

SHIRE OF CARNARVON

AGENDA PAPERS AUDIT COMMITTEE

THURSDAY 11th MARCH
2020



Council Chambers, Stuart Street
CARNARVON, West Australia
Phone: (08) 9941 0000
Fax: ((08) 9941 1099
Website – www.carnarvon.wa.gov.au

NOTICE OF MEETING

Notice is hereby given

Shire of Carnarvon Audit Committee Meeting

will be held
on Thursday 11th March 2020
in the Shire Council Chambers,
Stuart Street Carnarvon, commencing at
12.00pm

David Burton
CHIEF EXECUTIVE OFFICER

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No responsibility whatsoever is implied or accepted by the Shire of Carnarvon for any act, omission or statement or intimation occurring during Council/Committee Meetings or during formal/informal conversations with Staff or Councillors. The Shire of Carnarvon disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council/Committee Meetings or discussions. Any person or legal entity who acts or fails to act in reliance upon any statement does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Carnarvon during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Carnarvon. The Shire of Carnarvon warns that anyone who has an application lodged with the Shire of Carnarvon must obtain and only should rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of Carnarvon in respect of the application.

AGENDA

1.0 ATTENDANCES, APOLOGIES & APPLICATIONS FOR LEAVE OF ABSENCE

(The Local Government Act 1995 Section 2.25 provides that a Council may, by resolution, grant leave of absence to a member for Ordinary Council Meetings. The leave cannot be granted retrospectively and an apology for non-attendance at a meeting is not an application for leave of absence.)

2.0 DECLARATIONS OF INTEREST

(Councillors and Staff are reminded of the requirements of Section 5.65 of the Local Government Act 1995, to disclose any interest during the meeting or when the matter is to be discussed.)

3.0 CONFIRMATION OF MINUTES

Previous minutes held on 14th January 2019, were confirmed at the Council Meeting .

4.0 REPORTS

4.1	Meeting with Shire Auditors	4
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5.0 DATE OF NEXT MEETING

6.0 CLOSURE

Date of Meeting	11 March 2020
Location/Address	Shire of Carnarvon
Name of Applicant	Shire of Carnarvon
Name of Owner:	Shire of Carnarvon
Author/s:	Maurice Werder – Executive Manager, Corporate Services
Declaration of Interest	Nil
Voting Requirements:	Simple Majority

Summary of Item

To hold discussions with Council's auditor, Mr Wen Shien Chai from Moore Stephens.

Description of Proposal:

The proposal is that during the Audit Committee meeting a telephone 'link-up' be held with the Shire auditor, Mr Wen Shien Chai, of Moore Stephens.

Background:

On appointment of the Audit Committee, it was given responsibility for meeting with the Auditor of the local government at least once in every year, pursuant to Section 7.12A (2) of the *Local Government Act, 1995*.

The Local Government Act does not require the Audit Committee to meet in person with the Auditor but may engage through a telephone link which has been arranged to allow Councillors on the Audit Committee to pose questions and receive answers on the annual financial reports.

Consultation:

Nil

Statutory Environment

The meeting with the Auditor is required under Section 7.12A - Duties of local government with respect to audits, which states:

- (1) *A local government is to do everything in its power to —*
 - (a) *assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*

Relevant Plans & Policy:

Nil

Financial Implications

There are no financial implications from this report.

Risk Assessment:

Failure to meet with the auditor would be a contravention of the Act.

Community & Strategic Implications:

Goal 5: Civic

Strong and listening Council.

ITEM	OUTCOMES AND STRATEGIES
5.2	The Shire has a high standard of governance and accountability
5.2.6	Compliance with the Local Government Act 1995 and all other relevant legislation and regulations
5.4	Sound financial and asset management
5.4.2	The Shire's Long Term Financial Plan shows financial sustainability, with realistic renewals expenditure and a realistic rates profile

Comment:

The topics to be discussed include;

- Review of Shire of Carnarvon Audit Report
- Review of Shire of Carnarvon Management Report

OFFICER'S RECOMMENDATION

That Council Note:

- 1) *The meeting between the Audit Committee and the Auditor satisfies the requirement of Section 7.12(A) of the Local Government Act, 1995.*
- 2) *The verbal report by the Shire Auditor Mr Wen Shien Chai from Moore Stephens be noted and received.*

Date of Meeting:	11 March 2020
Location/Address:	Shire of Carnarvon
Name of Applicant:	Shire of Carnarvon
Name of Owner:	Shire of Carnarvon
Author/s:	Maurice Werder - Executive Manager, Corporate Services
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority

Summary of Item:

The purpose of this report is to present a copy of the Financial Report for the year ended 30 June 2019 and the Annual Audit and Management Reports to the Audit Committee for consideration.

Description of Proposal:

That the Audit Committee receive the Auditor's Report and Management Report.

Background:

An independent auditor is required to examine the accounts and annual report submitted by a local government for audit by 31 December following the financial year to which the accounts and report relate. Due to a number of circumstances a request to the Minister of Local Government provided an extension to the 29th February 2020. The Auditor then need to prepare and forward a copy of that report to the President, Chief Executive Officer and the Minister for Local Government. The auditor complied with this requirement in that the final report was received by the Shire on the 27th February 2020.

Under Regulation 10 of the Local Government (Audit) Regulations, the Auditor may prepare a Management Report to accompany the Auditor's Report.

On the finalisation of the Shire's 2018/2019 annual financial audit, it is appropriate that the Auditor's Management Report be presented to the Audit Committee and subsequently the Council for consideration and noting.

The *Shire of Carnarvon Annual Financial Report for 2018-2019* with the audit letter attached at page 54 to 56 is attached at **Schedule 4.2(a)**. The *Auditor's Management Report for the year ended 30 June 2019* is attached at **Schedule 4.2(b)**.

Consultation:

Nil

Statutory Environment

Local Government (Financial Management) Regulations, 1996.

Relevant Plans & Policy:

Nil

Financial Implications:

There are no financial implications from this report.

Impact of New Accounting Standards:

A number of Accounting Standards became operational over the last couple of years which have an impact on the workloads, understanding and timing of the Financial Reports. These will be topics at the Budget Workshop and Financial Professionals Conference next week and the Financial Reporting Workshop in May. The relevant Accounting Standards are:

AASB 9 *Financial Instruments*,
AASB 15 *Revenue from Contracts with Customers*,
AASB 16 *Leases*, and
AASB 1058 *Income of Not-for-Profit Entities*.

Risk Assessment:

The role of the Audit Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The Audit Committee must examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

Community & Strategic Objectives:

Goal 5: Civic

Strong and listening Council.

ITEM	OUTCOMES AND STRATEGIES
5.2	The Shire has a high standard of governance and accountability
5.2.6	Compliance with the Local Government Act 1995 and all other relevant legislation and regulations
5.4	Sound financial and asset management
5.4.2	The Shire’s Long-Term Financial Plan shows financial sustainability, with realistic renewals expenditure and a realistic rates profile

Comment:

The Independent Auditor has approved the Annual Financial Report for the year ended 30th June 2019 attached **Schedule 4.2(a)**, for forwarding to the Audit Committee for consideration. The Financial Report includes the Independent Auditor’s Report on page 54 - 56.

The Auditor also provided a Management Report which can be found in full in attached **Schedule 4.2(b)**. The auditor noted the following matter and wished to draw it to the Shire’s attention:

Year End Audit Readiness and Efficiency

As you are aware, the completion of the audit for the year ended 30 June 2019 was considerably delayed.

Our year end visit was performed on the 21st to 24th of October 2019, however, during the visit our audit requirements were not provided to the standard we expected due to delays in finalising key matters, such as the revaluation of Property, Plant and Equipment, and Furniture and Equipment. This necessitated the finalisation of our audit remotely from our office in the period between November 2019 to February 2020, which required the completion of further reconciliations and the provision of significant additional information.

As is obvious by the time to finalise the report, the process has been far from efficient. This has resulted in a late audit report and increased costs. Not only does it impact on the efficiency of the audit process, it also reflects on the efficiency of the Shire as a whole, as it compromises the delivery of meaningful, accurate and timely management information.

Comment: To help ensure this situation is rectified and does not present itself again, key reconciliations and accounting processes should be identified and sufficient accounting resources be allocated to the process with the goal of having the audited Financial Report completed within the prescribed deadlines in any given year, especially considering the transition to the OAG for the Shire’s upcoming 2020 audit.

The Independent Auditor's Report focused some comments on these matters:

Emphasis of Matter – Basis of Preparation

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) In our opinion, there is a significant adverse trend in the financial position of the Shire as the Asset Sustainability Ratio and Operating Surplus Ratio have been below the DLGSCI standard for the past 3 years.
- b) All required information and explanations were obtained by us.
- c) All audit procedures were satisfactorily completed in conducting our audit.
- d) In our opinion, the asset consumption ratio and asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Management Comment:

The **Asset Sustainability Ratio and Operating Surplus** ratios, as with others, is an important benchmark for assessing long-term financial management and performance of local government and is used as a starting point for assessing and managing financial risk. The draft Long-Term Financial Plan which will be finalised alongside the 2020/21 budget process and Corporate Business Plan minor review does take this into account. The key points to note are:

- The Shire has relatively low existing debt levels and these are projected to decline further, giving the Council considerable capacity to manage any debt servicing risks
- The Corporate Business Plan has thoroughly reviewed levels of service and has identified a rates revenue strategy which is intended to both reduce and smooth immediate funding needs and gaps, and any asset replacement funding needs over the next four years.

At this stage, a watching brief will need to be kept on the impact of any external funding changes on levels of service. Council has the mechanism to address impacts through the budgeting process, and the minor (20/21) and major strategic reviews.

OFFICER'S RECOMMENDATION

That the Audit Committee, pursuant to Regulation 51 (2) of the Local Government (Financial Management) Regulations 1996, receive the auditor's report and management report for the period ended 30th June 2019.

Voting Requirements:
Simple Majority

Date of Meeting:	11 March 2020
Location/Address:	Shire of Carnarvon
Name of Applicant:	Shire of Carnarvon
Name of Owner:	Shire of Carnarvon
Author/s:	Maurice Werder, Executive Manager Corporate Services
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Item:

This report relates to Council's adoption of the Shire of Carnarvon annual Compliance Audit Return for 2019.

Description of Proposal:

N/A

Background:

The Shire of Carnarvon is required under the Local Government (Audit) Regulation 1996 - Clause 14, to complete an annual Compliance Audit Return (CAR). The CAR represents an audit of the Shire compliance in the period 1 January until 31 December of each year. Commercial Enterprises by Local Governments, Delegation of Power, Disclosure of Interest, Disposal of Property, Finance, Integrated Planning and Reporting, Local Government Employees, Official Conduct, Optional Questions and Tenders are being evaluated based on several questions provided by the Department of Local Government, Sport and Cultural Industries.

In this context the local government is required to undertake the audit and present the report to the Audit Committee for assessment. The CAR will be adopted by Council and presented to the Departmental CEO by 31 March 2020.

A copy of the Compliance Audit Return 2019 is provided at *Schedule 4.3 Shire of Carnarvon Compliance Audit Return 2019*.

Consultation:

Nil.

Statutory Environment:

The Council is obliged to complete and submit the Carnarvon Compliance Audit Return 2019 in accordance with Regulations 14 and 15 the Local Government (Audit) Regulations, 1996.

Relevant Plans and Policy:

Nil

Financial Implications:

Nil.

Risk Assessment:

There is a risk that Council will be in breach of its statutory obligations should it not complete and adopt the Carnarvon - Compliance Audit Return 2018.

Community & Strategic Implications:

The proposed recommendation aligns with the Strategic Community Plan 2018 – 2028 in the following ways:

Goal 5: Civic

Strong and listening Council.

ITEM	OUTCOMES AND STRATEGIES
5.2	The Shire has a high standard of governance and accountability
5.2.6	Compliance with the Local Government Act 1995 and all other relevant legislation and regulations

Comment:

The CAR 2019 has been completed by several relevant officers. The table below provides detail which officer completed which CAR category.

The compilation of the CAR 2019 documents has been completed by the Manager Governance.

The Compliance Audit Return as presented to Council on the 25th February have been updated with the further information from the completion and signing off of the Annual Financial Report

COMPLIANCE AUDIT RETURN CATEGORY	RESPONSIBLE OFFICER	ROLE
Commercial Enterprises by Local Governments	Maurice Werder	Executive Manager Corporate Services
Delegation of Power	Dannielle Hill	Senior Executive officer / FOI Coordinator
Disclosure of Interest	Dannielle Hill	Senior Executive officer / FOI Coordinator
Disposal of Property	Carolien Claassens	Manager Governance
Elections	Dannielle Hill	Senior Executive officer / FOI Coordinator
Finance	Sa Toomalatai	Manager Finance
Integrated Planning and Reporting	Maurice Werder	Executive Manager Corporate Services
Local Government Employees	Maurice Werder	Executive Manager Corporate Services
Official Conduct	Dannielle Hill	Senior Executive officer / FOI Coordinator
Optional Questions	Sa Toomalatai Carolien Claassens	Manager Finance Manager Governance
Tenders	Carolien Claassens	Manager Governance

In the Finance category of the CAR three questions 7,8 and 9 related to the Auditors Report for the Financial year ended 30 June 2019, have been answered with No. The meeting with the Shire of Carnarvon Auditors is taking place at the same meeting as the review of the CAR 2019. Questions 7, 8 and 9 will be amended accordingly, after the response from the Audit Committee.

In the Integrated Planning and Reporting category of the CAR question 5, 6 and 7, related to the adoption of an Asset Management Plan, Long Term Financial Plan and a workforce plan, have been answered with No. Comments have been provided about the progress of completing these reports.

If required, some additional comments have been made by the responsible officer for other CAR categories.

OFFICER'S RECOMMENDATION

That the Audit Committee recommend that Council:

- 1. Pursuant to Regulation 14(3) of the Local Government (Audit) Regulations 1996 review the Carnarvon – Compliance Audit Return 2019 as presented in Schedule 4.3 of this report;*
- 2. Pursuant to Regulation 14(3A) of the Local Government (Audit) Regulations 1996, after the review by the Audit Committee, present the Compliance Audit Return 2018 to council for adoption;*
- 3. Forward a certified copy of the Carnarvon – Compliance Audit Return 2019 to the 'Departmental CEO' of the Department of Local Government and Communities in accordance with Regulation 15(1) of the Local Government (Audit) Regulations 1996.*

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

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COMMUNITY VISION

Unity, Humanity, Nature

A connected community across leaders, cultures, and generations.

A future for every young person.

A job-rich economy, built on local strengths.

A still-natural environment, looked after and used.

Principal place of business:

3 Francis Street

Carnarvon WA 6701

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 27th day of February 2020



Chief Executive Officer

DAVID BURTON

Name of Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Restated \$
Revenue				
Rates	23(a)	5,479,095	5,414,260	4,990,462
Operating grants, subsidies and contributions	2(a)	5,863,033	6,016,217	5,971,092
Fees and charges	2(a)	3,668,836	3,696,418	2,996,022
Interest earnings	2(a)	135,101	177,500	143,688
Other revenue	2(a)	298,219	254,756	210,280
		<u>15,444,284</u>	<u>15,559,151</u>	<u>14,311,544</u>
Expenses				
Employee costs		(7,443,464)	(7,686,536)	(6,937,231)
Materials and contracts		(5,215,777)	(6,345,053)	(4,514,195)
Utility charges		(757,101)	(803,699)	(760,278)
Depreciation on non-current assets	10(b)	(8,441,747)	(7,214,563)	(8,338,500)
Interest expenses	2(b)	(17,608)	(14,899)	(27,429)
Insurance expenses		(467,976)	(457,651)	(451,923)
Other expenditure		(366,850)	(389,869)	(537,620)
		<u>(22,710,523)</u>	<u>(22,912,270)</u>	<u>(21,567,176)</u>
		(7,266,239)	(7,353,119)	(7,255,632)
Non-operating grants, subsidies and contributions	2(a)	4,597,485	4,172,509	2,611,929
Profit on asset disposals	10(a)	137	0	20,982
(Loss) on asset disposals	10(a)	(69,902)	(61,247)	(52,697)
Fair value adjustments to financial assets at fair value through profit or loss	7	122,620	0	0
(Loss) on revaluation of Infrastructure - Parks and Ovals	9(a)	0	0	(2,559,302)
		<u>4,650,340</u>	<u>4,111,262</u>	<u>20,912</u>
		(2,615,899)	(3,241,857)	(7,234,720)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	451,158	0	(46,160,742)
Total other comprehensive income for the period		451,158	0	(46,160,742)
Total comprehensive income for the period		(2,164,741)	(3,241,857)	(53,395,462)

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Restated \$
Revenue				
	2(a)			
Governance		94,966	70,846	43,891
General purpose funding		10,404,740	10,529,617	9,798,966
Law, order, public safety		219,636	193,925	192,089
Health		40,475	49,897	36,610
Education and welfare		242,665	286,850	430,062
Housing		13,768	11,960	12,477
Community amenities		2,183,096	2,052,563	1,884,914
Recreation and culture		392,294	300,093	370,169
Transport		1,071,111	1,047,380	996,689
Economic services		415,930	383,880	464,795
Other property and services		365,603	632,140	80,882
		<u>15,444,284</u>	<u>15,559,151</u>	<u>14,311,544</u>
Expenses				
	2(b)			
Governance		(1,250,897)	(1,329,551)	(1,306,043)
General purpose funding		(282,212)	(288,443)	(352,726)
Law, order, public safety		(1,019,913)	(970,239)	(938,651)
Health		(584,201)	(716,385)	(521,782)
Education and welfare		(1,076,345)	(1,314,456)	(1,135,103)
Housing		(125,550)	(113,658)	(109,550)
Community amenities		(2,506,486)	(2,953,457)	(2,104,456)
Recreation and culture		(4,961,496)	(4,959,603)	(4,865,749)
Transport		(9,387,310)	(8,440,355)	(8,857,185)
Economic services		(1,126,254)	(1,319,841)	(1,155,176)
Other property and services		(372,251)	(491,383)	(193,326)
		<u>(22,692,915)</u>	<u>(22,897,371)</u>	<u>(21,539,747)</u>
Finance Costs				
	2(b)			
Housing		(1,960)	(1,776)	(2,706)
Recreation and culture		(1,529)	(1,511)	(9,100)
Transport		(14,118)	(11,612)	(15,623)
		<u>(17,608)</u>	<u>(14,899)</u>	<u>(27,429)</u>
		<u>(7,266,239)</u>	<u>(7,353,119)</u>	<u>(7,255,632)</u>
Non-operating grants, subsidies and contributions	2(a)	4,597,485	4,172,509	2,611,929
Profit on disposal of assets	10(a)	137	0	20,982
(Loss) on disposal of assets	10(a)	(69,902)	(61,247)	(52,697)
Fair value adjustments to financial assets at fair value through profit or loss	7	122,620	0	0
(Loss) on revaluation of Infrastructure - Parks and Ovals	9(a)	0	0	(2,559,302)
		<u>4,650,340</u>	<u>4,111,262</u>	<u>20,912</u>
		<u>(2,615,899)</u>	<u>(3,241,857)</u>	<u>(7,234,720)</u>
Net result for the period				
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	451,158	0	(46,160,742)
Total other comprehensive income for the period		451,158	0	(46,160,742)
Total comprehensive income for the period		(2,164,741)	(3,241,857)	(53,395,462)

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

SHIRE OF CARNARVON
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 Restated \$
CURRENT ASSETS			
Cash and cash equivalents	3	7,399,412	8,200,962
Trade receivables	5	1,449,612	1,327,471
Inventories	6	45,911	52,785
TOTAL CURRENT ASSETS		8,894,935	9,581,218
NON-CURRENT ASSETS			
Trade receivables	5	111,640	95,771
Financial assets at fair value through profit and loss	7	122,620	0
Property, plant and equipment	8	34,456,424	34,123,378
Infrastructure	9	317,910,084	320,419,137
TOTAL NON-CURRENT ASSETS		352,600,768	354,638,286
TOTAL ASSETS		361,495,703	364,219,504
CURRENT LIABILITIES			
Trade and other payables	12	1,031,473	1,425,201
Borrowings	13(a)	54,534	122,964
Employee related provisions	14	689,059	622,175
TOTAL CURRENT LIABILITIES		1,775,066	2,170,340
NON-CURRENT LIABILITIES			
Borrowings	13(a)	317,484	372,018
Employee related provisions	14	110,027	105,324
TOTAL NON-CURRENT LIABILITIES		427,511	477,342
TOTAL LIABILITIES		2,202,577	2,647,682
NET ASSETS		359,293,126	361,571,822
EQUITY			
Retained surplus		71,046,097	73,112,614
Reserves - cash backed	4	3,705,040	4,368,377
Revaluation surplus	11	284,541,989	284,090,831
TOTAL EQUITY		359,293,126	361,571,822

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		78,977,210	5,738,501	330,251,573	414,967,284
Comprehensive income					
Net result for the period		(7,234,720)	0	0	(7,234,720)
Other comprehensive income	11	0	0	(46,160,742)	(46,160,742)
Total comprehensive income		(7,234,720)	0	(46,160,742)	(53,395,462)
Transfers from/(to) reserves		1,370,124	(1,370,124)	0	0
Balance as at 30 June 2018		73,112,614	4,368,377	284,090,831	361,571,822
Change in accounting policy	27 (c)	(113,957)	0	0	(113,957)
Restated total equity at the beginning of the financial year		72,998,657	4,368,377	284,090,831	361,457,865
Comprehensive income					
Net result for the period		(2,615,899)	0	0	(2,615,899)
Other comprehensive income	11	0	0	451,158	451,158
Total comprehensive income		(2,615,899)	0	451,158	(2,164,740)
Transfers from/(to) reserves		663,337	(663,337)	0	0
Balance as at 30 June 2019		71,046,097	3,705,040	284,541,989	359,293,126

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		5,129,541	5,414,260	4,793,004
Operating grants, subsidies and contributions		5,769,971	5,398,927	6,079,881
Fees and charges		3,668,836	3,696,418	2,996,022
Interest received		135,101	177,500	143,688
Goods and services tax received		412,989	193,371	220,698
Other revenue		298,219	254,756	210,280
		<u>15,414,657</u>	<u>15,135,232</u>	<u>14,443,573</u>
Payments				
Employee costs		(7,287,789)	(7,633,979)	(6,769,582)
Materials and contracts		(5,702,564)	(6,345,053)	(4,029,155)
Utility charges		(757,101)	(803,699)	(760,278)
Interest expenses		(17,608)	(14,899)	(29,590)
Insurance paid		(467,976)	(457,651)	(451,923)
Goods and services tax paid		(206,494)	(52,557)	(164,344)
Other expenditure		(366,850)	(389,869)	(537,620)
		<u>(14,806,382)</u>	<u>(15,697,707)</u>	<u>(12,742,493)</u>
Net cash provided by (used in) operating activities	15	<u>608,275</u>	<u>(562,475)</u>	<u>1,701,080</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(1,298,831)	(1,681,877)	(1,064,266)
Payments for construction of infrastructure	9(a)	(4,589,987)	(5,206,007)	(4,069,307)
Non-operating grants, subsidies and contributions	2(a)	4,597,485	4,172,509	2,611,929
Proceeds from sale of property, plant & equipment	10(a)	4,472	106,400	54,578
Net cash provided by (used in) investment activities		<u>(1,286,861)</u>	<u>(2,608,975)</u>	<u>(2,467,066)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(122,964)	(122,964)	(228,789)
Net cash provided by (used in) financing activities		<u>(122,964)</u>	<u>(122,964)</u>	<u>(228,789)</u>
Net increase (decrease) in cash held		<u>(801,550)</u>	<u>(3,294,414)</u>	<u>(994,775)</u>
Cash at beginning of year		8,200,962	8,200,962	9,195,737
Cash and cash equivalents at the end of the year	15	<u><u>7,399,412</u></u>	<u><u>4,906,548</u></u>	<u><u>8,200,962</u></u>

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	24(b)	3,889,507	3,981,008	4,117,971
		3,889,507	3,981,008	4,117,971
Revenue from operating activities (excluding rates)				
Governance		94,966	70,846	43,891
General purpose funding		5,160,012	5,343,477	5,037,004
Law, order, public safety		219,636	193,925	192,089
Health		40,475	49,897	36,610
Education and welfare		242,665	286,850	430,062
Housing		13,768	11,960	12,477
Community amenities		2,183,096	2,052,563	1,884,914
Recreation and culture		392,294	300,093	390,619
Transport		1,071,248	1,047,380	997,221
Economic services		415,930	383,880	464,795
Other property and services		488,223	632,140	80,882
		10,322,313	10,373,011	9,570,564
Expenditure from operating activities				
Governance		(1,263,647)	(1,332,776)	(1,306,043)
General purpose funding		(282,212)	(288,443)	(352,726)
Law, order, public safety		(1,029,360)	(976,537)	(939,671)
Health		(585,695)	(724,806)	(521,782)
Education and welfare		(1,076,345)	(1,314,456)	(1,135,103)
Housing		(127,510)	(115,434)	(112,256)
Community amenities		(2,515,338)	(2,959,255)	(2,104,456)
Recreation and culture		(4,984,126)	(4,964,488)	(4,884,749)
Transport		(9,403,388)	(8,486,098)	(8,914,585)
Economic services		(1,126,254)	(1,319,841)	(1,155,176)
Other property and services		(386,549)	(491,383)	(2,752,628)
		(22,780,424)	(22,973,517)	(24,179,175)
Non-cash amounts excluded from operating activities	24(b)	8,386,389	7,275,810	10,943,916
Amount attributable to operating activities		(182,215)	(1,343,688)	453,276
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	4,597,485	4,172,509	2,611,929
Proceeds from disposal of assets	10(a)	4,472	106,400	54,578
Purchase of property, plant and equipment	8(a)	(1,298,831)	(1,681,877)	(1,064,266)
Purchase and construction of infrastructure	9(a)	(4,589,987)	(5,206,007)	(4,069,307)
Amount attributable to investing activities		(1,286,861)	(2,608,975)	(2,467,066)
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(122,964)	(122,964)	(228,789)
Transfers to reserves (restricted assets)	4	(667,659)	(385,997)	(507,177)
Transfers from reserves (restricted assets)	4	1,330,996	1,860,310	1,877,301
Amount attributable to financing activities		540,373	1,351,349	1,141,335
Surplus/(deficit) before imposition of general rates		(928,703)	(2,601,314)	(872,455)
Total amount raised from general rates	23(a)	5,244,728	5,186,140	4,761,962
Surplus/(deficit) after imposition of general rates	24(b)	4,316,025	2,584,826	3,889,507

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance	0	0	3,390
General purpose funding	4,970,187	5,124,097	4,876,054
Law, order, public safety	183,573	160,265	163,933
Health	5,298	9,537	2,874
Education and welfare	239,350	280,000	426,550
Community amenities	0	38,250	0
Recreation and culture	171,519	71,578	185,927
Transport	291,106	332,490	303,777
Economic services	2,000	0	8,587
	5,863,033	6,016,217	5,971,092
Non-operating grants, subsidies and contributions			
Law, order, public safety	214,190	214,190	0
Education and welfare	60,000	60,000	0
Recreation and culture	456,956	0	93,184
Transport	3,866,339	3,898,319	2,518,745
	4,597,485	4,172,509	2,611,929
Total grants, subsidies and contributions	10,460,518	10,188,726	8,583,021

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 22.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	139,795	145,556	122,272
Other	158,424	109,200	88,008
	298,219	254,756	210,280
Fees and Charges			
Governance	4,782	15,600	4,669
General purpose funding	41,585	37,880	14,586
Law, order, public safety	25,528	26,560	22,972
Health	34,966	40,360	33,500
Education and welfare	810	1,210	546
Community amenities	1,951,160	1,777,873	1,656,192
Recreation and culture	200,558	220,325	176,566
Transport	756,049	701,940	676,224
Economic services	317,094	304,670	388,830
Other property and services	336,304	570,000	21,937
	3,668,836	3,696,418	2,996,022

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

Interest earnings

Reserve accounts interest	24,757	50,000	35,211
Rates instalment and penalty interest (refer Note 23(d))	97,255	77,500	89,686
Other interest earnings	13,089	50,000	18,791
	135,101	177,500	143,688

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	35,996	52,000	20,372
- Other services	12,910	7,000	43,768
- Assistance with Finalisation of the Annual Report	0	0	9,500
	48,906	59,000	73,640
Interest expenses (finance costs)			
Borrowings (refer Note 13(b))	17,608	14,899	27,429
	17,608	14,899	27,429
Rental charges			
- Operating leases	299,588	305,000	258,598
	299,588	305,000	258,598

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		7,399,412	8,200,962
		<u>7,399,412</u>	<u>8,200,962</u>
Comprises:			
- Unrestricted cash and cash equivalents		3,694,372	3,832,585
- Restricted cash and cash equivalents		3,705,040	4,368,377
		<u>7,399,412</u>	<u>8,200,962</u>

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

Reserve accounts

Leave Reserve	4	130,107	140,228
Plant Reserve	4	73,745	134,657
Waste Disposal Reserve	4	78,403	78,246
Public Ablutions Reserve	4	1,771	1,767
Staff Housing Reserve	4	700,415	730,138
Civic Centre Reserve	4	62,167	62,043
IT Replacement Reserve	4	54,162	54,054
Airport Reserve	4	58,977	49,140
Coral Bay Tip Reserve	4	21,940	21,896
Surge/Fascine Reserve	4	356,131	105,918
Town Planning Reserve	4	1,564	1,561
Fascine Dredging Reserve	4	84,594	125,755
Flood Mitigation Reserve	4	11,923	11,899
OCT/NASA Reserve	4	8,882	8,864
Blowholes Reserve	4	2,851	2,845
Unspent Grants and Contributions Reserve	4	1,602,502	2,472,354
Land and Infrastructure Development Reserve	4	220,112	184,386
Asset Management Reserve	4	28,985	28,927
Emergency Response Reserve	4	202,628	152,322
Mosquito Management Reserve	4	3,181	1,377
Total restricted cash and cash equivalents		<u>3,705,040</u>	<u>4,368,377</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2019		2019		2019		2019		2019		2018		2018		2018	
	Actual Opening Balance	Actual Transfer	Actual Closing Balance	Budget Opening Balance	Budget Transfer	Budget Closing Balance	Actual Opening Balance	Actual Transfer	Actual Closing Balance	Budget Opening Balance	Budget Transfer	Budget Closing Balance	Actual Opening Balance	Actual Transfer	Actual Closing Balance	
(a) Leave Reserve	140,228	32,029	172,257	139,577	530	140,107	128,601	23,991	142,592	128,601	23,991	142,592	128,601	(12,364)	140,228	
(b) Plant Reserve	134,657	270	134,927	134,035	559	64,594	134,267	390	134,657	134,267	390	134,657	0	0	134,657	
(c) Waste Disposal Reserve	78,246	157	78,403	78,060	735	78,795	187,749	497	188,246	187,749	497	188,246	(110,000)	78,246		
(d) Public Ablutions Reserve	1,767	4	1,771	1,759	7	1,766	1,762	5	1,767	1,762	5	1,767	0	0	1,767	
(e) Staff Housing Reserve	730,138	1,465	731,603	729,388	3,030	682,418	728,021	2,117	730,138	728,021	2,117	730,138	0	0	730,138	
(f) Civic Centre Reserve	62,043	124	62,167	60,314	460	60,774	116,090	313	62,043	116,090	313	62,043	(54,360)	62,043		
(g) IT Replacement Reserve	54,054	108	54,162	53,371	224	53,595	53,897	157	54,054	53,897	157	54,054	0	54,054		
(h) Airport Reserve	49,140	9,837	58,977	49,392	204	49,596	48,997	143	49,140	48,997	143	49,140	0	49,140		
(i) Coral Bay Tip Reserve	21,896	44	21,940	21,789	91	21,880	21,832	64	21,896	21,832	64	21,896	0	21,896		
(j) Surge/Fascine Reserve	105,918	250,213	356,131	105,887	251,225	357,112	315,701	105,217	105,918	315,701	105,217	105,918	(315,000)	105,918		
(k) Town Planning Reserve	1,561	3	1,564	1,447	89	1,536	23,502	59	1,561	23,502	59	1,561	(22,000)	1,561		
(l) Fascine Dredging Reserve	125,755	252	126,007	125,748	522	66,270	125,390	365	125,755	125,390	365	125,755	0	125,755		
(m) Flood Mitigation Reserve	11,899	24	11,923	11,847	49	11,896	11,864	35	11,899	11,864	35	11,899	0	11,899		
(n) OCT/NASA Reserve	8,864	18	8,882	8,825	37	8,862	8,838	26	8,864	8,838	26	8,864	0	8,864		
(o) Blowholes Reserve	2,845	6	2,851	2,740	12	2,752	2,837	8	2,845	2,837	8	2,845	0	2,845		
(p) Unspent Grants and Contributions Reserve	2,472,354	285,211	2,757,565	2,472,356	39,118	1,680,310	3,049,062	217,172	2,472,354	3,049,062	217,172	2,472,354	(793,880)	2,472,354		
(q) Land and Infrastructure Development Reserve	184,386	35,726	220,112	189,347	37,892	227,239	647,990	106,093	184,386	647,990	106,093	184,386	(569,697)	184,386		
(r) Asset Management Reserve	28,927	58	28,985	28,798	120	28,918	28,843	84	28,927	28,843	84	28,927	0	28,927		
(s) Emergency Response Reserve	152,322	50,306	202,628	152,321	50,446	202,767	102,003	50,319	152,322	102,003	50,319	152,322	0	152,322		
(t) Mosquito Management Reserve	1,377	1,804	3,181	1,377	647	2,024	1,255	122	1,377	1,255	122	1,377	(1,877,301)	1,377		
	4,368,377	667,659	5,036,036	4,368,378	385,997	4,754,375	5,738,501	507,177	4,368,377	5,738,501	507,177	4,368,377	(1,877,301)	4,368,377		

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	To be used to fund annual and long service leave requirements.
(b) Plant Reserve	Ongoing	To be used to implement the Shire's Plant Replacement Program.
(c) Waste Disposal Reserve	Ongoing	To be used for maintenance or capital expenditure at Brown's Range Refuse Site.
(d) Public Ablutions Reserve	Ongoing	To be used to contribute to replacement of major upgrades on Shire of Carnarvon ablutions.
(e) Staff Housing Reserve	Ongoing	To be used for major maintenance and capital purchases with respect to staff housing.
(f) Civic Centre Reserve	Ongoing	To be used for major building and equipment upgrades to Carnarvon Civic Centre.
(g) IT Replacement Reserve	Ongoing	To be used to fund the Shire of Carnarvon Information Technology Strategy.
(h) Airport Reserve	Ongoing	To be used to contribute to capital costs in relation to the Carnarvon Airport.
(i) Coral Bay Tip Reserve	Ongoing	To be used for maintenance and capital costs associated with Coral Bay Refuse Site.
(j) Surge/Fascine Reserve	Ongoing	To be used for capital upgrade costs associated with the Fascine Wall.
(k) Town Planning Reserve	Ongoing	To be used to contribute to funding town planning scheme reviews, new scheme & relevant town planning purposes.
(l) Fascine Dredging Reserve	Ongoing	To be used to contribute to funding the fascine dredging program.
(m) Flood Mitigation Reserve	Ongoing	To be used to finance Council's obligations with respect to the Flood Mitigation Strategy.
(n) OCT/NASA Reserve	Ongoing	To be used for the development & conservation of the OTC site.
(o) Blowholes Reserve	Ongoing	To be used to assist with the removal of shack debris and post demolition rehabilitation of shack area.
(p) Unspent Grants and Contributions Reserve	Ongoing	To be used to isolate grants and contributions for specific purposes to be spent at a later date or in subsequent years.
(q) Land and Infrastructure Development Reserve	Ongoing	To be used for the purchase of land and development of infrastructure within the Shire of Carnarvon.
(r) Asset Management Reserve	Ongoing	To be used for the replacement and improvement of specified assets within the Shire of Carnarvon in accordance with the Shire's Asset Management Plan.
(s) Emergency Response Reserve	Ongoing	To be used in the preparation for and providing immediate assistance, relief and recovery to the community in response to an Emergency within the Shire of Carnarvon.
(t) Mosquito Management Reserve	Ongoing	To be used for the purpose of delivering services to assist in mosquito management within the Shire of Carnarvon, which includes funding from the Department of Health.

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry and Other receivables	
GST receivable	
Allowance for impairment of receivables	
ESL Receivable	
Bond Staff Housing	

Non-current

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

	2019	2018
	\$	\$
	1,023,202	689,517
	462,682	372,272
	12,822	219,315
	(120,613)	(9,227)
	69,388	53,544
	2,131	2,050
	<u>1,449,612</u>	<u>1,327,471</u>
	111,640	95,771
	<u>111,640</u>	<u>95,771</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

Previous accounting policy: Impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

	2019	2018
	\$	\$
Current		
Fuel and Materials	21,756	22,643
Civic Centre	2,072	4,176
Visitors Centre	22,083	25,966
	45,911	52,785

The following movements in inventories occurred during the year:

Carrying amount at 1 July	52,785	52,785
Inventories expensed during the year	(6,874)	0
Carrying amount at 30 June	45,911	52,785

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

7. OTHER FINANCIAL ASSETS

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

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

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

	2019	2018
	\$	\$
	122,620	0
	<u>122,620</u>	<u>0</u>
	122,620	0
	<u>122,620</u>	<u>0</u>
	122,620	0
	<u>122,620</u>	<u>0</u>

The units in Local Government House Trust have been recognised using fair value as at 30 June 2018. Changes in fair value of the units trust have not been recognised or considered as they are unlikely to be material and are unable to be reliably determined at the time of preparation of these statements.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

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

8. 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 2017	8,383,800	275,000	8,658,800	14,630,756	8,949,458	23,580,214	32,239,014	321,898	1,905,606	34,466,519
Additions	0	0	0	839,426	26,825	866,251	866,251	6,673	191,343	1,064,266
(Disposals)	0	0	0	0	0	0	0	0	(86,294)	(86,294)
Depreciation (expense)	0	0	0	(607,592)	(359,731)	(967,323)	(967,323)	(50,388)	(303,402)	(1,321,113)
Carrying amount at 30 June 2018	8,383,800	275,000	8,658,800	14,862,590	8,616,552	23,479,142	32,137,942	278,183	1,707,253	34,123,378
Comprises:										
Gross carrying amount at 30 June 2018	8,383,800	275,000	8,658,800	15,470,182	8,976,283	24,446,465	33,105,265	384,505	2,286,645	35,776,415
Accumulated depreciation at 30 June 2018	0	0	0	(607,592)	(359,731)	(967,323)	(967,323)	(106,322)	(579,392)	(1,653,037)
Carrying amount at 30 June 2018	8,383,800	275,000	8,658,800	14,862,590	8,616,552	23,479,142	32,137,942	278,183	1,707,253	34,123,378
Additions	0	0	0	476,263	335,329	811,592	811,592	37,606	449,633	1,298,831
(Disposals)	0	0	0	0	0	0	0	(23,498)	(50,739)	(74,237)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	98,118	353,040	451,158
Depreciation (expense)	0	0	0	(601,920)	(362,875)	(964,795)	(964,795)	(51,639)	(326,272)	(1,342,706)
Carrying amount at 30 June 2019	8,383,800	275,000	8,658,800	14,736,933	8,589,006	23,325,939	31,984,739	338,770	2,132,915	34,456,424
Comprises:										
Gross carrying amount at 30 June 2019	8,383,800	275,000	8,658,800	15,946,445	9,311,612	25,258,057	33,916,857	338,770	2,132,915	36,388,542
Accumulated depreciation at 30 June 2019	0	0	0	(1,209,512)	(722,606)	(1,932,118)	(1,932,118)	0	0	(1,932,118)
Carrying amount at 30 June 2019	8,383,800	275,000	8,658,800	14,736,933	8,589,006	23,325,939	31,984,739	338,770	2,132,915	34,456,424

8. 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 & 3	Market approach using recent observable or estimated market data for similar properties	Independent Valuers	June 2017	Price per hectare / market borrowing rate
Land - vested in and under the control of Council	3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - non-specialised	2 & 3	Market approach using recent observable or estimated market data for similar properties	Independent Valuers	June 2017	Price per square metre / market borrowing rate
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent Valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment					
	2 & 3	Cost approach using depreciated replacement cost	Independent Valuers & Management Valuation	June 2019	Market price per item / purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
	2 & 3	Market approach using recent observable market data for similar properties / cost approach using depreciated replacement cost	Independent Valuers & Management Valuation	June 2019	Market price per item / purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and Ovals	Infrastructure - Other Infrastructure	Infrastructure - Bridges	Infrastructure - Levee System	Infrastructure - Airport	Infrastructure - Car Parks	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	307,742,371	2,171,695	6,581,484	16,435,112	10,235,566	7,660,800	8,861,774	12,201,967	196,498	372,087,267
Additions	2,904,005	110,412	23,600	244,337	786,953	0	0	0	0	4,069,307
Revaluation increments / (decrements) transferred to revaluation surplus	(70,918,500)	7,960,294	16,692,979	0	(243,096)	87,655	(447,018)	435,176	271,768	(46,160,742)
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	(2,559,308)	0	0	0	0	0	(2,559,308)
Depreciation (expense)	(5,412,209)	(185,843)	(87,876)	(346,424)	(232,293)	(148,455)	(44,756)	(546,943)	(12,588)	(7,017,387)
Carrying amount at 30 June 2018	234,315,667	10,056,558	23,210,187	13,773,717	10,547,130	7,600,000	8,370,000	12,090,200	455,678	320,419,137
Comprises:										
Gross carrying amount at 30 June 2018	320,412,566	10,056,558	23,210,187	13,773,717	10,547,130	7,600,000	8,370,000	12,090,200	455,678	406,516,036
Accumulated depreciation at 30 June 2018	(86,096,899)	0	0	0	0	0	0	0	0	(86,096,899)
Carrying amount at 30 June 2018	234,315,667	10,056,558	23,210,187	13,773,717	10,547,130	7,600,000	8,370,000	12,090,200	455,678	320,419,137
Additions	4,045,665	57,142	28,467	105,461	209,206	0	0	144,046	0	4,589,987
Depreciation (expense)	(5,272,565)	(199,698)	(301,346)	(280,089)	(223,158)	(152,000)	(41,850)	(608,107)	(20,227)	(7,089,040)
Carrying amount at 30 June 2019	233,088,767	9,914,002	22,937,308	13,599,089	10,533,178	7,448,000	8,328,150	11,626,139	435,451	317,910,084
Comprises:										
Gross carrying amount at 30 June 2019	324,458,231	10,113,700	23,238,654	13,879,178	10,756,336	7,600,000	8,370,000	12,234,246	455,678	411,106,023
Accumulated depreciation at 30 June 2019	(91,369,464)	(199,698)	(301,346)	(280,089)	(223,158)	(152,000)	(41,850)	(608,107)	(20,227)	(93,195,939)
Carrying amount at 30 June 2019	233,088,767	9,914,002	22,937,308	13,599,089	10,533,178	7,448,000	8,328,150	11,626,139	435,451	317,910,084

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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

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

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	26,368	4,472	137	(22,033)	167,647	106,400	0	(61,247)	86,294	54,578	20,982	(52,697)
Plant and equipment - Write Off	24,371	0	0	(24,371)	0	0	0	0	0	0	0	0
Furniture and Equipment - Write Off	23,498	0	0	(23,498)	0	0	0	0	0	0	0	0
	74,237	4,472	137	(69,902)	167,647	106,400	0	(61,247)	86,294	54,578	20,982	(52,697)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and Equipment				
Law, order, public safety				
Rangers Vehicle - PUTE27	9,202	1,132	0	(8,070)
Community amenities				
Waste Facility Vehicle - PUTE23	9,202	350	0	(8,852)
Recreation and culture				
Parks & Gardens Vehicle - PUTE8	3,451	300	0	(3,151)
Ride on Mower - PMOW8	2,013	2,150	137	0
Transport				
Transark 400 Welder - P134	800	86	0	(714)
Caravan camp trailer - P91	1,700	455	0	(1,245)
	26,368	4,472	137	(22,033)
Assets Written Off				
Plant and Equipment	24,371	0	0	(24,371)
Furniture and Equipment	23,498	0	0	(23,498)
	47,869	0	0	(47,869)
	74,237	4,472	137	(69,902)

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

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings - non-specialised	601,920	851,818	607,592
Buildings - specialised	362,875	0	359,731
Furniture and equipment	51,639	21,141	50,388
Plant and equipment	326,272	258,055	303,402
Infrastructure - Roads	5,272,565	4,883,094	5,412,209
Infrastructure - Footpaths	199,698	38,444	185,843
Infrastructure - Drainage	301,346	87,985	87,876
Infrastructure - Parks and Ovals	280,089	331,476	346,424
Infrastructure - Other Infrastructure	223,158	177,308	232,293
Infrastructure - Bridges	152,000	159,799	148,455
Infrastructure - Levee System	41,850	44,812	44,756
Infrastructure - Airport	608,107	324,242	546,943
Infrastructure - Car Parks	20,227	12,604	12,588
Infrastructure - Landfill	0	23,785	0
	8,441,747	7,214,563	8,338,500

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	10 to 100 years
Furniture and Equipment	3 to 10 years
Plant and Equipment	5 to 20 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
gravel sheet	12 years
Formed roads	
clearing and earthworks	not depreciated
construction/roadbase	50 years
Other Infrastructure	Various

Depreciation (Continued)

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

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

11. REVALUATION SURPLUS

	2019		2019		2019		2018		2018		2018	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Closing Balance	Total Revaluation
Revaluation surplus - Land and Buildings	16,973,508	0	0	16,973,508	16,973,508	0	0	16,973,508	0	0	16,973,508	0
Revaluation surplus - Furniture and equipment	148,721	98,118	0	246,839	148,721	0	0	148,721	0	0	148,721	0
Revaluation surplus - Plant and equipment	1,083,182	353,040	0	1,436,222	1,083,182	0	0	1,083,182	0	0	1,083,182	0
Revaluation surplus - Infrastructure - Roads	220,207,362	0	0	220,207,362	291,125,862	0	(70,918,500)	220,207,362	0	(70,918,500)	220,207,362	(70,918,500)
Revaluation surplus - Infrastructure - Footpaths	8,599,294	0	0	8,599,294	639,000	0	0	7,960,294	7,960,294	0	8,599,294	7,960,294
Revaluation surplus - Infrastructure - Drainage	22,147,677	0	0	22,147,677	5,454,698	0	0	16,692,979	16,692,979	0	22,147,677	16,692,979
Revaluation surplus - Other Infrastructure	2,224,090	0	0	2,224,090	2,467,186	0	(243,096)	2,224,090	0	(243,096)	2,224,090	(243,096)
Revaluation surplus - Infrastructure - Bridges	1,975,480	0	0	1,975,480	1,887,825	0	0	87,655	87,655	0	1,975,480	87,655
Revaluation surplus - Infrastructure - Levee System	3,116,626	0	0	3,116,626	3,563,644	0	(447,018)	3,116,626	0	(447,018)	3,116,626	(447,018)
Revaluation surplus - Infrastructure - Airport	7,343,124	0	0	7,343,124	6,907,948	0	0	435,176	435,176	0	7,343,124	435,176
Revaluation surplus - Infrastructure - Car Parks	271,768	0	0	271,768	0	0	0	271,768	271,768	0	271,768	271,768
	284,090,831	451,158	0	284,541,989	330,251,574	0	(71,608,614)	284,541,989	25,447,872	(71,608,614)	284,090,831	(46,160,742)

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.

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Accrued salaries and wages
 Accrued Expenditure
 Bonds and Deposits (refer to Note 26)

	2019	2018
	\$	\$
	763,700	1,333,844
	157,688	73,600
	79,677	17,757
	30,408	0
	<u>1,031,473</u>	<u>1,425,201</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

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13. INFORMATION ON BORROWINGS

	2019	2018
(a) Borrowings	\$	\$
Current	54,534	122,964
Non-current	3,174,84	3,72,018
	3,72,018	4,94,982

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2018			30 June 2019			30 June 2019			30 June 2019			30 June 2019			30 June 2019			30 June 2018			30 June 2018					
				Actual Principal	Actual Interest	Actual Outstanding	Budget Principal	Budget Interest	Budget Outstanding	Actual Principal	Actual Interest	Actual Outstanding	Budget Principal	Budget Interest	Budget Outstanding	Actual Principal	Actual Interest	Actual Outstanding	Budget Principal	Budget Interest	Budget Outstanding	Actual Principal	Actual Interest	Actual Outstanding	Budget Principal	Budget Interest	Budget Outstanding			
Housing																														
Staff Housing	213	WATC	6.04%	33,707	1,960	22,088	33,707	1,776	22,088	11,619	1,776	11,619	11,619	1,776	1,776	0	11,619	1,776	22,088	44,650	2,706	33,707	44,650	2,706	33,707	0	10,943	2,706	33,707	
Recreation and culture																														
Library	211	WATC	6.96%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40,822	1,071	0	40,822	1,071	0	0	40,822	1,071	0	
Infrastructure Development	215	WATC	3.77%	70,406	1,529	0	70,406	1,511	0	70,406	1,511	0	70,406	1,511	0	0	70,406	1,511	0	207,712	8,029	70,406	207,712	8,029	70,406	0	137,306	8,029	70,406	
Transport																														
Airport Corrective Works	216	WATC	3.05%	390,869	14,118	349,930	390,869	11,612	349,930	40,939	11,612	40,939	40,939	11,612	11,612	0	40,939	11,612	349,930	430,587	15,623	390,869	430,587	15,623	390,869	0	39,718	15,623	390,869	
				494,982	17,608	3,72,018	494,982	14,899	3,72,018	122,964	14,899	122,964	122,964	14,899	14,899	0	122,964	14,899	3,72,018	723,771	27,429	494,982	723,771	27,429	494,982	0	228,789	27,429	494,982	

All other loan repayments were financed by general purpose revenue.

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13. INFORMATION ON BORROWINGS (Continued)

	<u>2019</u>	<u>2018</u>
(c) Undrawn Borrowing Facilities	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	200,000	200,000
Credit card limit	40,000	40,000
Credit card balance at balance date	<u>(7,583)</u>	<u>(2,625)</u>
Total amount of credit unused	232,417	237,375
Loan facilities		
Loan facilities - current	54,534	122,964
Loan facilities - non-current	<u>317,484</u>	<u>372,018</u>
Total facilities in use at balance date	372,018	494,982

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

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

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	403,734	218,441	622,175
Non-current provisions	0	105,324	105,324
	<u>403,734</u>	<u>323,765</u>	<u>727,499</u>
Additional provision	438,957	250,102	689,059
Amounts used	(403,734)	(213,738)	(617,472)
Balance at 30 June 2019	<u>438,957</u>	<u>360,129</u>	<u>799,086</u>
Comprises			
Current	438,957	250,102	689,059
Non-current	0	110,027	110,027
	<u>438,957</u>	<u>360,129</u>	<u>799,086</u>

Amounts are expected to be settled on the following basis:

	2019	2018
	\$	\$
Less than 12 months after the reporting date	181,614	115,070
More than 12 months from reporting date	617,472	507,105
	<u>799,086</u>	<u>622,175</u>

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.

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	7,399,412	4,906,548	8,200,962

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(2,615,899)	(3,241,857)	(7,234,720)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(122,620)	0	0
Depreciation	8,441,747	7,214,563	8,338,500
(Profit)/loss on sale of asset	69,765	61,247	31,715
Loss on revaluation of fixed assets	0	0	2,559,302
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(251,967)	(423,919)	(32,241)
(Increase)/decrease in inventories	6,874	0	(1,664)
Increase/(decrease) in payables	(393,728)	0	508,046
Increase/(decrease) in provisions	71,587	0	144,071
Grants contributions for the development of assets	(4,597,485)	(4,172,509)	(2,611,929)
Net cash from operating activities	608,275	(562,475)	1,701,080

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	3,714,896	3,831,049
Law, order, public safety	764,896	539,360
Health	118,464	129,914
Education and welfare	1,644,435	1,707,300
Housing	799,000	829,500
Community amenities	11,755,038	11,480,706
Recreation and culture	39,703,146	39,996,595
Transport	286,686,819	288,843,578
Economic services	65,430	68,006
Other property and services	1,711,395	2,059,670
Unallocated	14,532,184	14,733,826
	<u>361,495,703</u>	<u>364,219,504</u>

17. CONTINGENT LIABILITIES

In compliance with the *Contaminated Sites Act 2003 Section 11*, the Shire has listed sites to be possible sources of contamination.

Details of those sites are:

- Shire of Carnarvon Airport
- Shire of Carnarvon Brown's Range Landfill Site
- Shire of Carnarvon Coral Bay Landfill Site

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Environment Regulation on the need and criteria for remediation of a risk based approach, the Shire is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Environment Regulation Guidelines.

18. LEASING COMMITMENTS

(a) Operating Lease Commitments

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

Payable:

- not later than one year
- later than one year but not later than five years

	2019	2018
	\$	\$
	70,947	157,567
	70,947	141,893
	141,894	299,460

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	140,866	140,000	136,426
President's allowance	42,988	46,000	45,594
Deputy President's allowance	11,724	11,500	11,464
Travelling expenses	18,205	20,000	7,942
Telecommunications allowance	3,109	4,320	4,295
	<u>216,892</u>	<u>221,820</u>	<u>205,721</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	1,331,388	1,523,379
Post-employment benefits	114,093	126,879
Other long-term benefits	15,740	27,989
	<u>1,461,221</u>	<u>1,678,247</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

19. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019	2018
	Actual	Actual
	\$	\$
Sale of goods and services	13,606	12,060
Purchase of goods and services	72,112	170,326
Amounts outstanding from related parties:		
Trade and other receivables	1,966	1,073
Amounts payable to related parties:		
Trade and other payables	1,517	5,879

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.

20. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2018/19 financial year.

21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading or major trading undertakings during the 2018/19 financial year.

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
CLGF Photovoltaic System (solar panels)	188,594	13,257	(22,600)	179,251	752	(180,003)	0
Health							
CLAG/FIMMWA (mosquitoes)	26,101	130	0	26,231	123	0	26,354
Education and welfare							
Youth DCP & DCS	207,395	1,036	(91,657)	116,774	426	(117,200)	0
Kidsport	4,284	0	(4,284)	0	0	0	0
Ageing in Place - GDC RFR	2,544	0	(2,544)	0	0	0	0
Club Development Officer (DSR)	3	0	(3)	0	0	0	0
Indigenous Advancement Strategy (DP&C)	34,871	10,276	(8,176)	36,971	135	(37,106)	(0)
Housing							
CLGF Executive Housing	54,980	279	(55,259)	0	0	0	0
Community amenities							
Waste Services	25,815	1,574	(9,160)	18,229	86	(4,854)	13,460
Local Planning Strategy	28	0	(28)	0	0	0	0
CLGF Waste Facility Improvements	802,737	84,616	(473,970)	413,383	1,272	(397,341)	17,314
CLGF Coral Bay Transfer Station	80,204	(80,204)	0	0	0	0	0
Town Planning Scheme Grant (DoP)	89,865	449	(687)	89,627	421	(56,882)	33,166
Recreation and culture							
Blowholes (balance of \$1,800,000)	997,988	14,481	(424)	1,012,045	14,589	0	1,026,634
DRD Fascine "Final" Stage	308,952	4,030	(2,300)	310,682	1,718	(204,000)	108,400
CLGF Aquatic Centre Refurbishment	106,869	534	(95,234)	12,169	25	(12,194)	0
WACA Grant - Cricket Pitch Installation	0	8,910	0	8,910	33	(8,943)	(0)
Civic Centre Grant - Raise the Roof	0	156,662	0	156,662	735	(102,331)	55,066
Circuitwest Building Arts Audiences	0	0	0	0	11,223	0	11,223
DLGSCI - Civic Centre Theatre Upgrade	0	0	0	0	228,538	0	228,538
DLGSCI - Art Gallery Venu Upgrade	0	0	0	0	24,418	0	24,418
Transport							
Robinson Street	14,083	650	(105)	14,628	277	0	14,905
Economic services							
VC Sustainability Grant (Tourism WA)	1	0	(1)	0	0	0	0
Water Management Strategy Plan (DoP)	46,039	230	(12,300)	33,969	238	(34,208)	(0)
Public Open Space Strategy Project (DoP)	33,602	167	(9,500)	24,269	114	0	24,383
Civic Precinct Development Plan (DoP)	18,460	93	0	18,553	87	0	18,640
Heritage Trail (GDC)	5,647	0	(5,647)	0	0	0	0
Total	3,049,062	217,172	(793,879)	2,472,354	285,211	(1,155,063)	1,602,502

Notes:

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

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

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

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23. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2018/19 Rateable Value	2018/19 Rate Revenue	2018/19 Interim Rate Revenue		2018/19 Back Rate Revenue		2018/19 Specified Area Rate Revenue		2018/19 Budget Back Rate Revenue		2018/19 Budget Interim Rate Revenue		2018/19 Budget Total Revenue		2017/18 Total Actual Revenue	
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
GRV Coral Bay Refuse Site	GRV	0.065374	3,489,440	228,119	0	0	0	0	228,119	228,119	0	0	0	0	228,120	228,120	225,824	225,824
				228,119	0	0	0	0	228,119	228,119	0	0	0	0	228,120	228,120	225,824	225,824

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2018/19 Actual Rate Applied to Costs		2018/19 Actual Reserve Applied to Costs		2018/19 Budget Rate Applied to Costs		2018/19 Budget Reserve Applied to Costs	
			\$	\$	\$	\$	\$	\$		
GRV Coral Bay Refuse Site	This rate is raised to contribute to the maintenance and future deliberations of the Coral Bay Refuse Site. The rate will be applied in full to the Coral Bay Refuse Site. Any surplus is required to be transferred to a specific purpose reserve. A surplus is not anticipated.	All properties located in Coral Bay.	0	0	0	0	228,120	0	0	0
			0	0	0	0	228,120	0	0	0
			0	0	0	0	228,120	0	0	0

(c) Service Charges

No service charges were imposed by the Shire during the year ended 2019.

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

No discounts on rates is available and no waivers or concessions were given during the year ended 2019.

23. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	26 Oct 2018	0	5.50%	11.00%
Option Two				
First instalment	26 Oct 2018	0	5.50%	11.00%
Second instalment	11 Mar 2019	4	5.50%	11.00%
Option Three				
First instalment	26 Oct 2018	0	5.50%	11.00%
Second instalment	07 Jan 2019	4	5.50%	11.00%
Third instalment	11 Mar 2019	4	5.50%	11.00%
Fourth instalment	13 May 2019	4	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	75,274	57,000	71,083
Interest on instalment plan	21,981	20,500	18,603
	97,255	77,500	89,686
Charges on instalment plan	5,316	5,710	4,756
	102,571	83,210	94,442

24. RATE SETTING STATEMENT INFORMATION

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

(a) Non-cash amounts excluded from operating activities

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

Adjustments to operating activities

Less: Profit on asset disposals	10(a)	(137)	0	(20,982)
Less: Change in accounting policy	27(b)	(113,957)	0	0
Movement in pensioner deferred rates (non-current)		(15,869)	0	(14,601)
Movement in employee benefit provisions (non-current)		4,703	0	29,000
Add: Loss on disposal of assets	10(a)	69,902	61,247	52,697
Add: Depreciation on assets	10(b)	8,441,747	7,214,563	8,338,500
Non cash amounts excluded from operating activities		8,386,389	7,275,810	10,943,916

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

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

Adjustments to net current assets

Less: Reserves - restricted cash	3	(3,705,040)	(2,894,065)	(4,368,377)
Less: Units in Local Government House Trust	7	122,620	0	0
Add: Borrowings	13(a)	54,534	54,534	122,964
Add: Provision for annual leave		438,957	403,734	403,734
Add: Provision for long service leave		250,102	218,441	218,441
Add: Prepaid income		34,983	0	101,867
Total adjustments to net current assets		(2,803,844)	(2,217,356)	(3,521,371)

Net current assets used in the Rate Setting Statement

Total current assets		8,894,935	6,098,891	9,581,218
Less: Total current liabilities		(1,775,066)	(1,296,709)	(2,170,340)
Less: Total adjustments to net current assets		(2,803,844)	(2,217,356)	(3,521,371)
Net current assets used in the Rate Setting Statement		4,316,025	2,584,826	3,889,507

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	0.82%	7,399,412	1,149,940	6,246,372	3,100
2018					
Cash and cash equivalents	1.08%	8,200,962	1,337,356	6,860,506	3,100

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	62,464	68,605

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	333,685	80,229	174,434	434,854	1,023,202
Loss allowance	0	0	0	0	0

01 July 2018

Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	80,229	174,434	62,797	372,057	689,517
Loss allowance	0	0	0	0	0

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	16.33%	49.94%	62.09%	91.48%	
Gross carrying amount	176,643	15,526	15,230	81,495	288,894
Loss allowance	28,848	7,754	9,457	74,554	120,613

01 July 2018

Sundry Receivables					
Expected credit loss	14.16%	25.51%	86.32%	97.17%	
Gross carrying amount	145,805	89,577	49,863	28,217	313,462
Loss allowance	20,646	22,851	43,042	27,418	113,957

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2019</u>					
Payables	1,031,473	0	0	1,031,473	1,031,473
Borrowings	122,964	198,816	173,202	494,982	372,018
	<u>1,154,437</u>	<u>198,816</u>	<u>173,202</u>	<u>1,526,455</u>	<u>1,403,491</u>
<u>2018</u>					
Payables	1,425,201	0	0	1,425,201	1,425,201
Borrowings	137,863	233,643	183,927	555,433	494,982
	<u>1,563,064</u>	<u>233,643</u>	<u>183,927</u>	<u>1,980,634</u>	<u>1,920,183</u>

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26. 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:

In previous years bonds and deposits were held as trust monies. They are now included as a current liability at Note 12.

	1 July 2018	Amounts Received	Amounts Paid	Amounts transferred to Municipal Fund	30 June 2019
	\$	\$	\$		\$
Civic Centre Hire	1,779	20,326	(20,245)	(1,860)	0
Footpath Deposits	20,099	0	0	(20,099)	0
Private Works Deposits	552,000	45,000	(310,942)	(45,999)	240,059
Shire Facility Deposits	5,520	27,378	(22,589)	(10,309)	0
Public Open Space	110,374	30,000	0	0	140,374
Other Sundry Trust	36,980	82,470	(68,751)	(50,699)	0
Suspense	15,912	1,726	(1,611)	(5,517)	10,510
Unclaimed Monies	4,142	738	(400)	0	4,480
Civic Centre Airconditioning	51	0	(51)	0	0
Perth Glory	12,500	0	0	(12,500)	0
Footpath Cash in Lieu	7,200	0	0	0	7,200
Building in Training Fund	921	30,404	(27,508)	0	3,817
Visitors Centre Booking Sales	27,435	202,678	(230,113)	0	0
Nomination Deposits	0	160	(160)	0	0
	794,913	440,880	(682,370)	(146,983)	406,440

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

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

(a) Classification and measurement

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

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

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

- The Shire did not designate any financial assets as at fair value through profit and loss.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Shire recognised an additional impairment on the Shire's Trade receivables of \$113,957 which resulted in a decrease in accumulated surplus/(deficit) of \$113,957 as at 1 July 2018.

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

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	9,227	113,957	123,184
	<u>9,227</u>	<u>113,957</u>	<u>123,184</u>

(c) Impact of changes to Retained Surplus

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

	Adjustments	2018
		\$
Retained surplus - 30 June 2018		73,112,614
Adjustment to retained surplus from adoption of AASB 9	(113,957)	<u>(113,957)</u>
Retained surplus - 1 July 2018		72,998,657

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

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

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

(a) Revenue from Contracts with Customers

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

	AASB 118 carrying amount		AASB 15 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
Contract assets	0	182,292	182,292
Contract liabilities - current			
Unspent grants, contributions and reimbursements	0	182,292	182,292
Adjustment to retained surplus from adoption of AASB 15	28(d)	0	

(b) Leases

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

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 is 3.50%.

Note	2019
	\$
Operating lease commitments disclosed as at 30 June 2019	141,894
Lease liability recognised as at 1 July 2019	
Discounted using the lease incremental borrowing rate	(677,814)
Right-of-use asset recognised as at 1 July 2019	<u>648,597</u>
Impact on retained earnings on 1 July 2019	28(d) <u>(29,217)</u>

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019. Property, plant and equipment increases by \$648,597 on 1 July 2019 resulting in (\$29,217) impact on retained earnings on 1 July 2019.

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

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

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

(c) Income For Not-For-Profit Entities

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

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

	AASB 1004 carrying amount		AASB 1058 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
Trade and other payables	1,031,473	1,414,971	2,446,444
Adjustment to retained surplus from adoption of AASB 1058	28(d)	(1,414,971)	

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

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

(d) Impact of changes to Retained Surplus

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

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			71,046,097
Adjustment to retained surplus from adoption of AASB 16	28(b)	(29,217)	
Adjustment to retained surplus from adoption of AASB 1058	28(c)	(1,414,971)	(1,444,188)
Retained surplus - 01 July 2019			69,601,909

29. PRIOR YEAR CORRECTION

Balances relating to the 2018 comparative period have been amended due to the correction of prior period balances. These amendments have been adjusted as shown below. In accordance with the requirements of AASB101, a Statement of Financial Position as at the beginning of the earliest comparative period (which is 2018 restated), has been included.

In June 2018 the Shire incorrectly recognised the revaluation decrement of "Infrastructure - Parks and Ovals" in the Revaluation surplus equity account. As the class of assets "Infrastructure - Parks and Ovals" did not have a corresponding Revaluation surplus balance, the revaluation decrement as at 30 June 2018 should have been recorded in the net result for period and ultimately in the retained earnings.

The Shire has applied this change retrospectively, adjusting the Financial report as at 30 June 2018. The following are effects on the 2018 comparative values:

Statement of Comprehensive Income	2018 Actual	Amount of Adjustment	2018 Restated
	\$	\$	\$
<i>By Nature or Type</i>			
(Loss) on revaluation of Infrastructure - Parks and Ovals	0	(2,559,302)	(2,559,302)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	(48,720,046)	2,559,304	(46,160,742)
<i>By program</i>			
(Loss) on revaluation of Infrastructure - Parks and Ovals	0	(2,559,302)	(2,559,302)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	(48,720,046)	2,559,304	(46,160,742)
Statement of Financial Position			
<i>Equity</i>			
Retained Surplus	75,671,916	(2,559,301)	73,112,615
Revaluation surplus	281,531,529	2,559,303	284,090,832
Note 11. Revaluation Surplus			
Revaluation surplus - Infrastructure surplus - Parks and Ovals	(2,559,303)	2,559,303	0
Note 32. Financial Ratios			
Debt service cover ratio	4.21	(9.99)	(5.78)
Operating surplus ratio	(0.87)	(0.32)	(1.19)
Own source revenue coverage ratio	0.42	(0.08)	0.34

30. 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.

31. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

GOVERNANCE

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

GENERAL PURPOSE FUNDING

To collect general revenue to allow for the provision of services.

LAW, ORDER, PUBLIC SAFETY

To provide services to help ensure a safer community.

HEALTH

To provide an operational framework for good community health.

EDUCATION AND WELFARE

To meet the needs of the community in these areas.

HOUSING

To meet the needs of the Shire of Carnarvon Staff.

COMMUNITY AMENITIES

To provide sanitary and essential services required by the community.

To provide land development strategies and to process land development activities.

Environmental sustainability.

RECREATION AND CULTURE

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

TRANSPORT

To provide effective and efficient transport services to the community.

ECONOMIC SERVICES

To help promote and market the Shire of Carnarvon to the world and improve the economic well being.

To ensure building development regulations are adhered to.

OTHER PROPERTY AND SERVICES

To ensure works programs are operating efficiently.

ACTIVITIES

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

Rates activity, general purpose grants, banking costs and interest revenue.

Supervision of various local laws, fire prevention, emergency services, CBD security, administration of the Crime Prevention Plan.

Food quality and pest control, inspections and infant health. This function also provides for the implementation of the Healthy Lifestyles model.

Support pre-school facilities and assistance of seniors and retirement villages. This function also provides for Youth Strategy and the accounting of the Carnarvon Youth Co-Ordinating Networks finance as part of the agreement.

Staff Housing.

Refuse collection service, operation of refuse site, administration of town planning scheme, cemetery service and maintenance, environmental protection services and land development services.

Operations of the Civic Centre (Camel Lane), aquatic centre and beach areas, regional library service, cultural and heritage services and facilities, reserves, parks and gardens.

Maintenance of streets, roads, footpaths, street lighting, airport. Agency for Department of Planning and Infrastructure's on line vehicle licensing service.

Noxious weed control, tourism and area promotion, building control and services.

Private works operations, public works operations and plant operations.

32. FINANCIAL RATIOS

	2019 Actual	2018 Restated	2017 Actual
Current ratio	3.21	2.57	3.16
Asset consumption ratio	0.73	0.74	0.97
Asset renewal funding ratio	1.06	1.05	1.00
Asset sustainability ratio	0.57	0.48	0.71
Debt service cover ratio	8.86	(5.78)	10.69
Operating surplus ratio	(0.77)	(1.19)	(0.37)
Own source revenue coverage ratio	0.41	0.34	0.42

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

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF CARNARVON

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion, the financial report of the Shire of Carnarvon:

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Shire in accordance with the 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation

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

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

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

In preparing the 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.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF CARNARVON (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives of the audit are to obtain reasonable assurance about whether the 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 our 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 financial report.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF CARNARVON (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) In our opinion, there is a significant adverse trend in the financial position of the Shire as the Asset Sustainability Ratio and Operating Surplus Ratio have been below the DLGSCI standard for the past 3 years.
- b) All required information and explanations were obtained by us.
- c) All audit procedures were satisfactorily completed in conducting our audit.
- d) In our opinion, the asset consumption ratio and asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

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 Carnarvon for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the 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 financial report to confirm the information contained in this website version of the financial report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



WEN-SHIEN CHAI
PARTNER

Signed at Perth this 27th day of February 2020.

27 February 2020

MOORE STEPHENS

The Shire President
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Dear Cr Smith

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MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2019

We advise that we have completed our audit procedures for the year ended 30 June 2019.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We noted the following matters we wish to draw to your attention:

Year End Audit Readiness and Efficiency

As you are aware, the completion of the audit for the year ended 30 June 2019 was considerably delayed.

Our year end visit was performed on the 21st to 24th of October 2019, however, during this visit our audit requirements were not provided to the standard we expected due to delays in finalising key matters, such as the revaluation of Property, Plant & Equipment, and Furniture & Equipment. This necessitated the finalisation of our audit remotely from our office in the period between November 2019 to February 2020, which required the completion of further reconciliations and the provision of significant additional information.

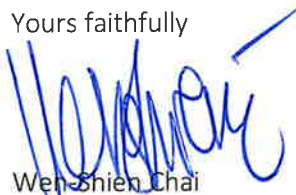
As is obvious by the time taken to finalise the report, the process has been far from efficient. This has resulted in a late audit report and increased costs. Not only does it impact on the efficiency of the audit process, it also reflects on the efficiency of the Shire as a whole, as it compromises the delivery of meaningful, accurate and timely management information.

Comment: To help ensure this situation is rectified and does not present itself again, key reconciliations and accounting processes should be identified and sufficient accounting resources be allocated to the process with the goal of having the audited Financial Report completed within the prescribed deadlines in any given year, especially considering the transition to the OAG for the Shire's upcoming 2020 audit.

We take this opportunity to thank the Shire for their assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Wen-Shien Chai
Partner
[Moore Stephens](http://www.moorestephens.com.au)

Encl.



Carnarvon - Compliance Audit Return 2019

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2019?	N/A		Carolien Claassens
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2019?	N/A		Carolien Claassens
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2019?	N/A		Carolien Claassens
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A		Carolien Claassens
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Carolien Claassens

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	N/A		Carolien Claassens
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	N/A		Carolien Claassens
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	N/A		Carolien Claassens
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Carolien Claassens
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	No		Carolien Claassens
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?	Yes		Carolien Claassens
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes		Carolien Claassens
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes		Carolien Claassens
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Carolien Claassens
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes		Carolien Claassens
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year?	Yes		Carolien Claassens
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required?	Yes		Carolien Claassens

Disclosure of Interest

No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)?	Yes		Carolien Claassens
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings?	N/A		Carolien Claassens
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made?	Yes		Carolien Claassens
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A		Carolien Claassens
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A		Carolien Claassens
6	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day?	Yes		Carolien Claassens
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day?	Yes		Carolien Claassens
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Carolien Claassens
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Carolien Claassens
10	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return?	Yes		Carolien Claassens
11	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76?	Yes		Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
12	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28?	Yes		Carolien Claassens
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes		Carolien Claassens
14	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76?	Yes		Carolien Claassens
15	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee?	Yes		Carolien Claassens
16	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes?	Yes		Carolien Claassens
17	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report?	Yes		Carolien Claassens
18	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee?	Yes		Carolien Claassens
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes		Carolien Claassens

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5))?	Yes		Carolien Claassens
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Carolien Claassens



Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)(2)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates?	Yes	A gift register is maintained but no gift disclosures have been received	Carolien Claassens
2	Elect Reg 30G(3) &(4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	N/A	No disclosures received	Carolien Claassens

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	New Audit Committee appointed in October 2019. Refer to October 2019 OCM minutes FC 4/10/19, FC 5/10/19 and FC 6/10/19	Carolien Claassens
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes	Refer to October 2019 OCM minutes FC 4/10/19, FC 5/10/19 and FC 6/10/19	Carolien Claassens
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	Yes		Carolien Claassens
4	s7.3(1), 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council?	Yes	Refer to Ordinary Council Meeting February 2015 FC 13/2/15	Carolien Claassens
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	Yes	The Financial Report for the year ending 30 June 2019 was finalised on the 27th February 2020 and the Auditor's report was received on the same day.	Carolien Claassens
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	No	Refer to the comments above.	Carolien Claassens
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9(1) of the Act required action to be taken, did the local government, ensure that appropriate action was undertaken in respect of those matters?	No	Once the Financial Report, the Auditors Report and the Management Letter have been accepted by the Audit Committee, any matters raised will be addressed and actioned accordingly.	Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	No	The Auditor identified that the Asset Sustainability Ratio and Operating Surplus Ratio have been below the DLGSCI standard for the past 3 years. A report on intended actions will be prepared and a copy sent to the Minister.	Carolien Claassens
9	S7.12A (4)	Within 14 days after the local government gave a report to the Minister under s7.12A(4) (b), did the CEO publish a copy of the report on the local government's official website?	No	Report to be published on website following acceptance by the Audit Committee and Council.	Carolien Claassens
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	Yes		Carolien Claassens
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	Yes		Carolien Claassens
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	Yes		Carolien Claassens
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor?	Yes		Carolien Claassens
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor?	Yes		Carolien Claassens

Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	The Council adopted its Corporate Business Plan 2018 -2022 on 29 August 2018.	Carolien Claassens
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	No	The Corporate Business Plan was adopted on 29 August 2018	Carolien Claassens
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	The Council adopted its Strategic Community Plan on 26 June 2018	Carolien Claassens
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments.	N/A	The Strategic Community Plan was only adopted on 26 June 2018	Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	No	The Shire is in the process of finalising the Asset Management plans for all asset classes. The Corporate Business Plan provides detail on this process. The Plan also contains a section on "Asset Management Implications".	Carolien Claassens
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	No	The Shire has a fully developed draft Long Term Financial Plan that has not yet been adopted. The process for the 2020/21 CBP minor review will include further improving the draft LTFP with a view to adopting any modifications to the CBP and the LTFP all at the same time. This will ensure that the IPR are all in alignment for the 2020/2021 budget process.	Carolien Claassens
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	The last formally adopted Workforce Plan was adopted on 24 September 2013. The new plan developed through the 2018 Major Strategic Review is in the process of being completed for submission to the Council.	Carolien Claassens

Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A	The current CEO selection and appointment process was in 2018	Carolien Claassens
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A?	N/A	The 2018 CEO vacancy was advertised in the West Australian	Carolien Claassens
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4)?	Yes	The remuneration for the 2018 CEO appointment was in line with SAT Band 2	Carolien Claassens
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only)?	Yes	The 2018 CEO appointment was validated with workplace referee checks and use of WALGA recruitment services	Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	N/A	The CEO is the only designated senior employees - no other designated senior employees as per policy E004 - Designated Senior Employees	Carolien Claassens

Official Conduct

No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer?	N/A		Carolien Claassens
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)?	Yes		Carolien Claassens
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made?	Yes		Carolien Claassens
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint?	Yes		Carolien Claassens
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred?	Yes		Carolien Claassens
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)?	Yes		Carolien Claassens



Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Local Government (Financial Management) Regulation 5(2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	This was not done by our CEO, this was done by Moore Stephens in March 2019 (under the direction of the CEO).	Carolien Claassens
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	In October 2017 the Regulation 17 Review has taken place. The Shire will conduct another review in 2020. Council Resolution: 27th February 2018 (FC 2/2/18)	Carolien Claassens
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	Yes	For the 2017 2018 Annual Report. Electors meeting was held on 26th February 2019.	Carolien Claassens
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	Yes		Carolien Claassens

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?	Yes		Carolien Claassens
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract?	Yes		Carolien Claassens
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Carolien Claassens
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation?	Yes	An electronic portal (Tenderlink) is used for the administration and distribution of the tender document, any addendum's and tender submissions. The portal automatically sends an addendum to all potential Tenderers who have downloaded the Tender document.	Carolien Claassens
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16?	Yes		Carolien Claassens
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender?	Yes	The Tenderlink portal does not accept late submission. The submissions have to be received on the portal. All potential Tenderers are advised about the closing date & time.	Carolien Claassens
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria?	Yes	Together with the evaluation panel a thorough evaluation of all submissions takes place. A new Policy - C034 Tenders Management Policy provides a guidance to the staff how to evaluate a tender. Policy C013 Tender Selection Criteria provides the standard Selection Criteria to be used for our tenders. In the Tender documentation the Tenderers are advised in the detail about the selection criteria.	Carolien Claassens
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection?	Yes		Carolien Claassens
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	Yes		Carolien Claassens
11	F&G Reg 21 & 22	Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22?	N/A	The Shire has not conducted an EOI in 2019	Carolien Claassens
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice?	N/A	Refer to Q 11.	Carolien Claassens
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services?	N/A	Refer to Q 11.	Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	N/A	Refer to Q 11.	Carolien Claassens
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	No	The Shire is currently discussing the potential need of a Pre-qualified Suppliers policy. At this point in time the Shire is not sure how the procurement from pre-qualified suppliers will take place. Also for some services only a very limited amount of suppliers is available.	Carolien Claassens
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	N/A	Refer to Q 15.	Carolien Claassens
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	N/A	Refer to Q 15.	Carolien Claassens
18	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application?	N/A	Refer to Q 15.	Carolien Claassens
19	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, given notice of the variation?	N/A	Refer to Q 15.	Carolien Claassens
20	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications?	N/A	Refer to Q 15.	Carolien Claassens
21	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria?	N/A	Refer to Q 15.	Carolien Claassens
22	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG?	N/A	Refer to Q 15.	Carolien Claassens
23	F&G Reg 24AI	Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted?	N/A	Refer to Q 15.	Carolien Claassens



No	Reference	Question	Response	Comments	Respondent
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A	Whilst the Shire recently adopted a Regional Price Preference Policy, no Tenderer has since the adoption of the policy. In each Tender Document the Shire will include the Regional Price Preference Policy.	Carolien Claassens
25	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy?	Yes		Carolien Claassens
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less?	Yes		Carolien Claassens
27	F&G Reg 11A	Did the local government comply with it's current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less?	Yes		Carolien Claassens

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed - Shire President, Shire of Carnarvon

Signed - CEO, Shire of Carnarvon