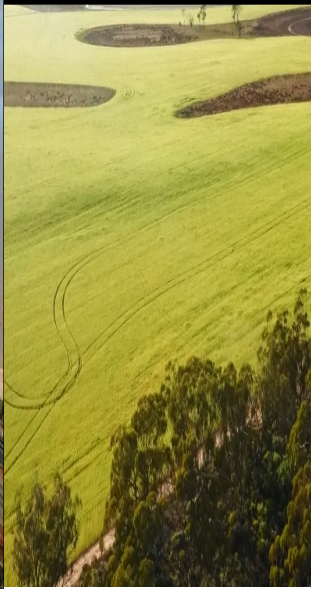




2019/20

ANNUAL REPORT



**DISCLAIMER:**

The information contained in this document is a guide only. Verification with original Local Laws, Acts, Planning Schemes and other relevant documents is recommended for detailed references. The Shire of Lake Grace accepts no responsibility for errors or omissions.

Copyright of this document belongs to the Shire of Lake Grace. It may not be sold or subject to any charges without the Shire's written permission. Apart from sales, the Shire freely permits copying, use and distribution providing the Shire of Lake Grace copyright is asserted and provided in this notice.



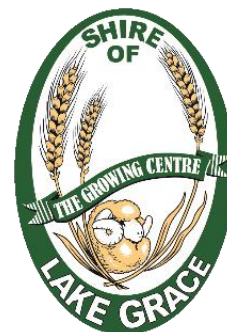
The Shire of Lake Grace Annual Report 2019/2020 contains the following:

PART ONE

1. President's Report
2. Councillors and the Executive Team
3. Chief Executive Officer's Report
4. Shire of Lake Grace Organisation Chart
5. Corporate Services Report
6. Infrastructure Services Report
7. Environmental Health Services Report
8. Planning and Building Services Report
9. Strategic Community Plan 2017-2027
10. Statutory Reports

PART TWO

12. Financial Report Year Ending 30 June 2020
13. Independent Auditor's Report (Audit of the Financial Report)



Shire President's Report

It is with pleasure that I present to you the Shire of Lake Grace 2019/2020 Annual Report.

This year was exceptionally difficult and challenging from the previous years and it is my intention that this report will outline the activities of the Shire of Lake Grace. Our hardworking staff and Council continue to work to fulfil their obligations to the highest standards with the use of limited resources. While 2019/2020 was a productive year, it did not come without challenges:

- another dry summer and limited rainfall during the winter time,
- the issue of water has always been challenging particularly to our farmers,
- the COVID-19 Pandemic brought some uncertainties to our lifestyle particularly with the closure of borders in its early stage,
- very limited opportunity to complete various projects due to lack of resources particularly manpower

The challenges proved to be difficult but with the dedication of the Senior Leadership team and staff of the Shire of Lake Grace, we were able to face the obstacles to work with the community and fulfil its obligations.

Councillor Changes

The following Councillor changes occurred in the Shire of Lake Grace:

- Jeanette De Landgraft resigned as Councillor (October 2007-May 2020) and Shire President (March 2016-May 2020)
- Murray Stanton resigned as Councillor (October 2013-May 2020)
- Peter Stoffberg resigned as Deputy Shire President (May 2020)
- Len Armstrong elected by Councillors as the Shire President (May 2020)
- Ross Chappell elected by Councillors as the Deputy Shire President (May 2020)
- Shane Carruthers elected as a Councillor during the Extraordinary Election (October 2020)
- Benjamin Hyde elected as a Councillor during the Extraordinary Election (October 2020)

Staff Changes

There were a number of senior leadership team changes that took place during 2019/2020:

- Craig Elefsen, Manager Infrastructure Services from April 2020
- Kevin Wilson, Manager Corporate Services from May 2020
- Alan George, Chief Executive Officer from June 2020
- Chris Paget, Deputy Chief Executive Officer from September 2020

Major Projects

The year 2019/2020 was eventful but challenging particularly the second half of the year when the COVID-19 Pandemic happened; it caught us all by surprise. Even though the year was challenging, the Shire of Lake was able to deliver some projects that were initiated during the early period of 2019 (originally started late 2018):

- Refurbishment of 10A Gum Tree Drive
- Newdegate Football Club change rooms ceiling repairs
- Installation of footpath leading to the Lake Grace Medical Centre and Lake Grace swimming pool, as well as installation of street lighting and picket fence
- Installation of picket fence at the Lake Grace Visitor Centre
- Construction of chemical storage facility at the Shire of Lake Grace Depot in Absolon Street
- Drainage upgrade on various locations within the Shire of Lake Grace

The lack of water plus the minimal rainfall we received during the winter months brought an enormous water shortage to the community.

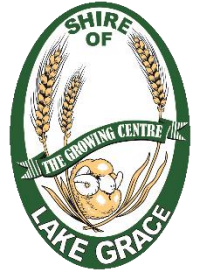
There was a shortage of gravel supply for maintenance due to restrictions and changes in environmental regulation. Thank you to our farmers who offered, assisted, and indicated that the gravel supply from their properties can be utilised by the Shire.

Events

It is unfortunate that the planned activities and events for the year 2020 were cancelled due to the COVID-19 Pandemic and the emergence of social distancing. The Federal and State governments issued very strict guidelines and directives and this made it so difficult to plan any events/activities within the shire. A major event that was cancelled was the Annual Newdegate Field Day; and it is hoped that we can put this event back in the schedule in the near future.

Finally, I would like to thank the senior leadership team, the staff and fellow Shire Councillors for their hard work and dedication over the past year. It is indeed a challenging year and every contribution made to make the Shire of Lake Grace a fabulous place to live is very much appreciated.

Len Armstrong
Shire President



COUNCILLORS AND THE EXECUTIVE TEAM



Back row (Left to Right) MIS Craig Elefsen, Cr Shane Carruthers, Cr Peter Stoffberg, Cr Allan Marshall, MCS Kevin Wilson, Cr Ben Hyde

Middle row (Left to Right) Cr Helen Steicke, Cr Debrah Clarke, Cr Roz Lloyd

Front row: (Left to Right) DCEO Chris Paget, Shire Vice President Ross Chappell, Shire President Len Armstrong, CEO Alan George

COUNCILLORS TERMS OF OFFICE

Expiring October 2021

Cr Ross Chappell
Cr Ben Hyde
Cr Allan Marshall
Cr Peter Stoffberg
Cr Shane Carruthers

Expiring October 2023

Cr Len Armstrong
Cr Debrah Clarke
Cr Roz Lloyd
Cr Helen Steicke



CHIEF EXECUTIVE OFFICER REPORT

It is my pleasure to present my first Chief Executive Officer's report having officially commenced in the position on 17 June 2020.

I originally came to the Shire of Lake Grace on 22 July 2019 in the position of Deputy Chief Executive Officer. Some significant changes have occurred since that time, which included the resignations of some senior staff members for various reasons, some of whom had been with us for a short time and some for a long time. I thank them all for the work efforts whilst they were here.

We have, however, regrouped and we now have a strong experienced executive team consisting of:

- Deputy Chief Executive Officer Mr Chris Paget
- Manager Corporate Services Mr Kevin Wilson
- Manager Infrastructure Services Mr Craig Elefsen

The executive team have a wealth of experience in their fields and are keen to impart their knowledge to the rest of the staff in order to aid their further development, and ensure that we have a strong cohesive knowledgeable staff into the future for the betterment of the Shire of Lake Grace.

COVID 19 raised its ugly head earlier this year with the movement restrictions certainly having an effect on our accommodation suppliers, cafes, pubs, clubs and our fuel suppliers. The reopening of the internal borders resulted in an influx of local tourists which was most welcome. Newdegate was a big loser as a result of the COVID pandemic with the early cancellation of the Newdegate Field Days; however, I am sure that it will be resurrected next year bigger and better than before.

Some of the highlights over the past year include:

- Lighting of the pathway along Waddell Street in Newdegate leading to the Recreation Centre
- Lighting, fence and a new pathway from Bishop Street to the Medical Centre in Lake Grace
- Repainting of the Lake Grace swimming pool
- Completion of the Lake King Playground and jumping pillow with big thanks to the Lake King community.
- Installation of the jumping pillow at Lake Grace
- Footpaths in Lake Grace and Newdegate

During the year the Shire of Lake Grace was fortunate to become eligible for a federal grant from the Drought Communities Program for the sum of \$1million. We were successful in having the grant approved and some of the projects approved included:

- Funds for the desilting of some dams to aid in drought mitigation
- Water storage tanks for Newdegate Recreation Centre and Lake Grace Sports Pavilion
- Solar power for a number of shire buildings throughout the shire to reduce electricity costs.
- Lake Grace All Abilities Playground Stage 1
- Lake King Sports dam enhancements
- Varley town entry statement
- Additions and alterations to Newdegate Country Club

Additional federal grant funds by way of the Local Roads and Community Infrastructure Program will see funding for upgrades of:

- Lighting at the Newdegate and Lake Grace hockey fields and Lake Grace football oval
- Toilet upgrades at Newdegate, Lake King recreation centres to disability standards
- Other projects yet to be determined

All these funds are provided by the Federal government as part of its COVID plan to stimulate the economy. Local tradesmen and suppliers will be used wherever possible.

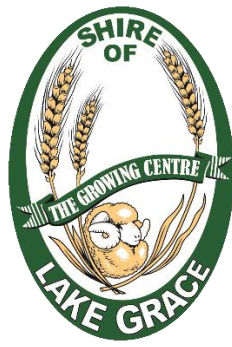
Once again, the majority of the Shire experienced a very dry year with very little runoff to replenish on-farm supplies and community water supplies. Administration has been working with both the Department of Water and Environmental Regulation and the Water Corporation to try and overcome some of the problems. These include groundwater investigations and alternative water supplies. Council approved the takeover of several unused Water Corp AA dams so that they can be progressively upgraded. We cannot make it rain but we can be prepared for when it does.

As in recent years, the annual Audit has been carried out under the auspices of the Office of the Auditor General. Also, as in recent years, the OAG has noted an adverse trend in the Shire Asset Renewal Funding Ratio which is below the Department's standard. Whilst this ratio is slowly reducing, it is to be noted that this appears to be an industrywide result as funding has been reducing in some areas while costs to maintain our extensive road assets are increasing.

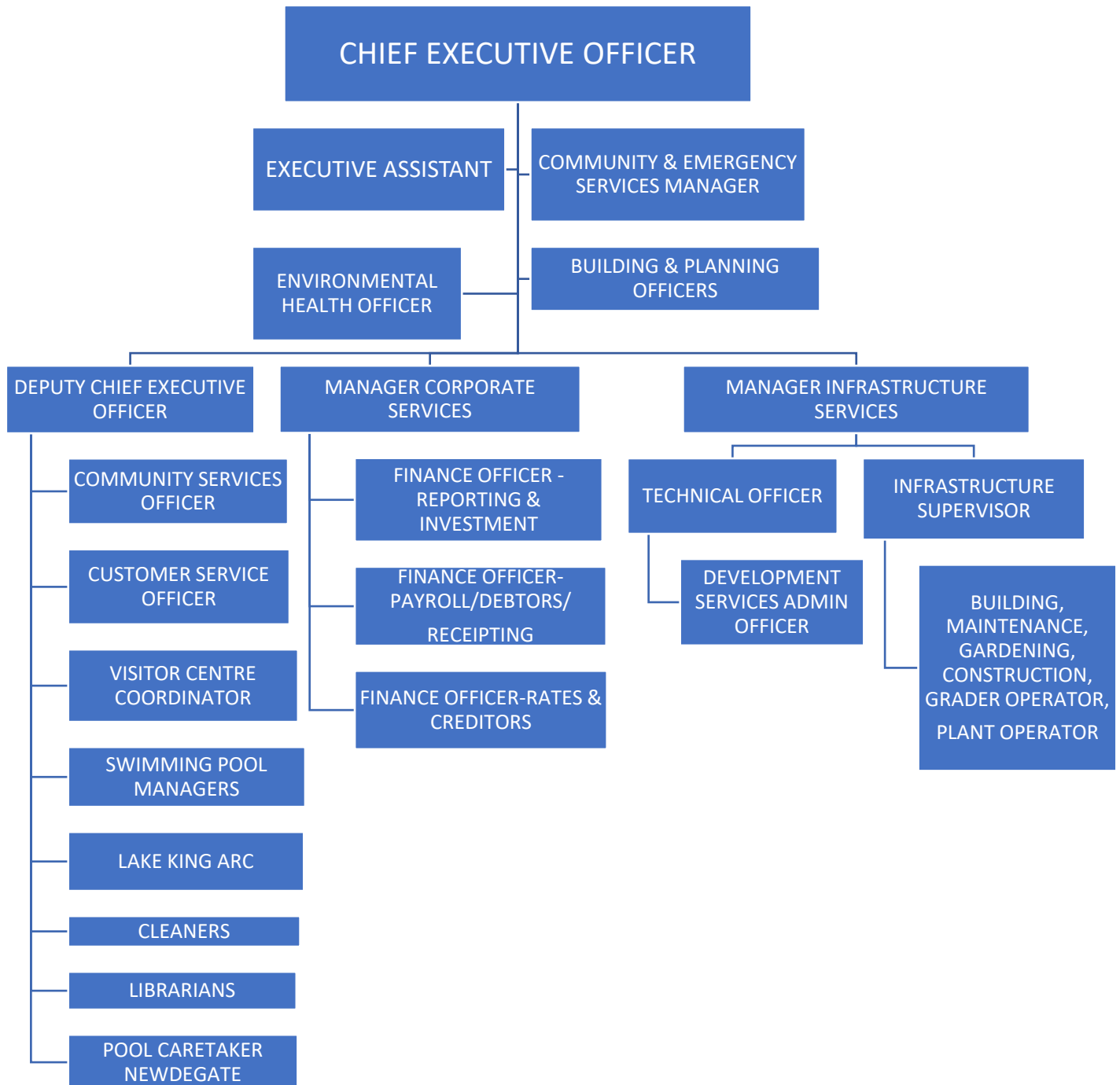
The next 12 months will be exciting times with many projects either now being undertaken or soon to get underway. We have a keen and dedicated staff who are committed to meet the expectations of the community whilst working to improve all areas of operations of the Shire of Lake Grace.

Thank you to the Councillors for giving me the opportunity of leading what I consider to be a vibrant, passionate group of communities and to all the staff who have shown me their support and their commitment to the success of the Shire of Lake Grace.

Alan George
Chief Executive Officer



SHIRE OF LAKE GRACE – ORGANISATION CHART





CORPORATE SERVICES REPORT

I commenced with the Shire of Lake Grace nearing the end of the financial year in May 2020 and quickly set about the budget process for 2020/21. Time was of the essence because the objective was to have the budget adopted in the July 2020 Council meeting and have the Shire rates issued in early August.

To make the budget process more interesting was the fact that the Commonwealth Government introduced two new Commonwealth funded programs being the Local Roads and Community Infrastructure Grants and Droughts and Community Grant program. The Shire received a total of \$1.8M spread across a total of twenty-four projects which had to be costed up and be approved by Council during budget workshops. The Council had three budget workshops and the 2020/21 budget was adopted at the Special Council Meeting on 29 July 2020 and the rates notices were issued the first week in August 2020.

The audit of the 2019/20 Financial Statements was completed with a clear audit opinion, thanks to the efforts of all the team.

The Corporate Services team which now involves rates management, financial processing, payroll, reporting and investment management has been busy involved in the normal business as usual activities around these functions.

During the financial year, there had been many challenges for the team, with the onset of COVID19 which resulted in staff working off site and from their homes for several weeks. However, due to the good management of the pandemic by the state government, staff were able to return to the office many weeks earlier than other states. The team, however, does have a staff member working remotely in Perth who is proving to be a very successful part of our team.

During the year, several staff members had the opportunity to attend training and development programs in Perth or other venues which included records management, Occupational Safety and Health, financial reporting and finance upskill courses which is increasingly required to meet the compliance requirements of Local Government.

Commonwealth Funding

Financial Assistance Grants are a vital part of the revenue base of all councils in essential community infrastructure and services ranging from local roads and parks to swimming pools and libraries.

The Shire of Lake Grace acknowledges the importance of the Commonwealth's funding through the Financial Assistance Grants programme for the combined delivery of council services and infrastructure.

The Shire of Lake Grace received \$2,842,000 Commonwealth Financial Assistance Grant of which \$1,514,938 was prepaid in 2018/19.

The Shire of Lake Grace received \$823,753 in Roads to Recovery funding from the Commonwealth.

The Shire of Lake Grace ensures that this Commonwealth funding and any other funding provided by the Commonwealth Government under relevant grant programs, is appropriately identified as Commonwealth grant funding in Council's publications including annual reports.

Kevin Wilson
Manager Corporate Services





INFRASTRUCTURE SERVICES REPORT

The 2019/2020 financial year saw the completion of the various works. Our construction, maintenance crew and contractors completed several works and maintenance to our buildings, parks and gardens and provided an excellent upkeep of all four (4) towns. Our maintenance program consisted of an extensive list of upgrades and completed tasks which have been on the Shire's radar for a number of years. Maintenance grading continued throughout the year in order to conserve gravel roads and prevent major damage during the demanding seasons. Heavily trafficked areas and school bus routes are a priority to ensure the safety of our commuters.

For the 2019/2020, the Shire road maintenance crew graded 1076.9 km of roads in the Lake Grace region, Newdegate contract grader covered 789.6 km of roads and the Lake King and Varley grader covered 762.2 km.

Infrastructure crew and contractors were responsible for the completion of the following key projects:

Road Re-Sheeting

- Biddy Camm Road (SLK 7.5 - 109.66)
- Crook Road
- Duckworth Road (SLK 0.00 – 3.30)
- Griffin Reward Road (SLK 0.00 - 4.00)
- Lake Newton Road (SLK 0.00 - 4.38)
- North Burngup Road (SLK 0.00 -4.00 & 8.23 – 10.23)
- O'Niell Road (SLK 0.00- 2.60)
- Old Lake Grace Road
- Whurr Road (SLK 0.00 – 2.58)

Bitumen Road Works

- Edge repairs and shape correction Lake Biddy Road
- Edge repairs and shape correction Magenta Road
- Edge repairs and shape correction Newdegate North Road
- Lake Grace Pingrup Road – reseal preparation and reseal
- North Lake Grace Road – reseal preparation and reseal
- Pot hole and shape correction repairs in Lake Grace, Newdegate, Lake King and Varley streets
- Shape correction to Mallee Hill Road

When required, plant and equipment were serviced by our local specialists and completed major/minor repairs in a timely manner to ensure no disruptions to our work schedule. Several of our machines were traded and/or disposed of to allow newer machines and vehicles to reside with our works crew.

Completed projects for 2019/2020:

- 10A Gumtree Drive complete internal refurbishment including replacement of the kitchen and bathroom, repainting, upgrade and repair of plumbing

- Ceiling repairs Newdegate Football change rooms
- Chemical storage container to Shire works depot
- Drainage Upgrades including roads and towns to ensure draining is most effective
- Fence repairs to Newdegate recreation centre
- Lake Grace Cemetery, seating repairs, gazebo repaint
- Lake Grace footpath upgrade, install solar street lighting & white picket fence from medical centre to the Lake Grace pool. (335m)
- Lake Grace jumping pillow and shade shelter installation
- New Jarrah picket fence Lake Grace visitor centre
- New plant and Equipment purchased, 2 x tip Ute for Garden crew, Manager Infrastructure Services ute
- New shade shelter over Gumtree Drive playground
- Newdegate walking trail lighting installation
- Street sweeping in all four (4) towns
- Tree pruning to allow Western Power upgrades
- Verti mow Lake Grace Hockey and Football ovals prior to Winter sport

The infrastructure works and admin crew look forward to continuing to deliver a high quality of service to the community for future projects.



Craig Elefsen
Manager Infrastructure Services



ENVIRONMENTAL HEALTH SERVICES REPORT

Roe Regional Environmental Health Services' Environmental Health Officer, Brendon Gerrard was employed from 28 October 2019, and has undertaken Environmental Health work in accordance with Operational Guidelines during the 2019/20 period. The work has generally been based on a 3 day, or 23 hours per fortnight schedule.

WASTE MANAGEMENT

- Lake Grace Landfill - submission of Annual Environmental Report, Annual Audit Compliance Report, and the Annual Return under regulation 18C of the Waste Avoidance and Resource Recovery Regulations 2008 to the Department of Water and Environmental Regulation
- EHO inspected the Waste Facility sites in Lake Grace, Newdegate, Lake King and Varley on various occasions to ensure compliance with environmental licenses in liaison with the Manager Infrastructure Services.

WASTE WATER

Conducted assessments and approval of onsite effluent disposal systems.

SWIMMING POOLS – WATER QUALITY

Lake Grace and Newdegate Pools were sampled monthly from October 2019 to March 2020 as per the Code of Practice for Aquatic Facilities and the Health (Aquatic Facilities) Regulations 2007.

SWIMMING POOLS – FENCING

Submission of annual report to Department of Mining and Industry Regulation.

FOOD

- 32 inspections of registered Food Businesses in Lake Grace, Newdegate, Lake King and Varley
- Maintained Food Business Register
- Compilation of a Food Act 2008 and Public Health Act 2016 report required annually by the Department of Health Food Unit

ACCOMMODATION

- The Lake Grace Caravan Park, Myriadena Caravan Park and the Lake King Caravan Park were inspected for compliance with the Caravan Parks and Camping Grounds Regulations
- 10 lodging houses were inspected throughout the Shire of Lake Grace including the CBH accommodation facilities at various locations

PUBLIC BUILDINGS

- 20 inspections of public buildings located in Lake Grace, Newdegate, Lake King and Varley
- Event Application process introduced in collaboration with the Community Services Officer

MISCELLANEOUS

- Assisting with advice to the community in regards to Covid-19, assessing Covid Safety Plans, Covid Event Plans, Covid Contact Tracing requirements
- Advice or comments given to residents of the Shire of Lake Grace in relation to Environmental Health issues
- Dealt with complaints from the public ranging from food to people living in caravans and buses on private property
- Progress with future Shire of Lake Grace Public Health Plan
- Assistance with health annual fees and charges schedule development

Brendon Gerrard
Environmental Health Officer





PLANNING AND BUILDING SERVICES REPORT

The Shire of Lake Grace has contracted the Shire of Narrogin to undertake its Planning and Building Services.

The role of Planning and Building is to ensure that development occurs in accordance with

- the Planning and Development Act 2005,
- the Shire of Lake Grace Local Planning Scheme No. 4,
- the Building Act 2011 and
- the National Construction Code.

Activities undertaken by Planning include:

- planning and zoning enquiries,
- processing planning applications,
- preparing reports for Council,
- responding to Mining Tenement Applications; and
- enforcing the Planning and Development Act 2005.

Activities undertaken by Building include:

- building enquiries, processing building applications,
- issuing permits and certificates,
- conducting private swimming pool inspections;
- and enforcement of the Building Act 2011.

The current Building Surveyor is Mr Gary Bruhn and the current Planning Officer is Mr David Johnston.

The following statistical data is from 1 July 2019 to 30 June 2020:

Shire of Lake Grace	Totals Planning	Totals Building	Fees the Shire keeps	GST
Developments				
Building Permits		\$7,645.12	\$7,645.12	
Office of Building & Energy BSL		\$5,461.58	\$91.00	\$9.10
BCITF		\$4,737.73	\$75.00	\$7.50
Planning Fees	\$1,577,532.00		\$2,707.19	
Total Fees	\$1,577,532.00	\$17,844.43	\$10,518.31	\$16.60

David Johnston
Planning Officer

Gary Bruhn
Building Surveyor





STRATEGIC COMMUNITY PLAN 2017 – 2027

Integrated Planning and Reporting Framework

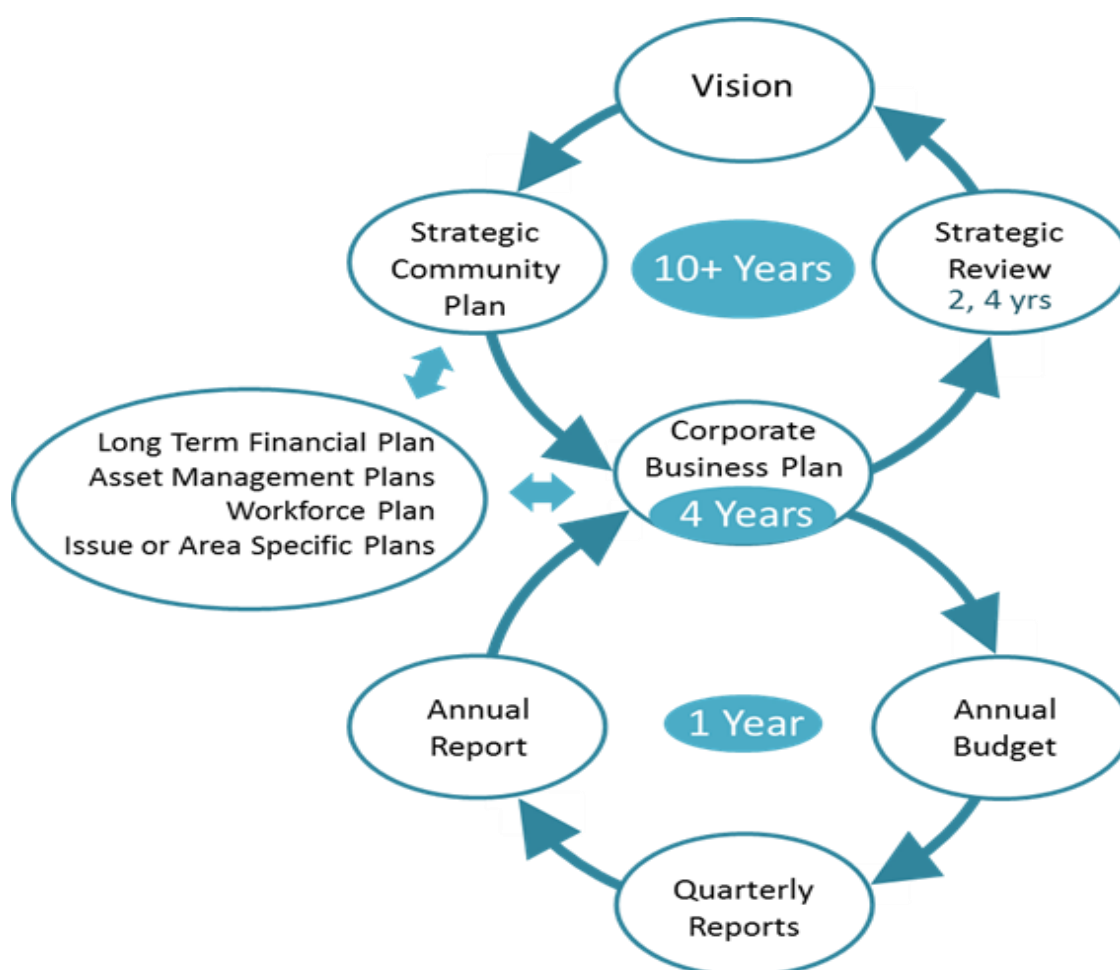
All local governments are required to prepare a Plan for the Future for their district under Section 5.56(1) of the Local government Act 199. The Plan for the Future comprises the following two key strategic documents being:

- Strategic Community Plan – Council's principal 10-year strategy and planning tool. It is the principal guiding document for the remainder of the Shire's strategic planning as community engagement is central to the Plan
- Corporate Business Plan – Council's 4-year planning document. The core components of this Plan include a four-year delivery program, aligned to the Strategic Community Plan and accompanied by four-year financial projections.

Our Vision:

"A safe, inclusive and growing community embracing opportunity"

Importantly, the Strategic Community Plan and Corporate Business Plan are informed by several other key strategy documents and processes, shown in the following diagram.



Measuring Outcomes

1. Economic Objective

A prosperous agricultural based economy, supporting diversification of industry

The following outcomes and strategies have been identified to achieve this objective.

Outcome 1.1 An innovative, productive agriculture industry

- 1.1.1 Enhance and maintain transport network
- 1.1.2 Improve flood mitigation for transport infrastructure
- 1.1.3 Support and promote the agricultural productivity of the district
- 1.1.4 Maintain and provide water infrastructure and lobby to support drought-proofing and water harvesting initiatives
- 1.1.5 Liaise with key stakeholders for the improvement of the agricultural industry

Outcome 1.2 A diverse and prosperous economy

- 1.2.1 Advocate for improved communications and support infrastructure
- 1.2.2 Support local business and promote further investment in the district

Outcome 1.3 An attractive destination for visitors

- 1.3.1 Promote and develop tourism as part of a regional approach
- 1.3.2 Maintain and enhance local iconic attractions and infrastructure
- 1.3.3 Continue to provide and maintain visitor support services



2. Social Objective

A valued, healthy and inclusive community and life-style

The following outcomes and strategies have been identified to achieve this objective.

Outcome 2.1 An engaged, supportive and inclusive community

- 2.1.1 Community services and infrastructure meeting the needs of the district
- 2.1.2 Maintain and support the growth of education, childcare, youth and aged services
- 2.1.3 Actively promote and support community events and activities within the district

Outcome 2.2 A healthy and safe community

- 2.2.1 Maintain and enhance sport and recreation facilities
- 2.2.2 Provide and advocate for medical and health services
- 2.2.3 Support provision of emergency services and encourage community volunteers



3. Environment Objective

Protect and enhance our natural and built environment

The following outcomes and strategies have been identified to achieve this objective.

Outcome 3.1 A well maintained attractive built environment servicing the needs of the community

3.1.1 Maintain, rationalise, improve or renew buildings and community infrastructure

3.1.2 Maintain the integrity of heritage buildings and places

Outcome 3.2 A natural environment for the benefit and enjoyment of current and future generations

3.2.1 Manage and preserve the natural environment

3.2.2 Support pest and weed control within the district

3.2.3 Provide an effective waste management service



4. Leadership Objective

Strong governance and leadership, demonstrating fair and equitable community values

Outcome 4.1 A strategically focused, unified Council functioning efficiently

4.1.1 Provide informed leadership on behalf of the community

4.1.2 Promote and advocate for the community and district

4.1.3 Provide strategic leadership and governance

Outcome 4.2 An efficient and effective organisation

4.2.1 Maintain accountability and financial responsibility through effective planning.

4.2.2 Comply with statutory and legislative requirements

4.2.3 Provide a positive and safe workplace





Statutory Reports

Complaints of Minor Breaches – Elected Members

The Shire maintains a register of complaints which records all complaints that result in an action under the *Local Government Act 1995* s5.121 (6)(b) or (c). The register of complaints is to include for each recorded complaint:

- Name of Council Member about whom the complaint is made;
- Name of the person who makes the complaint;
- A description of the minor breach that the Standards Panel finds has occurred; and
- Details of the action taken.

In the financial year ending 30 June 2020, there were no reportable complaints entered into the Register under Section 5.121 of the *Local Government Act 1995*.

Complaints to the Ombudsman WA

During 2019/20 no complaints regarding actions or operations of the Shire Lake Grace were made to the Ombudsman of Western Australia.

Disability Access and Inclusion Plan

The Disability Services Act 1993 requires all local governments to develop and implement a Disability Access and Inclusion Plan (DAIP) which aims not only to address the desired outcomes of the Disability Services Commission (DSC); but must be reviewed annually and reported to the Disability Services Commission by 31 July each year.

The Shire of Lake Grace is pleased to report that compliance with the seven (7) Outcomes stipulated by DSC to be reviewed and following are the results:

DAIP Outcome 1: People with disability have the same opportunities as other people to access the services of, and any events organised by, a public authority. Ensuring all people can access your organisations public events and general services is fundamental to good customer service.

- The Emergency Service Exercise conducted in August 2019 in coordination with the Lake Grace Hospital, Lake Grace St John's Ambulance Volunteers, Lake Grace Volunteer Rescue Service was well attended. Shire staff took on roles of patients requiring evacuation from the hospital.
- The Shire of Lake Grace organised a bus service for seniors who attended the Seniors Day in Kojonup on 10 November 2019.
- The Shire of Lake Grace regularly provide training to staff to know and understand the importance of treating people with disabilities.

DAIP Outcome 2: People with disability have the same opportunities as other people to access the buildings and other facilities of a public authority. This outcome area is about how your organisation has ensured and safeguarded accessibility in the planning, design, and improvement of built infrastructure.

- The Shire of Lake Grace repaired and reconstructed the damaged path leading to the Lake Grace Medical Centre so that people with disabilities and those that use gophers will have easy access on their way to the doctor's surgery. White picket fences and solar lights were installed to light up the path and security.
- Solar lights were installed along Mitchell Street up to Waddell Road on the way to Newdegate Recreation Centre. The community can now access the recreation facility to train, exercise and watch football games under lights.
- The Shire of Lake Grace installed two (2) L-shaped grab rails in both the men's and ladies' public toilets at the Varley Chicken Ranch where a lot of seniors camp for the night.

DAIP Outcome 3: People with disability receive information from a public authority in a format that will enable them to access the information as readily as other people are able to access it. Good practice in this area involves considering your target audience: language and terminology; format; location and sensory access for physical signage; technology and customer service delivery.

- In order to promote upcoming events within the shire, the Shire of Lake Grace installed a television screen at the foyer of the administration building playing PowerPoint presentation and information on what is happening around the shire. This was appreciated by those visually impaired coming to the office to conduct their transactions.
- The Shire of Lake Grace continually reviews their Facebook and social media posts to ensure compliance with the best practice guidelines. Publications and forms are available and the website has an "A+" function to enable to increase the size of pages.

DAIP Outcome 4: People with disability receive the same level and quality of service from the staff of a public authority as other people receive from the staff of that public authority.

This outcome area involves the safeguards and initiatives which ensure that your services and processes are consistent, inclusive or readily adjust to people's needs.

- With the use of YouTube from the Disability Services website, the material *"You Can Make A Difference"* is shown to staff for training purposes.
- The following are available on the Shire of Lake Grace website under the Disability Access and Inclusion area:
 - Shire of Lake Grace Disability Access and Inclusion Plan 2019-2024
 - Link to the Disability Services WA website
 - Link to the People with Disabilities WA website
 - Link to the Developmental Disability WA (DDWA) website

DAIP Outcome 5: People with disability have the same opportunities as other people to make complaints to a public authority. Equitable complaints mechanisms can effectively receive and address complaints from all members of the community and play a fundamental role in making sure that services meet the needs of intended consumers.

- Continues training of staff to provide skills, knowledge and experience in dealing with people with disability
- Suitable access to the Shire of Lake Grace administration building and other buildings owned, operated and maintained by the Shire

DAIP Outcome 6: People with disability have the same opportunities as other people to participate in any public consultation by a public authority. Good consultation and engagement strategies consider the ways in which all people are encouraged and supported to engage or participate with information, strategies or decision-making processes of an organisation. This in turn can provide public authorities with more inclusive outcomes and potentially awareness of different perspectives.

- Any information regarding any developments within the shire as well as financial or even tendering processes and those that will directly/indirectly affect the community are promoted and disseminated either by public consultation and advertising such information
- Community events, forums, meetings etc are widely advertised via Facebook, website, community newspaper and public posts through library bulletin boards.

DAIP Outcome 7: People with disability have the same opportunities as other people to obtain and maintain employment with a public authority. This outcome is focused on your organisation's activity in directly employing people with disability; including considering the environment, culture and processes which support the maintenance of employment.

- The Shire of Lake Grace has employment opportunities which are advertised on different mediums including Facebook, employment section of the website, local newspaper, community news as well as library boards. Our advertisements always encourage applicants from all walks of life to apply because the Shire is an equal opportunity employer.
- We assess each employment application based on its own merits and provide adequate information to all applicants by way of disseminating position descriptions and job overviews.

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 which details the process of applying for information under the Act as well as information that the Shire provides outside the Act. This Information Statement is available on the Shire of Lake Grace website.

The *Freedom of Information Act 1992* and associated regulations can be found on the State Law Publisher website at www.slp.wa.gov.au where a full copy of all State legislation is available. Further information about Freedom of Information can also be found on the Freedom of Information Commissioner's website <http://foi.wa.gov.au/>

During the 2019-2020 financial year there were no Freedom of Information applications received or processed by the Shire.

National Competition Policy Statement

The Federal and State governments have a Competition Principles Agreement in place, which is binding on local government. The Agreement requires the Shire to carry out a number of procedures and include a report on the matter in each year's Annual Report. The three areas that affect local government are:

1. *Competitive neutrality* - to remove benefits (and costs) which accrue to government business as a result of their public ownership.
2. *Structural reform* - local government is required to reform the structure of publicly owned monopoly businesses where it is proposed to introduce competition.

3. *Legislation review* - to review any applicable legislation that may restrict competition. The full requirements of the package are contained in a statement issued by the Department of Local Government, Sport and Cultural Industries.

Competitive neutrality

Local Governments are required to apply the principle of competitive neutrality to all business activities generating user-pays income. The principle of competitive neutrality is that Government businesses should not enjoy a competitive advantage, or disadvantage, simply as a result of their public sector ownership. Annual Reports must show that a public benefit test has been conducted for all significant business activities (over \$200,000) to determine if competitive neutrality is in the public interest.

Within these criteria the Shire had no disclosures for the reporting period with respect to competitive neutrality:

- The Shire does not operate a business enterprise that has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or Public Financial Enterprise;
- During the reporting period the Shire did not receive any complaints or did not become aware of any allegations of non-compliance with the competitive neutrality principles made by a private entity against the Shire; and
- The Shire continues to monitor Council policies and local laws for anti-competitive practices.

Structural reform

Before local governments privatise a monopoly, business activity or introduce competition into a sector dominated by a monopoly or near monopoly, the regulatory and commercial activities must be separated and a review undertaken. Where applicable, all local governments in Australia must report their adherence to the structural reform principles. At present, this requirement has a very limited impact on local government in Western Australia, and most will not need to provide this information.

The Shire of Lake Grace did not privatise any activities in 2019/20 and hence there were no obligations for the Council with respect to structural reform under the NCP.

Legislation review

The Shire holds a portfolio of local laws (previously known as by-laws) which may or may not conflict with the Competition Principles Agreement. Section 3.16 of the *Local Government Act 1995* requires that all of the local laws of a Local Government must be reviewed within an eight-year period after their commencement to determine if they should remain unchanged or be repealed or amended.

The Annual Report is to include a statement of which Local Laws that have been reviewed, the conclusions of those reviews, and a forward strategy for all Local Laws still to be reviewed. Local governments are required to review local laws to ensure they do not restrict competition unless:

- The benefits of the restriction to the community as a whole outweigh the costs; and
- The objectives of the legislation can only be achieved by restricting competition.

Where necessary clause 7 legislation review principles have been complied with and the Shire of Lake Grace remains committed to reviewing its existing local laws, as well as proposed local laws.

No new Local Laws were created in 2019/20 nor were any existing Local Laws due for review.

Primary and Annual Returns

In accordance with Section 5.75 and 5.76 of the *Local Government Act 1995* all relevant persons lodged an Annual Return by the due date of 31 August 2019 and a primary return within 3 months of their start date. In 2019-2020, there was 100% compliance in this area.

Procurement of Goods and Services

Procurement for the Shire of Lake Grace is conducted in compliance with the requirements of the *Local Government Act 1995*, the *Local Government (Functions and General) Regulations 1996* and in accordance with the Shire's Purchasing Policy and Code of Conduct.

Public Interest Disclosure

The *Public Interest Disclosure Act 2003* facilitates the disclosure of public interest information, and provides for the protection of those making such disclosure and those who are subject of the disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken. Council has complied with all obligations under the Act including:

- a. Appointing the Chief Executive Officer as the PID Officer for the organisation and publishing an internal procedure relating to the Shire's obligations.
- b. Providing protection from detrimental action or the threat of detrimental action for any employee of the Shire who makes an appropriate disclosure of public interest information.

There were no Public Interest Disclosures made to the Chief Executive Officer in the 2019-2020 year.

Record Keeping Plan (State Records Act 2000)

The Shire of Lake Grace is required to maintain and dispose all records as prescribed in the State Records Act 2000.

In 14 August 2020, the Shire of Lake Grace received from the State Records Commission an approval for the continuation of the review of the Record Keeping Plan up to 7 August 2025. The Disaster Recovery Plan is currently under review and once completed, will be submitted to the State Records Commission during 2021.

In accordance with Principle 6 – COMPLIANCE, all employees, contractors, and elected members of the Shire of Lake Grace must ensure awareness and compliance with their responsibilities of the record keeping plan. The following are minimum compliance requirements of the record keeping plan:

- In order to measure the efficiency and effectiveness of the Shire of Lake Grace record keeping system, it must be evaluated at least once every five years e.g. 2025
- The Shire of Lake Grace must conduct a record keeping training program to all staff, elected members and contractors about their roles and responsibilities of keeping records according to the record keeping plan
- In keeping with the training program, the Shire of Lake Grace must regularly review its efficiency and effectiveness within the record keeping process
- The Shire of Lake Grace must inform all employees, contractors and elected members their roles and responsibilities regarding the compliance with the record keeping plan

The Shire of Lake Grace has complied with the four items mentioned above and with approval from the State Records Commission, the new Record Keeping Plan will be submitted on 7 August 2025.

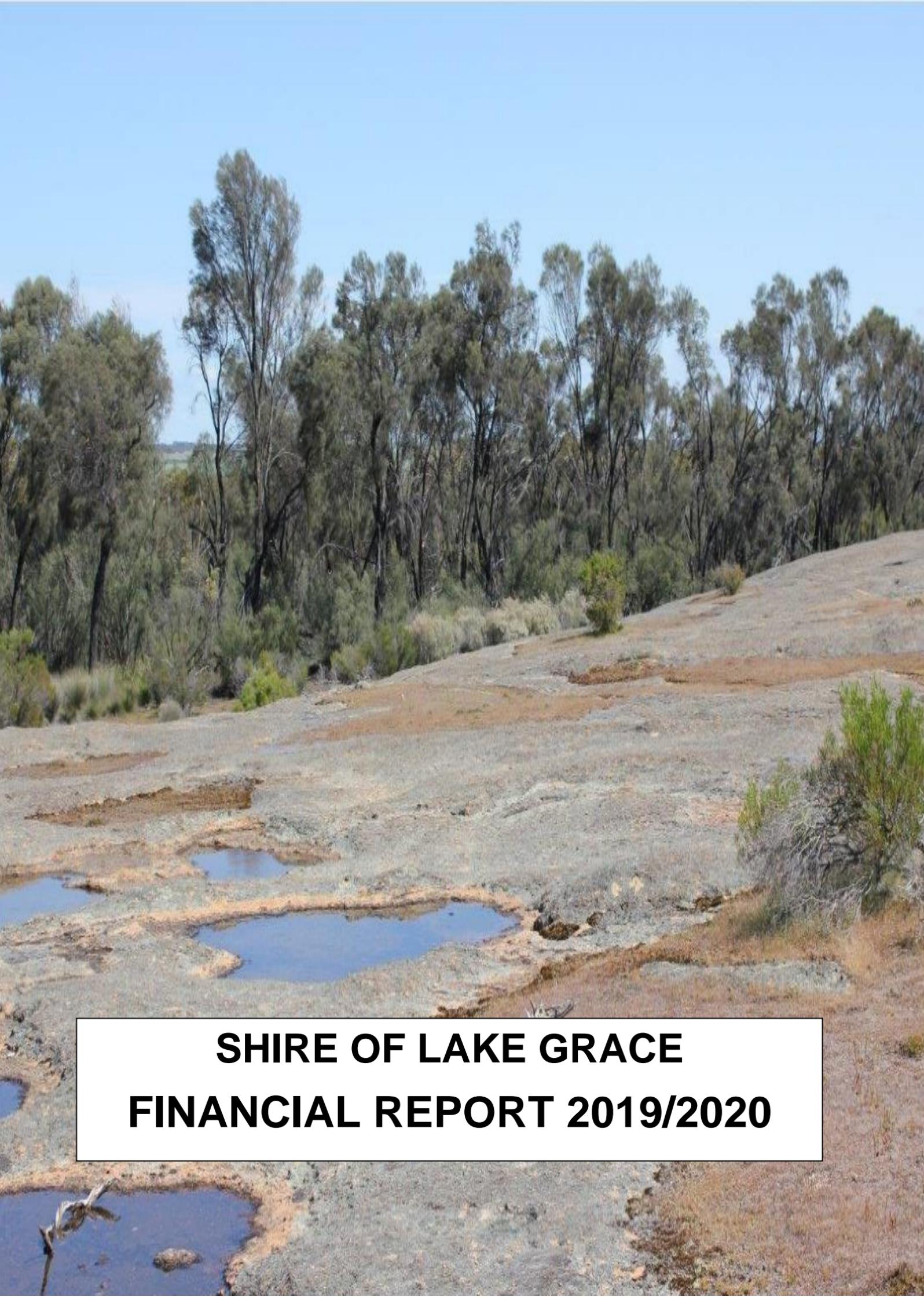
Remuneration of Employees

Local Government (Administration) Regulation 19B requires a local government to report details of the number of employees entitled to an annual salary of \$100,000 or more in bands of \$10,000 for each band over \$100,000. These are disclosed as follows:

Salary Range	2020	2019
\$100,000 - \$110,000	-	2
\$110,001 - \$120,000	1	-
\$140,001 - \$150,000	-	-
\$160,001 - \$170,000	1	-
\$250,001 - \$260,000	*1	1

**Includes termination payment*





**SHIRE OF LAKE GRACE
FINANCIAL REPORT 2019/2020**

SHIRE OF LAKE GRACE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Index of Notes to the Financial Report	9
Independent Auditor's Report	53

COMMUNITY VISION

A safe, inclusive and growing community embracing opportunity.

Principal place of business:
1 Bishop Street
Lake Grace WA 6353

**SHIRE OF LAKE GRACE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the

10th

day of

DECEMBER

2020



Chief Executive Officer

Alan George

Name of Chief Executive Officer



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	20(a)	4,166,075	4,169,841	4,175,836
Operating grants, subsidies and contributions	2(a)	3,263,453	1,746,166	3,268,143
Fees and charges	2(a)	440,647	465,767	585,925
Interest earnings	2(a)	104,379	143,000	155,673
Other revenue	2(a)	226,595	214,502	3,866,250
		8,201,149	6,739,276	12,051,827
Expenses				
Employee costs		(2,107,470)	(2,556,224)	(2,146,748)
Materials and contracts		(2,581,326)	(3,403,805)	(5,694,520)
Utility charges		(340,687)	(318,243)	(296,584)
Depreciation on non-current assets	11(b)	(3,356,075)	(3,404,673)	(3,369,006)
Interest expenses	2(b)	(60,553)	(66,287)	(71,657)
Insurance expenses		(166,153)	(170,699)	(172,395)
Other expenditure		(223,802)	(241,114)	(222,290)
		(8,836,066)	(10,161,045)	(11,973,200)
		(634,917)	(3,421,769)	78,627
Non-operating grants, subsidies and contributions	2(a)	834,548	1,286,068	1,606,350
Profit on asset disposals	11(a)	0	198	3,817
(Loss) on asset disposals	11(a)	(69,084)	(90,459)	(23,710)
		765,464	1,195,807	1,586,457
Net result for the period		130,547	(2,225,962)	1,665,084
Total comprehensive income for the period		130,547	(2,225,962)	1,665,084

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



SHIRE OF LAKE GRACE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Governance	2(a)	32,245	12,455	22,803
General purpose funding		6,992,343	5,523,234	6,023,066
Law, order, public safety		179,963	152,553	147,466
Health		6,832	9,670	9,952
Education and welfare		1,995	2,000	4,357
Housing		19,914	21,000	20,857
Community amenities		324,141	307,886	342,466
Recreation and culture		32,331	62,894	1,132,232
Transport		343,790	346,983	3,913,085
Economic services		174,196	206,601	310,638
Other property and services		93,399	94,000	124,905
		8,201,149	6,739,276	12,051,827
Expenses				
Governance	2(b)	(338,025)	(419,101)	(335,363)
General purpose funding		(159,188)	(161,986)	(156,529)
Law, order, public safety		(320,232)	(347,529)	(258,710)
Health		(313,937)	(373,484)	(285,175)
Education and welfare		(39,390)	(81,431)	(34,676)
Housing		(181,175)	(207,685)	(170,789)
Community amenities		(987,317)	(996,865)	(695,741)
Recreation and culture		(2,136,668)	(2,502,884)	(2,039,281)
Transport		(3,659,900)	(4,113,364)	(7,166,737)
Economic services		(602,630)	(796,352)	(635,814)
Other property and services		(37,051)	(94,077)	(122,728)
		(8,775,513)	(10,094,758)	(11,901,543)
Finance Costs				
Governance	2(b)	(16,779)	(17,039)	(18,107)
General purpose funding		0	0	(27)
Health		(1,511)	(2,599)	(3,178)
Housing		0	0	(90)
Recreation and culture		(21,872)	(23,358)	(26,685)
Transport		(8,442)	(8,465)	(10,450)
Economic services		(11,197)	(13,522)	(11,536)
Other property and services		(752)	(1,304)	(1,584)
		(60,553)	(66,287)	(71,657)
		(634,917)	(3,421,769)	78,627
Non-operating grants, subsidies and contributions	2(a)	834,548	1,286,068	1,606,350
Profit on disposal of assets	11(a)	0	198	3,817
(Loss) on disposal of assets	11(a)	(69,084)	(90,459)	(23,710)
		765,464	1,195,807	1,586,457
Net result for the period		130,547	(2,225,962)	1,665,084
Total comprehensive income for the period		130,547	(2,225,962)	1,665,084

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



SHIRE OF LAKE GRACE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	10,696,934	9,484,467
Trade and other receivables	6	205,674	317,399
Other financial assets	5(a)	0	27,930
Inventories	7	6,534	4,585
Other assets	8	2,000	71,703
TOTAL CURRENT ASSETS		10,911,142	9,906,084
NON-CURRENT ASSETS			
Trade and other receivables	6	6,268	6,268
Other financial assets	5(b)	77,334	77,334
Inventories	7	679,162	300,000
Property, plant and equipment	9	42,155,698	43,124,430
Infrastructure	10	156,760,603	157,053,817
TOTAL NON-CURRENT ASSETS		199,679,065	200,561,849
TOTAL ASSETS		210,590,207	210,467,933
CURRENT LIABILITIES			
Trade and other payables	13	300,946	478,701
Contract liabilities	14	447,955	0
Borrowings	15(a)	197,956	244,473
Employee related provisions	16	230,175	329,272
TOTAL CURRENT LIABILITIES		1,177,032	1,052,446
NON-CURRENT LIABILITIES			
Borrowings	15(a)	1,237,991	835,948
Employee related provisions	16	43,124	26,026
TOTAL NON-CURRENT LIABILITIES		1,281,115	861,974
TOTAL LIABILITIES		2,458,147	1,914,420
NET ASSETS		208,132,060	208,553,513
EQUITY			
Retained surplus		150,199,048	150,171,641
Reserves - cash backed	4	5,704,901	5,601,761
Revaluation surplus	12	52,228,111	52,780,111
TOTAL EQUITY		208,132,060	208,553,513

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



SHIRE OF LAKE GRACE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		150,179,244	3,929,074	52,780,111	206,888,429
Comprehensive income					
Net result for the period		1,665,084	0	0	1,665,084
Total comprehensive income		1,665,084	0	0	1,665,084
Transfers from reserves	4	34,547	(34,547)	0	0
Transfers to reserves	4	(1,707,234)	1,707,234	0	0
Balance as at 30 June 2019		150,171,641	5,601,761	52,780,111	208,553,513
Change in accounting policy	24(b)	0	0	(552,000)	(552,000)
Restated total equity at 1 July 2019		150,171,641	5,601,761	52,228,111	208,001,513
Comprehensive income					
Net result for the period		130,547	0	0	130,547
Total comprehensive income		130,547	0	0	130,547
Transfers from reserves	4	245,063	(245,063)	0	0
Transfers to reserves	4	(348,203)	348,203	0	0
Balance as at 30 June 2020		150,199,048	5,704,901	52,228,111	208,132,060

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



SHIRE OF LAKE GRACE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		4,207,052	4,169,841	4,162,586
Operating grants, subsidies and contributions		3,224,568	1,746,166	5,253,968
Fees and charges		440,647	465,767	585,925
Interest received		104,379	143,000	155,673
Goods and services tax received		657,147	359,612	1,253,758
Other revenue		226,595	214,502	3,866,250
		8,860,388	7,098,888	15,278,160
Payments				
Employee costs		(2,175,857)	(2,556,224)	(2,196,939)
Materials and contracts		(3,084,353)	(3,415,638)	(6,153,855)
Utility charges		(340,687)	(318,243)	(296,584)
Interest expenses		(60,553)	(84,267)	(71,657)
Insurance paid		(166,153)	(170,699)	(172,395)
Goods and services tax paid		(99,307)	(359,612)	(1,039,004)
Other expenditure		(223,802)	(241,114)	(222,290)
		(6,150,712)	(7,145,797)	(10,152,724)
Net cash provided by (used in) operating activities	17	2,709,676	(46,909)	5,125,436
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(a)	(634,010)	(2,614,295)	(381,984)
Payments for construction of infrastructure	10(a)	(2,218,703)	(3,732,727)	(2,606,742)
Non-operating grants, subsidies and contributions	2(a)	834,548	1,286,068	1,606,350
Proceeds from financial assets at amortised cost - self supporting loans		27,930	0	33,029
Proceeds from sale of property, plant & equipment	11(a)	137,500	110,000	111,488
Net cash provided by (used in) investment activities		(1,852,735)	(4,950,954)	(1,237,859)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(244,474)	(244,473)	(250,052)
Proceeds from new borrowings	15(b)	600,000	1,100,000	0
Net cash provided by (used in) financing activities		355,526	855,527	(250,052)
Net increase (decrease) in cash held		1,212,467	(4,142,336)	3,637,525
Cash at beginning of year		9,484,467	9,464,240	5,846,942
Cash and cash equivalents at the end of the year	17	10,696,934	5,321,904	9,484,467

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



SHIRE OF LAKE GRACE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	21 (b)	3,747,619	3,853,143	3,480,321
		3,747,619	3,853,143	3,480,321
Revenue from operating activities (excluding rates)				
Governance		32,245	12,455	22,803
General purpose funding		3,028,076	1,553,567	3,111,108
Law, order, public safety		179,963	152,553	147,466
Health		6,832	9,670	9,952
Education and welfare		1,995	2,000	4,357
Housing		19,914	21,000	20,857
Community amenities		324,141	307,886	342,466
Recreation and culture		32,331	62,894	1,132,232
Transport		343,790	347,181	3,916,902
Economic services		174,196	206,601	310,638
Other property and services		93,399	94,000	124,905
		4,236,882	2,769,807	9,143,686
Expenditure from operating activities				
Governance		(371,011)	(446,523)	(377,180)
General purpose funding		(159,188)	(161,986)	(156,556)
Law, order, public safety		(362,613)	(347,529)	(258,710)
Health		(315,448)	(376,083)	(288,353)
Education and welfare		(39,390)	(81,431)	(34,676)
Housing		(181,175)	(207,685)	(170,879)
Community amenities		(987,317)	(996,865)	(695,741)
Recreation and culture		(2,158,540)	(2,526,242)	(2,065,966)
Transport		(3,678,838)	(4,201,905)	(7,177,187)
Economic services		(613,827)	(809,874)	(647,350)
Other property and services		(37,803)	(95,381)	(124,312)
		(8,905,150)	(10,251,504)	(11,996,910)
Non-cash amounts excluded from operating activities	21(a)	2,963,998	3,494,934	3,369,162
Amount attributable to operating activities		2,043,349	(133,620)	3,996,259
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	834,548	1,286,068	1,606,350
Proceeds from disposal of assets	11(a)	137,500	110,000	111,488
Proceeds from financial assets at amortised cost - self supporting loans		27,930	0	33,029
Purchase of property, plant and equipment	9(a)	(634,010)	(2,614,295)	(381,984)
Purchase and construction of infrastructure	10(a)	(2,218,703)	(3,732,727)	(2,606,742)
Amount attributable to investing activities		(1,852,735)	(4,950,954)	(1,237,859)
FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(244,474)	(244,473)	(250,052)
Proceeds from borrowings	15(c)	600,000	1,100,000	0
Transfers to reserves (restricted assets)	4	(348,203)	(375,000)	(1,707,234)
Transfers from reserves (restricted assets)	4	245,063	654,930	34,547
Amount attributable to financing activities		252,386	1,135,457	(1,922,739)
Surplus/(deficit) before imposition of general rates		443,000	(3,949,117)	835,661
Total amount raised from general rates	20(a)	3,964,267	3,969,667	2,911,958
Surplus/(deficit) after imposition of general rates	21(b)	4,407,267	20,550	3,747,619

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



SHIRE OF LAKE GRACE
INDEX OF NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	15
Note 4	Reserves - Cash backed	16
Note 5	Other Financial Assets	18
Note 6	Trade and Other Receivables	19
Note 7	Inventories	20
Note 8	Other Assets	21
Note 9	Property, Plant and Equipment	22
Note 10	Infrastructure	24
Note 11	Fixed Assets	26
Note 12	Revaluation Surplus	29
Note 13	Trade and Other Payables	30
Note 14	Contract Liabilities	31
Note 15	Information on Borrowings	32
Note 16	Employee Provisions	34
Note 17	Notes to the Statement of Cash Flows	35
Note 18	Total Assets Classified by Function and Activity	36
Note 19	Related Party Transactions	37
Note 20	Rating Information	39
Note 21	Rate Setting Statement Information	42
Note 22	Financial Risk Management	43
Note 23	Initial Application of Australian Accounting Standards	46
Note 24	Change in Accounting policies	48
Note 25	Trust Funds	49
Note 26	Other Significant Accounting Policies	50
Note 27	Activites/Programs	51
Note 28	Financial Ratios	52

1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the Shire. This was not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

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

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

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 25 to these financial statements.

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
General purpose funding	2,838,113	1,331,062	2,891,496
Law, order, public safety	51,368	51,121	46,892
Education and welfare	1,995	2,000	4,357
Recreation and culture	6,813	4,500	11,001
Transport	321,489	321,483	301,723
Economic services	35,909	36,000	7,040
Other property and services	7,766	0	5,634
	3,263,453	1,746,166	3,268,143
Non-operating grants, subsidies and contributions			
Recreation and culture	246,528	117,815	1,350
Transport	588,020	1,168,253	1,605,000
	834,548	1,286,068	1,606,350
Total grants, subsidies and contributions	4,098,001	3,032,234	4,874,493
Fees and charges			
Governance	357	1,055	915
General purpose funding	17,325	12,500	6,622
Law, order, public safety	4,221	4,700	3,735
Health	6,832	9,320	8,702
Housing	18,143	21,000	10,514
Community amenities	190,477	172,212	189,132
Recreation and culture	23,250	55,500	45,193
Economic services	119,804	128,980	259,684
Other property and services	60,238	60,500	61,428
	440,647	465,767	585,925

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

**Contracts with customers and transfers
for recognisable non-financial assets**

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions	398,765	0	0
Fees and charges	422,666	0	0
Non-operating grants, subsidies and contributions	834,548	1,286,068	1,606,350
	1,655,979	1,286,068	1,606,350

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Other revenue from contracts with customers recognised during the year	821,431	0	0
Other revenue from performance obligations satisfied during the year	834,548	1,286,068	1,606,350
	1,655,979	1,286,068	1,606,350

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers	152,193	0	0
Contract liabilities from contracts with customers	(447,955)	0	0

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'.

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

Consideration from contracts with customers is included in the transaction price.

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates
 Specified area rates
 Statutory permits and licences

Other revenue

Reimbursements and recoveries
 Other

Interest earnings

Financial assets at amortised cost - self supporting loans
 Interest on reserve funds
 Rates instalment and penalty interest (refer Note 20(c))
 Other interest earnings

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
General rates	3,964,267	3,969,667	2,911,958
Specified area rates	133,674	133,674	1,204,283
Statutory permits and licences	17,039	0	0
	4,114,980	4,103,341	4,116,241
Other revenue			
Reimbursements and recoveries	186,526	175,608	3,794,418
Other	40,069	38,894	71,832
	226,595	214,502	3,866,250
Interest earnings			
Financial assets at amortised cost - self supporting loans	786	0	2,277
Interest on reserve funds	43,203	70,000	70,382
Rates instalment and penalty interest (refer Note 20(c))	23,967	28,000	28,507
Other interest earnings	36,423	45,000	54,507
	104,379	143,000	155,673

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
 - Assistance with the finalisation of the annual financial report

Interest expenses (finance costs)

Borrowings
 Interest on overdraft

Other expenditure

Impairment loss on trade and other receivables
 Sundry expenses

Note	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	31,200	31,200	31,200
- Other services	17,330	17,500	24,425
- Assistance with the finalisation of the annual financial report	0	0	14,212
	48,530	48,700	69,837
Interest expenses (finance costs)			
Borrowings	60,553	66,287	71,630
Interest on overdraft	0	0	27
	60,553	66,287	71,657
Other expenditure			
Impairment loss on trade and other receivables	4,921	0	0
Sundry expenses	218,881	241,114	222,290
	223,802	241,114	222,290

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		10,696,934	9,484,467
Total cash and cash equivalents		10,696,934	9,484,467

Restrictions

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

- Cash and cash equivalents		6,212,390	5,687,313
		6,212,390	5,687,313

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

Reserves - cash backed	4	5,704,901	5,601,761
Contract liabilities from contracts with customers	14	447,955	0
Unspent grants, subsidies and contributions		0	15,252
L'Chop housing		44,669	44,669
Rural Town salinity program		5,404	5,404
Bonds and deposits held		9,461	20,227
Total restricted assets		6,212,390	5,687,313

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

SHIRE OF LAKE GRACE

4. RESERVES - CASH BACKED

RESERVES - CASH BACKED												
	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
(a) Long service leave Reserve	221,451	1,712	0	223,163	221,451	2,863	0	224,314	168,186	53,265	0	221,451
(b) Plant Reserve	1,323,586	10,220	0	1,333,806	1,323,586	17,114	0	1,340,700	924,020	399,566	0	1,323,586
(c) Office Furniture & Equipment Reserve	13,215	102	0	13,317	13,216	171	0	13,387	12,973	242	0	13,215
(d) Housing Reserve	829,548	6,412	0	835,960	829,548	10,726	(430,000)	410,274	420,701	408,847	0	829,548
(e) Swimming Pool Reserve	175,838	51,359	0	227,197	175,838	52,275	0	228,113	54,814	121,024	0	175,838
(f) Recreation Reserve	18,799	200,145	0	218,944	18,799	200,243	0	219,042	741	18,058	0	18,799
(g) Works & Services Reserve	539,105	54,167	0	593,272	539,105	56,971	0	596,076	337,571	201,534	0	539,105
(h) Lake Grace Sewerage Reserve	1,121,616	8,670	(30,000)	1,100,286	1,121,616	14,502	0	1,136,118	984,463	137,153	0	1,121,616
(i) Lake Grace TV Service Reserve	35,193	272	(2,671)	32,794	35,193	455	(2,672)	32,976	36,799	688	(2,294)	35,193
(j) Lake Grace Sport & Rec SAR	124,579	904	(125,483)	0	124,579	0	(124,579)	0	124,579	0	0	124,579
(k) Newdegate Reserve	124,328	960	0	125,288	124,328	1,608	0	125,936	122,048	2,280	0	124,328
(l) Newdegate Stadium Floor Reserve	23,968	185	0	24,153	23,968	310	0	24,278	23,528	440	0	23,968
(m) Newdegate Centenary Reserve	36,885	285	(5,000)	32,170	36,885	477	(5,000)	32,362	31,288	5,597	0	36,885
(n) Newdegate TV Reserve	2,334	29	(2,363)	0	2,334	29	(2,363)	0	4,503	84	(2,253)	2,334
(o) Newdegate Sports Dam Reserve	26,564	205	0	26,769	26,564	343	(26,907)	0	26,077	487	0	26,564
(p) Ngt Ground Keeping SAR Reserve	15,563	113	(15,676)	0	15,562	201	0	15,763	10,357	5,206	0	15,563
(q) Community Water Supplies Reserve	11,895	92	0	11,987	11,895	154	0	12,049	11,677	218	0	11,895
(r) Essential Medical Services Reserve	737,875	5,704	0	743,579	737,875	9,541	0	747,416	606,179	161,696	(30,000)	737,875
(s) Emergency Services Reserves	26,958	209	0	27,167	26,958	349	0	27,307	26,464	494	0	26,958
(t) History Book Reserve	5,426	5,042	0	10,468	5,426	5,070	0	10,496	5,326	100	0	5,426
(u) Varley Sullage Scheme Reserve	1,554	13	0	1,667	1,554	21	0	1,675	1,624	30	0	1,554
(v) Varley Sport & Rec SAR	30,688	223	(30,911)	0	30,688	0	(30,688)	0	0	30,688	0	30,688
(w) Land Development Reserve	121,972	942	0	122,914	121,972	1,577	0	123,549	119,735	2,237	0	121,972
(x) Lake King Sport & Rec SAR	32,721	238	(32,959)	0	32,721	0	(32,721)	0	32,721	0	0	32,721
	5,601,761	348,203	(245,063)	5,704,901	5,601,761	375,000	(654,930)	5,321,831	3,929,074	707,234	(34,547)	5,601,761

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

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

4. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Long service leave Reserve	ongoing	to fund employee leave liability entitlements
(b) Plant Reserve	ongoing	to fund acquisition or replacement of plant and equipment in accordance with the plant replacement program.
(c) Office Furniture & Equipment Reserve	ongoing	to fund replacement of furniture, office, electrical and computer equipment at the Lake Grace administration centre.
(d) Housing Reserve	ongoing	to fund the acquisition, construction, renovation or maintenance of shire staff housing.
(e) Swimming Pool Reserve	ongoing	to fund maintenance and improvement of the Lake Grace swimming pool and associated infrastructure.
(f) Recreation Reserve	ongoing	to fund the development of sport and recreation facilities.
(g) Works & Services Reserve	ongoing	to fund expenditure associated with road and street works, including drainage and rehabilitation works.
(h) Lake Grace Sewerage Reserve	ongoing	to fund maintenance, addition and improvements to the Lake Grace sewerage system.
(i) Lake Grace TV Service Reserve	ongoing	to fund maintenance and upgrades of television and radio services in the Lake Grace town site.
(j) Lake Grace Sport & Rec SAR	ongoing	to fund Recreation and Culture Expenses associated with Lake Grace SARS
(k) Newdegate Reserve	30/06/2020	to fund maintenance, renovation, extension or improvements of the Newdegate Town Hall.
(l) Newdegate Stadium Floor Reserve	ongoing	to fund upgrade works for the Newdegate stadium floor.
(m) Newdegate Centenary Reserve	ongoing	to fund the 100 year centenary of the Newdegate town site.
(n) Newdegate TV Reserve	30/06/2020	to fund maintenance and upgrades of television and radio services in the Newdegate town site.
(o) Newdegate Sports Dam Reserve	30/06/2021	to fund upgrade works for the Newdegate sports dam.
(p) Ngt Ground Keeping SAR Reserve	30/06/2020	to fund expenses relating to the preparation of grounds and acquisition or replacement of related plant and equipment.
(q) Community Water Supplies Reserve	ongoing	to fund future commitments with the construction and maintenance of community water supplies.
(r) Essential Medical Services Reserve	ongoing	to fund the provision of essential medical services and associated legal expenses.
(s) Emergency Services Reserves	ongoing	to fund volunteer bush fire brigades and other emergency services.
(t) History Book Reserve	ongoing	to fund expenditure associated with producing local history books.
(u) Varley Sullage Scheme Reserve	ongoing	to fund expenses associated with the operations of the Varley Sullage Scheme.
(v) Varley Sport & Rec SAR	30/06/2020	to fund Recreation and Culture Expenses associated with Varley SARS
(w) Land Development Reserve	ongoing	to fund the development of new residential, commercial and industrial land.
(x) Lake King Sport & Rec SAR	30/06/2020	to fund Recreation and Culture Expenses associated with Lake King SARS

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

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Self supporting loans

(b) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

2020	2019
\$	\$
0	27,930
0	27,930
0	27,930
0	27,930
77,334	77,334
77,334	77,334
77,334	77,334
77,334	77,334

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

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

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

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
Allowance for impairment of receivables	
ESL Control	

Non-current

Pensioner's rates and ESL deferred	
SEC Extensions	

2020	2019
\$	\$
56,644	97,369
152,193	221,693
(4,921)	(5,454)
1,758	3,791
205,674	317,399
3,030	3,030
3,238	3,238
6,268	6,268

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

7. INVENTORIES

Current

Fuel and materials

Non-current

Land held for resale - cost

Cost of acquisition

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

Carrying amount at end of period

	2020	2019
	\$	\$
	6,534	4,585
	6,534	4,585
	679,162	300,000
	679,162	300,000
	304,585	309,896
	(75,589)	(132,400)
	456,700	127,089
	685,696	304,585

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.

Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

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

8. OTHER ASSETS

Other assets - current

Accrued prepayments

2020	2019
\$	\$
2,000	71,703
2,000	71,703

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

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

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	2,037,711	552,000	2,589,711	2,549,971	35,844,544	38,394,515	40,984,226	92,958	2,631,946	43,709,130
Additions	0	0	0	69,113	117,541	186,654	186,654	3,290	192,040	381,984
(Disposals)	0	0	0	0	0	0	0	0	(131,381)	(131,381)
Depreciation (expense)	0	0	0	(41,237)	(534,653)	(575,890)	(575,890)	(18,558)	(240,855)	(835,303)
Carrying amount at 30 June 2019	2,037,711	552,000	2,589,711	2,577,847	35,427,432	38,005,279	40,594,990	77,690	2,451,750	43,124,430
Comprises:										
Gross carrying amount at 30 June 2019	2,037,711	552,000	2,589,711	2,658,661	36,486,111	39,144,772	41,734,483	122,563	3,112,789	44,969,835
Accumulated depreciation at 30 June 2019	0	0	0	(80,814)	(1,058,679)	(1,139,493)	(1,139,493)	(44,873)	(661,039)	(1,845,405)
Carrying amount at 30 June 2019	2,037,711	552,000	2,589,711	2,577,847	35,427,432	38,005,279	40,594,990	77,690	2,451,750	43,124,430
Change in accounting policy	0	(552,000)	(552,000)	0	0	0	(552,000)	0	0	(552,000)
Carrying amount at 1 July 2019	2,037,711	0	2,037,711	2,577,847	35,427,432	38,005,279	40,042,990	77,690	2,451,750	42,572,430
Additions	0	0	0	30,773	35,036	65,809	65,809	96,577	471,624	634,010
(Disposals)	0	0	0	0	0	0	0	0	(206,584)	(206,584)
Depreciation (expense)	0	0	0	(43,483)	(536,216)	(579,699)	(579,699)	(22,469)	(241,990)	(844,158)
Carrying amount at 30 June 2020	2,037,711	0	2,037,711	2,565,137	34,926,252	37,491,389	39,529,100	151,798	2,474,800	42,155,698
Comprises:										
Gross carrying amount at 30 June 2020	2,037,711	0	2,037,711	2,688,570	36,522,010	39,210,580	41,248,291	219,140	3,336,714	44,804,145
Accumulated depreciation at 30 June 2020	0	0	0	(123,433)	(1,595,758)	(1,719,191)	(1,719,191)	(67,342)	(861,914)	(2,648,447)
Carrying amount at 30 June 2020	2,037,711	0	2,037,711	2,565,137	34,926,252	37,491,389	39,529,100	151,798	2,474,800	42,155,698

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per hectare
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition residual values and remaining useful life assessments inputs
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per square metre
Buildings - specialised	3	Improvements to land valued using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition residual values and remaining useful life assessments inputs
Furniture and equipment	3	Cost approach using depreciated replacement costs	Management valuation	June 2016	Purchase costs and current condition. Residual value and remaining useful life assessments inputs
Plant and equipment					
- Management valuation 2020	3	Cost approach using depreciated replacement costs	Management valuation	June 2016	Purchase costs and current condition. Residual value and remaining useful life assessments inputs

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

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

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

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

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads	Other infrastructure - parks, gardens & recreational facilities	Other infrastructure - sewerage	Other infrastructure - urban	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2018	140,721,916	7,920,932	2,632,958	5,704,972	156,980,778
Additions	2,561,038	45,704	0	0	2,606,742
Depreciation (expense)	(1,550,893)	(755,492)	(42,249)	(184,069)	(2,533,703)
Carrying amount at 30 June 2019	141,732,061	7,210,144	2,590,709	5,520,903	157,053,817
Comprises:					
Gross carrying amount at 30 June 2019	143,282,954	7,966,636	2,632,958	5,704,972	159,587,520
Accumulated depreciation at 30 June 2019	(1,550,893)	(755,492)	(42,249)	(184,069)	(2,533,703)
Carrying amount at 30 June 2019	141,732,061	7,210,144	2,590,709	5,520,903	157,053,817
Additions	1,281,465	582,790	0	354,448	2,218,703
Depreciation (expense)	(1,538,592)	(755,794)	(53,191)	(164,340)	(2,511,917)
Carrying amount at 30 June 2020	141,474,934	7,037,140	2,537,518	5,711,011	156,760,603
Comprises:					
Gross carrying amount at 30 June 2020	144,564,419	8,549,426	2,632,958	6,059,420	161,806,223
Accumulated depreciation at 30 June 2020	(3,089,485)	(1,512,286)	(95,440)	(348,409)	(5,045,620)
Carrying amount at 30 June 2020	141,474,934	7,037,140	2,537,518	5,711,011	156,760,603

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

10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads	3	Cost approach using depreciated replacement costs	Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - parks, gardens & recreational facilities	3	Cost approach using depreciated replacement costs	Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - sewerage	3	Cost approach using depreciated replacement costs	Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure - urban infrastructure	3	Cost approach using depreciated replacement costs	Management/ Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments

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

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

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

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

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

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the Shire.

Land under roads from 1 July 2019

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

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

Vested improvements from 1 July 2019

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

Refer to Note 5 that details the significant accounting policies applying to leases (including right of use assets).

SHIRE OF LAKE GRACE

11. FIXED ASSETS

(a) Disposals of Assets

	2020				2020				2020				2020				2019				2019			
	Actual		2020		Actual		2020		Actual		2020		Actual		2020		Actual		2019		2019			
	Net Book		Sale		Actual		Profit		Actual		Profit		Actual		Profit		Actual		Sale		Actual			
	Value	Proceeds																						
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Plant and equipment	206,584	137,500		0	(69,084)					200,261	110,000		198	(90,459)			131,381	111,488		3,817	(23,710)			
	206,584	137,500		0	(69,084)					200,261	110,000		198	(90,459)			131,381	111,488		3,817	(23,710)			

The following assets were disposed of during the year.

	2020	2020	2020	2020	2020
	Actual	Actual	Actual	Actual	Actual
	Net Book Value	Sale Proceeds	Profit	Loss	Loss
Plant and Equipment					
Governance					
145 - Toyota Prado	64,798	48,591	0	0	(16,207)
Law, order, public safety					
980 - Isuzu Truck	42,381	0	0	0	(42,381)
Transport					
1232 - Volvo Loader	78,496	68,000	0	0	(10,496)
127 - Ford Ranger	20,909	20,909	0	0	0
	206,584	137,500	0	0	(69,084)
	206,584	137,500	0	0	(69,084)

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

11. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	43,483	41,237	41,237
Buildings - specialised	536,216	535,516	534,653
Furniture and equipment	22,469	21,065	18,558
Plant and equipment	241,990	241,695	240,855
Infrastructure - roads	1,538,592	1,550,894	1,550,893
Other infrastructure - parks, gardens & recreational facilities	755,794	767,440	756,492
Other infrastructure - sewerage	53,191	42,249	42,249
Other infrastructure - urban infrastructure	164,340	204,577	184,069
	3,356,075	3,404,673	3,369,006

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Parks, Gardens and Recreation facilities	4-50 years
Urban Infrastructure	5 - 50 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

Depreciation on revaluation

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

- 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.

Amortisation

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

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

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

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

12. REVALUATION SURPLUS

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance
Revaluation surplus - Land and buildings	27,682,477	(552,000)	0	0	0	27,130,477	27,682,477	0	0	0	27,682,477
Revaluation surplus - Plant and equipment	1,277,979	0	0	0	0	1,277,979	1,277,979	0	0	0	1,277,979
Revaluation surplus - Infrastructure - roads	13,125,444	0	0	0	0	13,125,444	13,125,444	0	0	0	13,125,444
Revaluation surplus - Other infrastructure - parks, gardens & recreational facilities	3,117,415	0	0	0	0	3,117,415	3,117,415	0	0	0	3,117,415
Revaluation surplus - Other infrastructure - sewerage	2,654,025	0	0	0	0	2,654,025	2,654,025	0	0	0	2,654,025
Revaluation surplus - Other infrastructure - urban infrastructure	4,922,771	0	0	0	0	4,922,771	4,922,771	0	0	0	4,922,771
	52,780,111	(552,000)	0	0	0	52,228,111	52,780,111	0	0	0	52,780,111

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.

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

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Prepaid rates	
Accrued salaries and wages	
Bonds and deposits held	
Accrued expenses	
Accrued interest on long term borrowings	

2020	2019
\$	\$
89,926	414,170
14,482	14,230
25,706	12,094
15,413	20,227
143,886	0
11,533	17,980
300,946	478,701

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

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

Prepaid rates

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

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

14. CAPITAL GRANT LIABILITY

Current

Capital grant liability

Capital grant performance obligations are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

2020	2019
\$	\$
447,955	0
447,955	0
447,955	

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

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

15. INFORMATION ON BORROWINGS

(a) Borrowings	2020		2019													
	Loan Number	Institution	Interest Rate	\$	30 June 2020			30 June 2020			30 June 2020			30 June 2019		
					Actual New Loans	Principal repayments	Actual Interest	Budget Principal	New Loans	Budget Principal repayments	Budget Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest	Actual Principal
Current					0	0	0	267,415	0	15,978	17,039	251,437	12,874	12,874	339	267,414
Non-current					0	0	0	0	0	0	0	0	282,507	15,093	17,768	287,414

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost.
 All other loan repayments were financed by general purpose revenue.

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

15. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2019/20

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2020 Actual	2020 Budget	2020 Actual	2020 Budget		
Land Purchase	WATC	Debenture	10	1.70%	\$ 600,000	\$ 600,000	\$ 0	\$ 600,000	\$ 1,907	\$ 0
Staff Housing	WATC	Debenture	10	1.70%	0	500,000	0	500,000	0	0
* WA Treasury Corporation					600,000	1,100,000	0	1,100,000	1,907	0

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2020 \$	2019 \$
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	1	0
Total amount of credit unused	110,001	110,000

Loan facilities

Loan facilities - current	197,956	244,473
Loan facilities - non-current	1,237,991	835,948
Total facilities in use at balance date	1,435,947	1,080,421

Unused loan facilities at balance date

NIL NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

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

16. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	154,310	174,962	329,272
Non-current provisions	0	26,026	26,026
	154,310	200,988	355,298
 Additional provision	89,690	0	89,690
Amounts used	(102,087)	(69,602)	(171,689)
Balance at 30 June 2020	141,913	131,386	273,299
 Comprises			
Current	141,913	88,262	230,175
Non-current	0	43,124	43,124
	141,913	131,386	273,299
 Amounts are expected to be settled on the following basis:	2020	2019	
	\$	\$	
Less than 12 months after the reporting date	230,173	329,272	
More than 12 months from reporting date	43,124	26,026	
Expected reimbursements from other WA local governments	13,991	0	
	287,288	355,298	

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	10,696,934	5,321,904	9,484,467
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	130,547	(2,225,962)	1,665,084
Non-cash flows in Net result:			
Depreciation on non-current assets	3,356,075	3,404,673	3,369,006
(Profit)/loss on sale of asset	69,084	90,261	19,893
Changes in assets and liabilities:			
(Increase)/decrease in receivables	111,725	0	2,187,329
(Increase)/decrease in other assets	69,703	0	1,565,625
(Increase)/decrease in inventories	(381,111)	0	5,311
Increase/(decrease) in payables	(177,755)	(29,813)	(2,060,904)
Increase/(decrease) in provisions	(81,999)	0	(19,558)
Increase/(decrease) in contract liabilities	447,955	0	0
Non-operating grants, subsidies and contributions	(834,548)	(1,286,068)	(1,606,350)
Net cash from operating activities	2,709,676	(46,909)	5,125,436

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

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	2,978,231	2,683,111
General purpose funding	63,977	1,613,121
Law, order, public safety	896,400	1,006,901
Health	3,176,929	3,216,498
Education and welfare	625,101	634,888
Housing	10,215,833	10,301,976
Community amenities	4,547,237	5,319,519
Recreation and culture	26,491,341	27,450,747
Transport	140,694,046	139,974,786
Economic services	2,544,411	2,093,100
Other property and services	2,516,614	2,751,827
Unallocated	15,840,087	13,421,459
	210,590,207	210,467,933

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	38,580	40,000	40,000
President's allowance	20,117	20,063	19,864
Deputy President's allowance	5,030	5,016	4,966
Travelling expenses	14,122	20,000	14,787
Telecommunications allowance	17,329	18,000	17,241
	95,178	103,079	96,858

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	386,016	375,597
Post-employment benefits	47,144	45,722
Other long-term benefits	13,687	11,226
Termination benefits	107,770	12,155
	554,617	444,700

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).

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.

	2020 Actual	2019 Actual
The following transactions occurred with related parties:	\$	\$
Purchase of goods and services	0	22,588
Short term employee benefits -other related parties	61,029	89,652
Amounts payable to related parties:		
Trade and other payables	3,722	22,588

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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

20. RATING INFORMATION

(a) Rates

RATE TYPE

Differential general rate / general rate

Gross rental valuations

Gross rental valuations

Unimproved valuations

Unimproved valuations

Sub-Total

Minimum payment

Gross rental valuations

Gross rental valuations

Unimproved valuations

Unimproved valuations

Sub-Total

Total amount raised from general rate

Specified Area Rate (Note 20(b))

Ex-gratia rates

Totals

Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
0.132463	394	4,614,079	609,820	(53)	(2,060)	607,707	
0.010945	570	306,167,055	3,307,220	(1,620)	0	3,305,600	
	964	310,781,134	3,917,040	(1,673)	(2,060)	3,913,307	
Minimum \$							
490	34	35,777	16,660	0	0	16,660	18,920
490	70	794,504	34,300	0	0	34,300	27,090
	104	830,281	50,960	0	0	50,960	46,010
	1,068	311,611,415	3,968,000	(1,673)	(2,060)	3,964,267	2,911,958
						3,964,267	2,911,958
						133,674	1,204,283
						68,134	59,595
						4,166,075	4,175,836

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

20. RATING INFORMATION (Continued)

140

20. 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	9/10/2019	0.00	0.00%	11.00%
Option Two				
First instalment	9/10/2019	0.00	0.00%	11.00%
Second instalment	9/12/2019	11.00	5.50%	11.00%
Option Three				
First instalment	9/10/2019	0.00	0.00%	11.00%
Second instalment	9/12/2019	11.00	5.50%	11.00%
Third instalment	10/02/2020	11.00	5.50%	11.00%
Fourth instalment	9/04/2020	11.00	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	13,511	19,000	19,741
Interest on instalment plan	10,456	9,000	8,766
Charges on instalment plan	5,643	5,500	4,994
	29,610	33,500	33,501

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

21. RATE SETTING STATEMENT INFORMATION

Note	2019/20 (30 June 2020 Carried Forward)	2019/20 Budget (30 June 2020 Carried Forward)	2019/20 (1 July 2019 Brought Forward)	2018/19 (30 June 2019 Carried Forward)
	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	0	(198)	(3,817)	(3,817)
Less: Movement in liabilities associated with restricted cash	(99,097)	0	0	0
Movement in pensioner deferred rates (non-current)	0	0	(179)	0
Movement in employee benefit provisions (non-current)	17,098	0	(19,558)	(16,361)
Movement of inventory (non-current)	(379,162)	0	0	0
Add: Loss on disposal of assets	69,084	90,459	23,710	23,710
Add: Depreciation on non-current assets	3,356,075	3,404,673	3,369,006	3,369,006
Non cash amounts excluded from operating activities	2,963,998	3,494,934	3,369,162	3,372,538
(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				
Less: Reserves - cash backed	(5,704,901)	(5,321,831)	(5,601,761)	(5,601,761)
Less: Municipal - restricted cash	(50,073)	(50,073)	(50,073)	(50,073)
Less: Financial assets at amortised cost - self supporting loans	0	0	(27,930)	(27,930)
Add: Current liabilities not expected to be cleared at end of year	0	0	0	0
- Current portion of borrowings	197,956	1,100,000	244,473	244,473
- Employee benefit provisions	230,175	329,272	329,272	329,272
Total adjustments to net current assets	(5,326,843)	(3,942,632)	(5,106,019)	(5,106,019)
Net current assets used in the Rate Setting Statement				
Total current assets	10,911,142	5,806,885	9,906,084	9,906,084
Less: Total current liabilities	(1,177,032)	(1,843,703)	(1,052,446)	(1,052,446)
Less: Total adjustments to net current assets	(5,326,843)	(3,942,632)	(5,106,019)	(5,106,019)
Net current assets used in the Rate Setting Statement	4,407,267	20,550	3,747,619	3,747,619
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards				
Total current assets at 30 June 2019			9,906,084	
Total current assets at 1 July 2019			9,906,084	
Total current liabilities at 30 June 2019			(1,052,446)	
Total current liabilities at 1 July 2019			(1,052,446)	

22. FINANCIAL RISK MANAGEMENT

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

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

(a) Interest rate risk

Cash and cash equivalents

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2020					
Cash and cash equivalents	0.51%	10,696,934	0	10,687,073	9,861
2019					
Cash and cash equivalents	1.24%	9,484,467	0	9,484,067	400

Sensitivity

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

	2020 \$	2019 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	106,969	94,845

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 15(b).

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and 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 2020 and 1 July 2019 (on adoption of AASB 9) was forecast on 1 July 2019 or 30 June 2020 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0%
Gross carrying amount	826	35,910	6,204	4,008	46,948
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0%
Gross carrying amount	1,574	37,478	21,087	29,820	89,959

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0%
Gross carrying amount	149,312	1,324	544	42	151,222
Loss allowance	0	0	0	0	0
30 June 2019					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0%
Gross carrying amount	2,144,318	58,483	143	29,496	2,232,440
Loss allowance	0	0	0	0	0

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2020					
Payables	142,578	0	0	142,578	300,946
Borrowings	258,161	922,721	509,058	1,689,940	1,435,947
Contract liabilities	447,955	0	0	447,955	447,955
	848,694	922,721	509,058	2,280,473	2,184,848
2019					
Payables	464,471	0	0	464,471	478,701
Borrowings	303,653	709,886	236,816	1,250,355	1,080,421
	768,124	709,886	236,816	1,714,826	1,559,122

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

23. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. There were no amounts to be recognised in the statement of financial report at the date of initial application (1 July 2019).

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

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

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

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

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

23. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	20(a)	4,166,075	14,482	4,180,557
Operating grants, subsidies and contributions	2(a)	3,263,453	447,955	3,711,408
Fees and charges	2(a)	440,647	0	440,647
Non-operating grants, subsidies and contributions	2(a)	834,548	0	834,548
Net result		130,547	462,437	592,984
Statement of Financial Position				
Trade and other payables	13	300,946	(14,482)	286,464
Contract liabilities	14	447,955	(447,955)	0
Net assets		208,132,060	462,437	208,594,497
Statement of Changes in Equity				
Net result		130,547	462,437	592,984
Retained surplus		150,199,048	462,437	150,661,485

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

(c) AASB 16: Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods. The Shire has no lease agreements requiring the recognition of right of use assets.

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

24. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

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

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

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

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	9	43,124,430	(552,000)	42,572,430
Revaluation surplus	12	52,780,111	(552,000)	52,228,111

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

(b) Changes in equity due to change in accounting policies

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			150,171,641
Adjustment to retained surplus from adoption of AASB 15	23(a)	0	
Adjustment to retained surplus from adoption of AASB 1058	23(b)	0	0
Retained surplus - 1 July 2019			150,171,641

The impact on the Shire's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			52,780,111
Adjustment to revaluation surplus from deletion of FM Reg 16	24(a)	(552,000)	
Adjustment to revaluation surplus from deletion of FM Reg 17	24(a)	0	(552,000)
Revaluation surplus - 1 July 2019			52,228,111

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

25. 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 as follows:

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
Standpipe bonds	7,829	1,734	(102)	9,461
	7,829	1,734	(102)	9,461

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

26. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task 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 bushfire prevention services and animal control services.	Supervision, enforcement of various local laws, fire prevention, emergency services, animal control and other aspects of public safety.
HEALTH To provide for an operational framework for good community health in conjunction with the Health Department of WA. To provide services for families and children.	Health inspection services in relation to food outlets and their control, pest and noise control and waste disposal compliance and the provision of a Doctor, dental and medical surgeries. Assistance with playgroups and daycare centres.
HOUSING To ensure that adequate housing is available to staff and the community.	Provision and maintenance of staff housing, aged persons units and community accommodation (Joint Venture and LOGCHOP) units.
COMMUNITY AMENITIES To provide services and infrastructure as required by the community.	Rubbish collection services, operation of refuse disposal sites and the Lake Grace sewerage scheme. Administration of the Local Planning Scheme, maintenance of cemeteries and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.	The provision and maintenance of public halls, sports pavillions, recreation grounds, Lake Grace swimming pool, parks, gardens and playgrounds. The operation of public libraries in conjunction with the Education Department and other cultural and heritage facilities.
TRANSPORT To provide safe, effective and efficient transport infrastructure to the community.	Construction and maintenance of streets, roads, drainage, footpaths, and aerodromes. Cleaning of streets, maintenance of street trees, street lighting and works depot. Provision of Department of Transport licensing services.
ECONOMIC SERVICES To help promote the Shire and improve its economic wellbeing.	The regulation and provision of tourism, area promotion, building control, noxious weeds, saleyards and the provision of emergency water supplies.
OTHER PROPERTY AND SERVICES To monitor and control council's overheads operating accounts.	Private works operation, plant repair and operating costs, engineering operation costs.

28. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	4.93	5.08	2.04
Asset consumption ratio	0.96	0.98	0.85
Asset renewal funding ratio	0.33	0.45	1.20
Asset sustainability ratio	0.80	0.74	0.66
Debt service cover ratio	8.89	10.88	9.80
Operating surplus ratio	(0.14)	0.01	0.01
Own source revenue coverage ratio	0.55	0.73	0.79

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Lake Grace

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Lake Grace which comprises the Statement of Financial Position as at 30 June 2020, and 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, as well as 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 Lake Grace:

- (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 2020 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 Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

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 the annual financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

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 matter indicates a significant adverse trend in the financial position of the Shire:
 - a. The Asset Renewal Funding Ratio as reported in Note 28 of the annual financial report has been below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2018 in Note 28 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

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 Lake Grace for the year ended 30 June 2020 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.



VINCE TURCO
SENIOR DIRECTOR FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
17 December 2020

