale Proceeds | 2019 Budget Profit | 2019 Budget Loss | 2018 Actual Net Book Value | 2018 Actual Sale Proceeds | 2018 Actual Profit | 2018 Actual Loss |
|---|-------------------------------------|------------------------------------|--------------------------|------------------------|-------------------------------------|------------------------------------|--------------------------|------------------------|-------------------------------------|------------------------------------|--------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Buildings | 0 | 0 | 0 | 0 | 292,500 | 292,500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant and equipment | 395 | 820 | 425 | 0 | 127,000 | 127,000 | 0 | 0 | 97,001 | 176,363 | 79,362 | 0 |
| Infrastructure - roads | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 46,282 | 0 | 0 | (46,282) |
| Other infrastructure - lands & parks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 531,441 | 0 | 0 | (531,441) |
| Other infrastructure - other structures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,757,268 | 0 | 0 | (1,757,268) |
| | 395 | 820 | 425 | 0 | 419,500 | 419,500 | 0 | 0 | 2,431,992 | 176,363 | 79,362 | (2,334,991) |

The following assets were disposed of during the year.

| | 2019 Actual Net Book Value | 2019 Actual Sale Proceeds | 2019 Actual Profit | 2019 Actual Loss |
|---------------------|-------------------------------------|------------------------------------|--------------------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Plant and Equipment | | | | |
| Health | | | | |
| Trailer | 395 | 820 | 425 | 0 |
| | 395 | 820 | 425 | 0 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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

(b) Depreciation

| | 2019 Actual | 2019 Budget | 2018 Actual |
|---|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Buildings | 839,616 | 770,000 | 777,390 |
| Furniture and equipment | 3,673 | 32,000 | 3,674 |
| Plant and equipment | 274,848 | 270,000 | 269,475 |
| Computer equipment | 31,403 | 0 | 27,056 |
| Infrastructure - roads | 3,049,587 | 5,550,000 | 5,569,721 |
| Other infrastructure - drainage | 670,025 | 695,000 | 692,117 |
| Other infrastructure - footpaths | 64,246 | 145,000 | 153,936 |
| Other infrastructure - lands & parks | 122,108 | 1,556,200 | 128,750 |
| Other infrastructure - wharf | 186,556 | 0 | 96,000 |
| Other infrastructure - airports | 1,058,908 | 0 | 755,330 |
| Other infrastructure - other structures | 554,368 | 0 | 521,786 |
| | 6,855,338 | 9,018,200 | 8,995,235 |

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

| Asset Class | Useful life |
|--------------------------|----------------|
| Buildings | 25 to 50 years |
| Furniture and equipment | 10 years |
| Plant and equipment | 3 to 10 years |
| Paintings and sculptures | 100 years |
| Drainage | 5 to 50 years |
| Parks and ovals | 10 to 50 years |
| Footpaths | 50 years |
| Bridges | 50 years |
| Roads | 20 to 40 years |
| Other infrastructure | 10 to 50 years |

Depreciation (Continued)

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

10. REVALUATION SURPLUS

| | 2019 Opening Balance | 2019 Revaluation Increment | 2019 Revaluation (Decrement) | 2019 Closing Balance | 2018 Opening Balance | 2018 Revaluation Increment | 2018 Revaluation (Decrement) | 2018 Closing Balance | Total Movement on Revaluation |
|---|----------------------------|----------------------------------|------------------------------------|----------------------------|----------------------------|----------------------------------|------------------------------------|----------------------------|-------------------------------------|
| Land - freehold land | 12,218,340 | 0 | 0 | 12,218,340 | 12,218,340 | 0 | 0 | 12,218,340 | 0 |
| Plant and equipment | 538,090 | 0 | 0 | 538,090 | 538,090 | 0 | 0 | 538,090 | 0 |
| Infrastructure - roads | 93,004,330 | 0 | 0 | 93,004,330 | 76,414,958 | 16,589,372 | 0 | 93,004,330 | 16,589,372 |
| Other infrastructure - drainage | 5,076,353 | 0 | 0 | 5,076,353 | 4,685,908 | 390,445 | 0 | 5,076,353 | 390,445 |
| Other infrastructure - footpaths | 192,005 | 0 | 0 | 192,005 | 0 | 192,005 | 0 | 192,005 | 192,005 |
| Other infrastructure - lands & parks | 2,327,966 | 0 | 0 | 2,327,966 | 1,560,852 | 767,114 | 0 | 2,327,966 | 767,114 |
| Other infrastructure - airports | 14,845,708 | 0 | 0 | 14,845,708 | 5,418,428 | 9,427,280 | 0 | 14,845,708 | 9,427,280 |
| Other infrastructure - other structures | 2,667,627 | 0 | 0 | 2,667,627 | 0 | 2,667,627 | 0 | 2,667,627 | 2,667,627 |
| | 130,870,419 | 0 | 0 | 130,870,419 | 100,836,576 | 30,033,843 | 0 | 130,870,419 | 30,033,843 |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

11. REHABILITATION ASSETS

Non-current

Waste Landfill

Less: Accumulated amortisation

| 2019 Actual | 2018 Actual |
|----------------|----------------|
| \$ | \$ |
| 7,571,317 | 7,571,317 |
| (1,287,004) | (1,004,095) |
| 6,284,313 | 6,567,222 |

Movements in carrying amounts of waste landfill assets during the financial year are shown as follows:-

| | <u>Rehabilitation Asset</u> |
|--|-----------------------------|
| | \$ |
| Balance at 1 July 2017 | 6,850,131 |
| Amortisation (expense) | (282,909) |
| Carrying amount at 30 June 2018 | 6,567,222 |
| Comprises: | |
| Gross carrying amount at 30 June 2018 | 7,571,317 |
| Accumulated amortisation at 30 June 2018 | (1,004,095) |
| Carrying amount at 30 June 2018 | 6,567,222 |
| Amortisation (expense) | (282,909) |
| Carrying amount at 30 June 2019 | 6,284,313 |
| Comprises: | |
| Gross carrying amount at 30 June 2019 | 7,571,317 |
| Accumulated amortisation at 30 June 2019 | (1,287,004) |
| Carrying amount at 30 June 2019 | 6,284,313 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
ATO liabilities
Other payables
Accrued expenses

| 2019 | 2018 |
|-----------|-----------|
| \$ | \$ |
| 2,856,921 | 2,703,417 |
| 159,396 | 187,145 |
| 520,923 | 123,820 |
| 440,475 | 84,675 |
| 3,977,715 | 3,099,057 |

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

FOR THE YEAR ENDED 30 JUNE 2019

| (a) Borrowings | | 2019 | 2018 |
|----------------|--|------------------|------------------|
| | | \$ | \$ |
| Current | | 5,556,320 | 176,969 |
| Non-current | | 1,900,665 | 7,426,905 |
| | | <u>7,456,985</u> | <u>7,603,874</u> |

| (b) Repayments - Borrowings | | 30 June 2019 | | | 30 June 2019 | | | 30 June 2019 | | | 30 June 2018 | | | 30 June 2018 | | | 30 June 2018 | | | 30 June 2018 | | |
|-----------------------------|------------------------------|--------------|---------------|------------------|----------------|----------------|------------------|------------------|----------------|----------------|------------------|------------------|------------------|----------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|
| Loan Number | Particulars | Institution | Interest Rate | Actual | Actual | Budget | Actual | Budget | Budget | Actual | Budget | Budget | Actual | Budget | Budget | Actual | Budget | Budget | Actual | Budget | Budget | |
| | | | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal |
| 135 | Housing | | | | | | | | | | | | | | | | | | | | | |
| | Staff Housing | WATC | 6.58% | 137,301 | 19,355 | 8,552 | 117,946 | 117,962 | 22,400 | 5,200 | 95,562 | 155,446 | 0 | 13,145 | 0 | 9,904 | 137,301 | 0 | 9,904 | 137,301 | 0 | |
| 145 | Staff Housing | WATC | 6.33% | 652,935 | 40,055 | 43,239 | 652,860 | 659,308 | 37,600 | 45,700 | 691,708 | 730,570 | 0 | 37,635 | 0 | 45,659 | 692,932 | 0 | 45,659 | 692,932 | 0 | |
| 148 | Staff Housing | WATC | 4.49% | 314,632 | 8,194 | 7,063 | 306,438 | 326,707 | 15,900 | 14,700 | 310,807 | 330,485 | 0 | 15,853 | 0 | 14,693 | 314,632 | 0 | 14,693 | 314,632 | 0 | |
| 135 | Recreation and culture | | | | | | | | | | | | | | | | | | | | | |
| | Civic Centre Renovations | WATC | 5.42% | 79,639 | 30,584 | 3,835 | 49,055 | 79,382 | 30,600 | 3,900 | 48,762 | 108,631 | 0 | 28,992 | 0 | 7,445 | 79,639 | 0 | 7,445 | 79,639 | 0 | |
| 145 | Transport | | | | | | | | | | | | | | | | | | | | | |
| | Wharf Ferries, Boat Ramp | WATC | 6.87% | 274,877 | 21,350 | 18,524 | 253,527 | 274,878 | 0 | 67,300 | 274,878 | 285,024 | 0 | 10,147 | 0 | 19,551 | 274,877 | 0 | 19,551 | 274,877 | 0 | |
| 150 | Derby Airport Infrastructure | WATC | 2.33% | 5,315,200 | 0 | 92,863 | 5,315,200 | 3,194,085 | 0 | 74,300 | 3,194,085 | 0 | 5,315,200 | 0 | 0 | 0 | 5,315,200 | 0 | 0 | 5,315,200 | 0 | |
| 151 | Derby Wharf Infrastructure | WATC | 3.02% | 396,000 | 17,108 | 5,980 | 378,892 | 395,898 | 0 | 14,800 | 395,898 | 0 | 396,000 | 0 | 0 | 0 | 396,000 | 0 | 0 | 396,000 | 0 | |
| 152 | Derby Wharf Infrastructure | WATC | | 0 | 0 | 0 | 0 | 2,119,748 | 33,500 | 0 | 2,086,248 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Economic Services | | | | | | | | | | | | | | | | | | | | | |
| 149 | Derby Visitors Centre | WATC | 4.49% | 383,290 | 10,243 | 8,829 | 383,047 | 382,891 | 20,700 | 17,400 | 382,191 | 413,106 | 0 | 18,816 | 0 | 18,374 | 383,290 | 0 | 18,374 | 383,290 | 0 | |
| | | | | <u>7,603,874</u> | <u>146,889</u> | <u>188,915</u> | <u>7,456,985</u> | <u>7,590,839</u> | <u>160,700</u> | <u>243,300</u> | <u>7,420,139</u> | <u>2,023,262</u> | <u>5,711,200</u> | <u>130,588</u> | <u>115,596</u> | <u>7,603,874</u> | <u>115,596</u> | <u>7,603,874</u> | <u>115,596</u> | <u>7,603,874</u> | <u>115,596</u> | <u>7,603,874</u> |

All other loan repayments were financed by general purpose revenue.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

13. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

| Particulars | Date Borrowed | Unspent Balance 1 July 2018 | Borrowed During Year | Expended During Year | Unspent Balance 30 June 2019 |
|----------------------------|------------------|-----------------------------------|----------------------------|----------------------------|------------------------------------|
| | | \$ | \$ | \$ | \$ |
| Derby Wharf revitalisation | 01 Jun 18 | 1,223,345 | 0 | (441,974) | 781,371 |
| * WA Treasury Corporation | | 1,223,345 | 0 | (441,974) | 781,371 |

(d) Undrawn Borrowing Facilities

| | 2019 | 2018 |
|-------------------------------------|---------|----------|
| | \$ | \$ |
| Credit Standby Arrangements | | |
| Credit card limit | 50,000 | 50,000 |
| Credit card balance at balance date | (2,203) | (13,074) |
| Total amount of credit unused | 47,797 | 36,926 |

Loan facilities

| | | |
|---|-----------|-----------|
| Loan facilities - current | 5,556,320 | 176,969 |
| Loan facilities - non-current | 1,900,665 | 7,426,905 |
| Total facilities in use at balance date | 7,456,985 | 7,603,874 |

| | | |
|--|---------|-----------|
| Unused loan facilities at balance date | 781,371 | 1,223,345 |
|--|---------|-----------|

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 23.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

| | Provision for Annual Leave \$ | Provision for Long Service Leave \$ | Total \$ |
|---|--|--|-------------|
| Opening balance at 1 July 2018 | | | |
| Current provisions | 554,680 | 380,959 | 935,639 |
| Non-current provisions | 0 | 151,973 | 151,973 |
| | 554,680 | 532,932 | 1,087,612 |
| Additional provision | 194,570 | 17,640 | 212,210 |
| Amounts used | (391,738) | (47,424) | (439,162) |
| Balance at 30 June 2019 | 357,512 | 503,148 | 860,660 |
| Comprises | | | |
| Current | 357,512 | 394,984 | 752,496 |
| Non-current | 0 | 108,164 | 108,164 |
| | 357,512 | 503,148 | 860,660 |
| Amounts are expected to be settled on the following basis: | 2019 | 2018 | |
| | \$ | \$ | |
| Less than 12 months after the reporting date | 752,496 | 935,639 | |
| More than 12 months from reporting date | 108,164 | 151,973 | |
| | 860,660 | 1,087,612 | |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

15. OTHER PROVISIONS

| | Provision for Remediation Costs | Total |
|--------------------------------|---------------------------------------|------------|
| | \$ | \$ |
| Opening balance at 1 July 2017 | | |
| Non-current provisions | 8,807,999 | 8,807,999 |
| | 8,807,999 | 8,807,999 |
| Additional provision | 437,638 | 437,638 |
| Balance at 30 June 2018 | 9,245,637 | 9,245,637 |
| Comprises | | |
| Non-current | 9,245,637 | 9,245,637 |
| Balance at 30 June 2018 | 9,245,637 | 9,245,637 |
| | | \$ |
| Additional provision | 1,055,398 | 1,055,398 |
| Balance at 30 June 2019 | 10,301,035 | 10,301,035 |
| Comprises | | |
| Non-current | 10,301,035 | 10,301,035 |
| Balance at 30 June 2018 | 10,301,035 | 10,301,035 |

Provision for remediation costs

Under the licence for the operation of the Derby Waste landfill site and the Fitzroy Crossing Waste landfill, the Shire has a legal obligation to restore the site.

A provision for remediation is recognised when:

- there is a present obligation as a result of waste activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of restoring the affected areas and continued monitoring of the site.

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligation is unable to be reliably estimated as it is dependent on the remaining life of the waste facility.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

16. 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 | 6,031,260 | 2,212,900 | 6,448,202 |
| Reconciliation of Net Cash Provided By Operating Activities to Net Result | | | |
| Net result | (52,804) | (8,612,600) | (3,794,886) |
| Non-cash flows in Net result: | | | |
| Depreciation | 6,855,338 | 9,018,200 | 8,995,235 |
| (Profit)/loss on sale of asset | (425) | 0 | 2,255,629 |
| Amortisation on waste landfill | 282,909 | 0 | 282,909 |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in receivables | 1,636,437 | 5,086,800 | (3,887,272) |
| (Increase)/decrease in inventories | 32,618 | 35,800 | (9,103) |
| Increase/(decrease) in payables | 878,658 | (722,000) | 705,395 |
| Increase/(decrease) in provisions | 828,446 | 0 | 416,049 |
| Non operating grants and contributions for the development of assets | (6,130,032) | (9,979,700) | (13,318,649) |
| Net cash from operating activities | 4,331,145 | (5,173,500) | (8,354,693) |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | 2019 | 2018 |
|-----------------------------|--------------------|--------------------|
| | \$ | \$ |
| Governance | 3,677,600 | 2,434,729 |
| General purpose funding | 6,782,654 | 3,523,282 |
| Law, order, public safety | 690,484 | 733,882 |
| Health | 465,485 | 486,513 |
| Education and welfare | 1,385,794 | 1,371,150 |
| Housing | 7,982,896 | 8,081,691 |
| Community amenities | 11,198,034 | 7,853,046 |
| Recreation and culture | 16,434,061 | 17,806,997 |
| Transport | 163,966,798 | 168,965,949 |
| Economic services | 5,560,108 | 5,184,134 |
| Other property and services | 2,753,564 | 2,809,709 |
| | <u>220,897,478</u> | <u>219,251,082</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

18. CONTINGENT LIABILITIES

The Shire of Derby West Kimberley has in compliance with the *Contaminated Sites Act 2003* section 11 listed sites to be possible sources of contamination - details of those sites:

Derby Airport
Myalls Bore
Fitzroy Crossing Works Depot
Derby Works Depot
Derby Cemetery
Fitzroy Crossing Cemetery
Camballin Cemetery
Camballin Landfill Sites

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the Department of Environment Regulation the need and criteria for remediation on a risk based approach. The amount of the contingent liability is unknown. This approach is consistent with the Department of Environment Regulation Guidelines.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

| | 2019 Actual | 2019 Budget | 2018 Actual |
|------------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Meeting Fees | 145,875 | 148,500 | 149,103 |
| President's allowance | 62,727 | 50,000 | 26,629 |
| Deputy President's allowance | 9,604 | 0 | 9,604 |
| Travelling expenses | 0 | 0 | 5,540 |
| Telecommunications allowance | 9,333 | 12,000 | 0 |
| Other allowances | 2,347 | 0 | 11,789 |
| | <u>229,886</u> | <u>210,500</u> | <u>202,665</u> |

Key Management Personnel (KMP) Compensation Disclosure

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

| | 2019 Actual | 2018 Actual |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 1,434,335 | 1,174,622 |
| Post-employment benefits | 142,008 | 115,256 |
| Other long-term benefits | 109,388 | 169,660 |
| Termination benefits | 39,555 | 43,754 |
| | <u>1,725,286</u> | <u>1,503,292</u> |

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

19. 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.

| | 2019 Actual | 2018 Actual |
|---|----------------|----------------|
| | \$ | \$ |
| The following transactions occurred with related parties: | | |
| Purchase of goods and services | 65,445 | 113,477 |
| Commercial leasing | 200 | 200 |
| Amounts outstanding from related parties: | | |
| Trade and other receivables | 14,681 | 13,834 |
| Amounts payable to related parties: | | |
| Trade and other payables | 3,603 | 0 |

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

| Grant/Contribution | Opening Balance ⁽¹⁾ | Received ⁽²⁾ | Expended ⁽³⁾ | Closing Balance ⁽¹⁾ | Received ⁽²⁾ | Expended ⁽³⁾ | Closing Balance |
|---|-----------------------------------|-------------------------|-------------------------|-----------------------------------|-------------------------|-------------------------|--------------------|
| | 1/07/17 | 2017/18 | 2017/18 | 30/06/18 | 2018/19 | 2018/19 | 30/06/19 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Governance | | | | | | | |
| Landcorp - street numbering | 21,440 | 0 | 0 | 21,440 | 0 | 0 | 21,440 |
| Law, order, public safety | | | | | | | |
| WA Police | 0 | 361,000 | (216,621) | 144,379 | 38,699 | 0 | 183,078 |
| Health | | | | | | | |
| Office of Aboriginal Health | 216,920 | 497,326 | (591,099) | 123,147 | 487,668 | (452,162) | 158,653 |
| Department of Health | 0 | 408,948 | (77,010) | 331,938 | 38,200 | (132,948) | 237,190 |
| Department of Health | 20,849 | 979 | (3,792) | 18,036 | 2,166 | (11,067) | 9,135 |
| Education and welfare | | | | | | | |
| Department of Local Government | 7,245 | 0 | (7,245) | 0 | 0 | 0 | 0 |
| Dept Corrective Services | 8,800 | 0 | (8,800) | 0 | 0 | 0 | 0 |
| Dept Corrective Services | 3,436 | 0 | (3,436) | 0 | 0 | 0 | 0 |
| Dept of PM & Cabinet | 292,868 | 477,080 | (769,948) | 0 | 0 | 0 | 0 |
| Dept of PM & Cabinet | 11,377 | 0 | (11,377) | 0 | 0 | 0 | 0 |
| Kimberley Development Commission | 50,000 | 0 | (50,000) | 0 | 0 | 0 | 0 |
| Dept of Sport & Recreation | 35,000 | 0 | (35,000) | 0 | 0 | 0 | 0 |
| Community amenities | | | | | | | |
| Dept of Planning | 11,586 | 2,025 | (13,611) | 0 | 0 | 0 | 0 |
| Dept of Planning | 19,128 | 0 | (19,128) | 0 | 0 | 0 | 0 |
| Recreation and culture | | | | | | | |
| Children's Book Council | 4,132 | 0 | (4,132) | 0 | 4,500 | (4,500) | 0 |
| Lotterywest | 22,466 | 0 | (22,466) | 0 | 0 | 0 | 0 |
| Dept of Sport & Recreation | 9,910 | 0 | (9,910) | 0 | 0 | 0 | 0 |
| Kimberley Development Commission | 15,795 | 0 | (15,795) | 0 | 0 | 0 | 0 |
| Dept of Sport & Recreation | 27,693 | 0 | (27,693) | 0 | 0 | 0 | 0 |
| Country Local Government Fund | 69,368 | 0 | (69,368) | 0 | 0 | 0 | 0 |
| Kimberley Development Commission | 50,000 | 41,211 | (41,211) | 50,000 | 0 | (50,000) | 0 |
| Transport | | | | | | | |
| Regional Road Group RC035 | 0 | 272,404 | (119,768) | 152,636 | 963,679 | (1,036,793) | 79,522 |
| Main Roads WA | 82,447 | 203,867 | (82,447) | 203,867 | 43,617 | (247,484) | 0 |
| Dept of Parks & Wildlife | 180,000 | 35,295 | (215,295) | 0 | 0 | 0 | 0 |
| RADS - Fitzroy Crossing Airport | 50,000 | 399,217 | (449,217) | 0 | 0 | 0 | 0 |
| WALGGC Aboriginal Access Roads | 338,285 | 264,000 | 0 | 602,285 | 314,027 | (869,717) | 46,595 |
| MRWA Aboriginal Access Roads | 170,063 | 51,280 | 0 | 221,343 | 285,792 | (483,836) | 23,299 |
| Dept of Parks & Wildlife | 0 | 239,540 | (105,489) | 134,051 | 100,000 | (114,005) | 120,046 |
| Dept of Infrastructure R2R | 0 | 951,758 | (616,758) | 335,000 | 818,877 | (1,153,877) | 0 |
| Main Roads Black Spot | 0 | 35,493 | 0 | 35,493 | 69,476 | (15,000) | 89,969 |
| Department of Industry, Innovation and Science | 0 | 0 | 0 | 0 | 140,000 | 0 | 140,000 |
| Total | 1,718,808 | 4,241,423 | (3,586,616) | 2,373,615 | 3,306,701 | (4,571,389) | 1,108,927 |

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.

FOR THE YEAR ENDED 30 JUNE 2019

(a) Rates

| RATE TYPE | Rate in \$ | Properties of | Rateable Value | Rate Revenue | Interim Rates | Back Rates | Total | |
|--|------------|---------------|----------------|--------------|---------------|------------|-----------|-----------|
| | | | | | | | Revenue | Revenue |
| Differential general rate / general rate | | | \$ | \$ | \$ | \$ | \$ | \$ |
| Gross rental valuations | | | | | | | | |
| GRV General | 0.126200 | 1,515 | 37,375,152 | 4,716,745 | 9,763 | 0 | 4,726,508 | 4,620,568 |
| Unimproved valuations | | | | | | | | |
| UV Pastoral | 0.064434 | 41 | 14,635,938 | 943,052 | 0 | 0 | 943,052 | 927,039 |
| UV Mining | 0.268233 | 98 | 2,833,053 | 759,918 | 6,150 | 0 | 766,068 | 827,189 |
| UV Other * | 0.216939 | 10 | 972,000 | 259,676 | 0 | 0 | 259,676 | 256,092 |
| Sub-Total | | 1,664 | 55,816,143 | 6,679,391 | 15,913 | 0 | 6,695,304 | 6,630,888 |
| Minimum payment | | | | | | | | |
| Gross rental valuations | | | | | | | | |
| GRV General | 969 | 163 | 687,398 | 157,947 | 0 | 0 | 157,947 | 163,476 |
| Unimproved valuations | | | | | | | | |
| UV Pastoral | 969 | 3 | 18,500 | 2,907 | 0 | 0 | 2,907 | 3,824 |
| UV Mining | 969 | 77 | 82,792 | 74,613 | 0 | 0 | 74,613 | 82,216 |
| Sub-Total | | 243 | 788,690 | 235,467 | 0 | 0 | 235,467 | 249,516 |
| Discounts (refer Note 21(b)) | | 1,907 | 56,604,833 | 6,914,858 | 15,913 | 0 | 6,930,771 | 6,880,404 |
| Total amount raised from general rate | | | | | | | (69,296) | (71,268) |
| Concessions (refer Note 21(b)) | | | | | | | 6,861,475 | 6,809,136 |
| Totals | | | | | | | (204,881) | (271,829) |
| | | | | | | | 6,508,100 | 6,537,307 |

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

* 2018/19 budget disclosed UV Other under four separate categories. As the rate in the dollar is the same for all categories, they are considered as one rating Category under the Local Government (Financial Management) Regulations 1996 s 39, so have been disclosed under UV Other.

| RATE TYPE | Rate in \$ |
|-----------------------|------------|
| UV Island | 0.216939 |
| UV Other locations | 0.216939 |
| UV Concessions raised | 0.216939 |
| UV Commercial | 0.216939 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

21. RATING INFORMATION (Continued)

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

Rates Discounts

| Rate or Fee | Discount | 2019 | 2019 | 2018 | |
|------------------|----------|-----------|-----------|-----------|---|
| Discount Granted | % | Actual | Budget | Actual | Circumstances in which Discount is Granted |
| Discount | 2.00% | \$ 69,296 | \$ 74,900 | \$ 71,268 | A discount is offered to ratepayers whose payment of the full amount, including arrears and other charges is received on or before 35 days after the date appearing on the rate notice. The discount will apply to interim rates issued after the billing date. |

69,296 74,900 71,268

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted

| Type | Discount | 2019 | 2019 | 2018 | |
|-----------------------------|----------|---------|---------|---------|--|
| | % | Actual | Budget | Actual | |
| Rates concessions | | \$ | \$ | \$ | |
| Royal Flying Doctor Service | 176,289 | 176,289 | 151,600 | 168,026 | |
| Community organisations | 18,110 | 18,110 | 55,000 | 103,203 | |
| 50% of facility hire fees | 50.00% | 10,482 | 2,000 | 600 | |
| | | 204,881 | 208,600 | 271,829 | |

Rate or Fee and Charge to which the Waiver or Concession is Granted

| Circumstances in which the Waiver or Concession is Granted | Objects of the Waiver or Concession | Reasons for the Waiver or Concession |
|--|---|--|
| Rates concessions | Concession to a vacant island which is minimum rates, two parcels of land outside the town boundary which are minimum rated and one rural property which is rated on the basis of a reduced area. | To allow for limited services provided and cultural related matters. |
| Royal Flying Doctor Service | 100% of landing fees incurred by Royal Flying Doctor Service | To retain the RFDS services in the community and acknowledge the vital community service. |
| Community organisations | 50% of use for some community organisations and 50% of facility hire fees | To support clubs for contributions made to the community and to protect the health and lifestyle of shire staff. |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

21. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

| Instalment Options | Date Due | Instalment Plan Admin Charge \$ | Instalment Plan Interest Rate % | Unpaid Rates Interest Rate % |
|---------------------|------------|------------------------------------|------------------------------------|---------------------------------|
| Option One | | | | |
| Single full payment | 15/10/2018 | 0.00 | 0.00% | 11.00% |
| Option Two | | | | |
| First instalment | 15/10/2018 | 0.00 | 0.00% | 11.00% |
| Second instalment | 17/12/2018 | 10.00 | 5.50% | 11.00% |
| Option Three | | | | |
| First instalment | 15/10/2018 | 0.00 | 0.00% | 11.00% |
| Second instalment | 17/12/2018 | 10.00 | 5.50% | 11.00% |
| Third instalment | 18/02/2019 | 10.00 | 5.50% | 11.00% |
| Fourth instalment | 23/04/2019 | 10.00 | 5.50% | 11.00% |

| | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|-----------------------------|-------------------|-------------------|-------------------|
| Interest on unpaid rates | 260,057 | 190,000 | 201,465 |
| Interest on instalment plan | 22,431 | 21,500 | 20,219 |
| Charges on instalment plan | 0 | 10,500 | 10,430 |
| | 282,488 | 222,000 | 232,114 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

22. RATE SETTING STATEMENT INFORMATION

| Note | 2018/19 | | |
|--|---|---|--|
| | 2018/19 (30 June 2019 Carried Forward) \$ | 2018/19 Budget (30 June 2019 Carried Forward) \$ | 2018/19 (1 July 2018 Brought Forward) \$ |
| (a) Non-cash amounts excluded from operating activities | | | |
| The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> . | | | |
| Adjustments to operating activities | | | |
| Less: Profit on asset disposals | 9(a) (425) | 0 | (79,362) |
| Less: Change in accounting policy | 26(c) 138,985 | 0 | 0 |
| Movement in pensioner deferred rates (non-current) | (63,686) | | |
| Movement in employee benefit provisions (non-current) | (43,809) | 0 | 13,864 |
| Movement in other provisions (non-current) | 1,055,398 | 0 | 437,638 |
| Add: Loss on disposal of assets | 9(a) 0 | 0 | 2,334,991 |
| Add: Depreciation on assets | 9(b) 6,855,338 | 9,018,200 | 8,995,235 |
| Add: Amortisation of intangible asset | 282,909 | | 282,909 |
| Non cash amounts excluded from operating activities | 8,224,710 | 9,018,200 | 11,985,275 |
| (b) Surplus/(deficit) after imposition of general rates | | | |
| The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates. | | | |
| Adjustments to net current assets as per the balance sheet | | | |
| Less: Reserves - restricted cash | 3 (1,552,654) | (1,913,600) | (1,552,654) |
| Add: Borrowings | 13(a) 5,556,320 | 5,556,320 | 176,969 |
| Current liabilities not expected to be cleared at the end of the year | 0 | 929,400 | 0 |
| Total adjustments to net current assets | 4,003,666 | 4,572,120 | (1,375,685) |
| Net current assets used in the Rate Setting Statement | | | |
| Total current assets | 10,302,601 | 4,302,900 | 12,313,299 |
| Less: Total current liabilities | (10,286,531) | (8,875,020) | (4,211,665) |
| Less: Total adjustments to net current assets | 4,003,666 | 4,572,120 | (1,375,685) |
| Net current assets used in the Rate Setting Statement | 4,019,736 | 0 | 6,725,949 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

| | Weighted Average Interest Rate | Carrying Amounts | Fixed Interest Rate | Variable Interest Rate | Non Interest Bearing |
|---------------------------|--------------------------------------|---------------------|------------------------|---------------------------|-------------------------|
| | % | \$ | \$ | \$ | \$ |
| 2019 | | | | | |
| Cash and cash equivalents | 1.02% | 6,031,261 | 1,552,654 | 4,295,184 | 183,423 |
| 2018 | | | | | |
| Cash and cash equivalents | 0.80% | 6,448,202 | 0 | 6,383,146 | 65,056 |

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* | 60,312 | 64,482 |

* 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 13(b).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

23. 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.

| | 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 | 0.08% | 0.48% | 1.03% | 31.18% | |
| Gross carrying amount | 39,117 | 1,154,792 | 547,797 | 1,042,728 | 2,784,434 |
| Loss allowance | 31 | 5,338 | 5,350 | 329,081 | 339,800 |
| 01 July 2018 | | | | | |
| Rates receivable | | | | | |
| Expected credit loss | 0.04% | 0.25% | 0.48% | 35.99% | |
| Gross carrying amount | 45,164 | 999,289 | 437,564 | 922,742 | 2,404,760 |
| Loss allowance | 18 | 2,498 | 2,100 | 320,433 | 325,050 |

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

| | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|-----------------------|-----------|-------------------------------|-------------------------------|-------------------------------|-----------|
| 30 June 2019 | | | | | |
| Sundry Receivables | | | | | |
| Expected credit loss | 0.12% | 0.21% | 1.41% | 37.24% | |
| Gross carrying amount | 989,846 | 45,334 | 6,775 | 374,531 | 1,416,486 |
| Loss allowance | 1,188 | 95 | 96 | 215,780 | 217,159 |
| 01 July 2018 | | | | | |
| Sundry Receivables | | | | | |
| Expected credit loss | 0.09% | 0.16% | 1.08% | 81.34% | |
| Gross carrying amount | 3,166,793 | 41,337 | 9,050 | 209,364 | 3,426,543 |
| Loss allowance | 2,850 | 66 | 98 | 188,200 | 191,214 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

23. 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 13(d).

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

| | Due within 1 year | Due between 1 & 5 years | Due after 5 years | Total contractual cash flows | Carrying values |
|-------------|-------------------------|-------------------------------|-------------------------|------------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2019 | | | | | |
| Payables | 3,977,715 | 0 | 0 | 3,977,715 | 3,977,715 |
| Borrowings | 5,765,893 | 1,003,869 | 1,430,723 | 8,200,485 | 7,456,985 |
| | 9,743,608 | 1,003,869 | 1,430,723 | 12,178,200 | 11,434,700 |
| 2018 | | | | | |
| Payables | 3,099,057 | 0 | 0 | 3,099,057 | 3,099,057 |
| Borrowings | 551,005 | 2,634,303 | 4,842,930 | 8,028,238 | 7,603,874 |
| | 3,650,062 | 2,634,303 | 4,842,930 | 11,127,295 | 10,702,931 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

24. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are detailed below. In the current year, there has been a reclassification of some trust monies which are now included as Restricted Cash at Note 3 and shown as a current liability at Note 12.

| | 1 July 2018 | Amounts Received | Amounts Paid | Reclassified (to)/from Restricted Cash | 30 June 2019 |
|-----------------------------------|-------------|---------------------|--------------|---|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Pre-paid/overpaid rates | 2,216 | 0 | 0 | (2,216) | 0 |
| Deposits halls | 9,145 | 7,100 | (8,700) | (7,545) | 0 |
| Deposits other | 324,404 | 23,707 | (11,630) | (336,481) | 0 |
| BCITF training levy | 418 | 865 | (865) | (418) | 0 |
| Nomination fees | 240 | 0 | 0 | (240) | 0 |
| BRB levy | 34 | 4,679 | (3,425) | (1,288) | 0 |
| FX Visitors centre tour groups | 110,047 | 267,717 | (360,034) | (17,730) | 0 |
| Sale of art | 3,315 | 6,661 | (7,418) | (2,558) | 0 |
| Cemetery publications | 956 | 0 | 0 | (956) | 0 |
| Grants | 91 | 0 | 0 | (91) | 0 |
| Parking/footpath/streets contrib. | 285,361 | 0 | 0 | 10,620 | 295,981 |
| | 736,227 | 310,729 | (392,072) | (358,903) | 295,981 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No subsequent events were noted that require disclosure.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

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

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

| | Adjustments | 01 July 2018 |
|------------------------------------|-------------|--------------|
| | \$ | \$ |
| Assets | | |
| Trade receivables | (a),(b) | (138,985) |
| Total Assets | | (138,985) |
| Total adjustments on Equity | | |
| Accumulated surplus/(deficit) | (a),(b) | (138,985) |
| | | (138,985) |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(a) Classification and measurement (Continued)

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

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

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Shire recognised a reduced impairment on the Shire's Trade receivables of \$138,985 which resulted in an increase in accumulated surplus/(deficit) of \$138,985 as at 1 July 2018.

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 | 655,249 | (138,985) | 516,264 |
| | 655,249 | (138,985) | 516,264 |

(c) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2018 is as follows:

| | Adjustments | 2018 |
|--|-------------|------------|
| | \$ | \$ |
| Retained surplus - 30 June 2018 | | 65,791,829 |
| Adjustment to retained surplus from adoption of AASB 9 | 138,985 | 138,985 |
| Retained surplus - 1 July 2018 | | 65,930,814 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

27. 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):

The Shire is in the process of assessing the impact of the standard.

(b) Leases

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

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

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount and discounted using the lessee's incremental borrowing rate. At the 30 June 2019 the Shire had no leases required to be recognised.

- The Shire does not have any leases as at 30 June 2019.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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

(c) Income For Not-For-Profit Entities

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

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

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

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

The Shire is in the process of assessing the impact of the standard.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

28. CORRECTION OF ERROR

During the year the Shire identified draft reports for the Derby and Filtroy Crossing Waste Facilities had been received in 2014 and 2016 respectively. In error, the future costs to close these two facilities were not capitalised on receipt of the reports and no corresponding provision raised. Whilst the reports are still only in draft and they provide a reasonably reliable estimate relating to the future costs and timing of closing the facilities. A correction of prior year error has been raised to provide for the costs of closure as at 1 July 2017 and increase the cost of waste facility assets at the same time. Amendments were made to the 30 June 2018 balances for the depreciation of the assets and change in the present value of the provision during the year ended 30 June 2018.

| Statement of Financial Position (Extract) | 30 June 2018 \$ | Increase/ (Decrease) \$ | 30 June 2018 (Restated) \$ | 30 June 2017 \$ | Increase/ (Decrease) \$ | 01 July 2017 (Restated) \$ |
|--|--------------------|-------------------------------|----------------------------------|--------------------|-------------------------------|----------------------------------|
| NON-CURRENT ASSETS | | | | | | |
| Rehabilitation Asset | 6,567,222 | 0 | 6,567,222 | 6,850,131 | 0 | 6,850,131 |
| NON-CURRENT LIABILITIES | | | | | | |
| Other provisions | 0 | (9,245,637) | (9,245,637) | 0 | (8,807,999) | (8,807,999) |
| NET ASSETS | <u>6,567,222</u> | <u>(9,245,637)</u> | <u>(2,678,415)</u> | <u>6,850,131</u> | <u>(8,807,999)</u> | <u>(1,957,868)</u> |
| EQUITY | | | | | | |
| Retained surplus | 68,470,244 | (2,678,415) | 65,791,829 | 71,396,585 | (1,957,868) | 69,438,717 |
| TOTAL EQUITY | <u>68,470,244</u> | <u>(2,678,415)</u> | <u>65,791,829</u> | <u>71,396,585</u> | <u>(1,957,868)</u> | <u>69,438,717</u> |

| Statement of Comprehensive Income (Extract) | 2018 \$ | Increase/ (Decrease) \$ | 2018 (Restated) \$ |
|--|--------------------|-------------------------------|--------------------------|
| <i>By Nature or Type</i> | | | |
| Depreciation on non-current assets | (8,712,326) | (282,909) | (8,995,235) |
| Other expenditure | (1,048,665) | (437,638) | (1,486,303) |
| <i>By Program</i> | | | |
| Community amenities | (3,850,975) | (720,547) | (4,571,522) |
| Net result for the period | <u>(3,074,339)</u> | <u>(720,547)</u> | <u>(3,794,886)</u> |
| Total comprehensive income for the period | <u>26,959,504</u> | <u>(720,547)</u> | <u>26,238,957</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

29. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

30. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

GOVERNANCE

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

ACTIVITIES

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

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

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

HEALTH

To provide an operational framework for environmental and community health.

Food quality and pest control, inspection of abattoir and operation of child health clinic, analytical testing and environmental health administration.

EDUCATION AND WELFARE

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

Year round care, housing for the aged and educational services.

HOUSING

Help ensure adequate housing.

Management and maintenance of staff and rental housing.

COMMUNITY AMENITIES

To provide services required by the community.

Rubbish collections, recycling, refuse site operations, litter control, administration of the town planning scheme, cemetery operations, public toilet facilities, sewerage and protection of the environment.

RECREATION AND CULTURE

To establish and effectively manage infrastructure and resources which help the social well being of the community.

Maintenance and operation of the Town Hall, the aquatic centre, recreation centre, library, community arts program, cultural activities and various services.

TRANSPORT

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

Construction and maintenance of streets, roads, bridges, footpaths, street lighting, traffic management and airport. Purchase and disposal of Council's road plant, parking control and police licensing.

ECONOMIC SERVICES

To help promote the Shire and its economic well being.

Building control, saleyards, tourism and area promotion, standpipes and pest control.

OTHER PROPERTY AND SERVICES

To monitor and control the Shire's overheads operating accounts.

Private works operations, plant repairs and operation costs, stock and materials, property leases and rental, salaries and wages for council employees.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

31. FINANCIAL RATIOS

| | 2019 Actual | 2018 Restated | 2017 Restated |
|-----------------------------------|----------------|------------------|------------------|
| Current ratio | 0.66 | 1.91 | 1.39 |
| Asset consumption ratio | 0.96 | 0.99 | 0.76 |
| Asset renewal funding ratio | N/A | N/A | N/A |
| Asset sustainability ratio | 1.33 | 0.50 | 0.52 |
| Debt service cover ratio | 3.56 | (31.24) | 6.84 |
| Operating surplus ratio | (0.54) | (1.58) | (0.71) |
| Own source revenue coverage ratio | 0.47 | 0.31 | 0.37 |

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

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INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Derby/West Kimberley

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Derby/West Kimberley 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 Derby/West Kimberley:

- (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 (Regulations), 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sports and Cultural Industries standard for the past three years. The financial ratios are reported in Note 31 of the annual financial report.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively.
 - b. For approximately 30% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained, to test the market, and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 31 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 Derby/West Kimberley 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
12 December 2019

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Shire of Derby / West Kimberley

Feedback

If you have a comment or questions about the Annual Report here's how to contact us

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