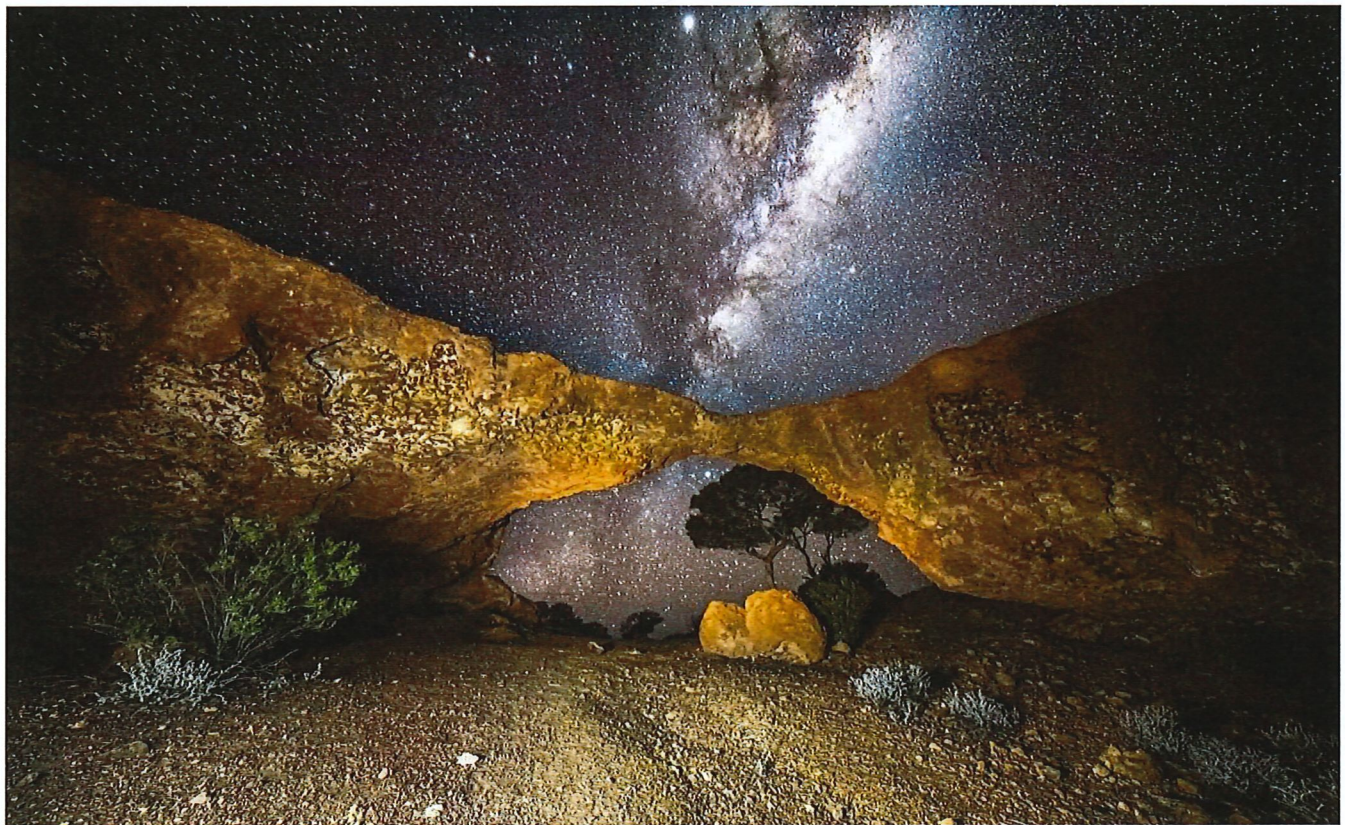




Annual Report 2018/2019



London Bridge

December 2019

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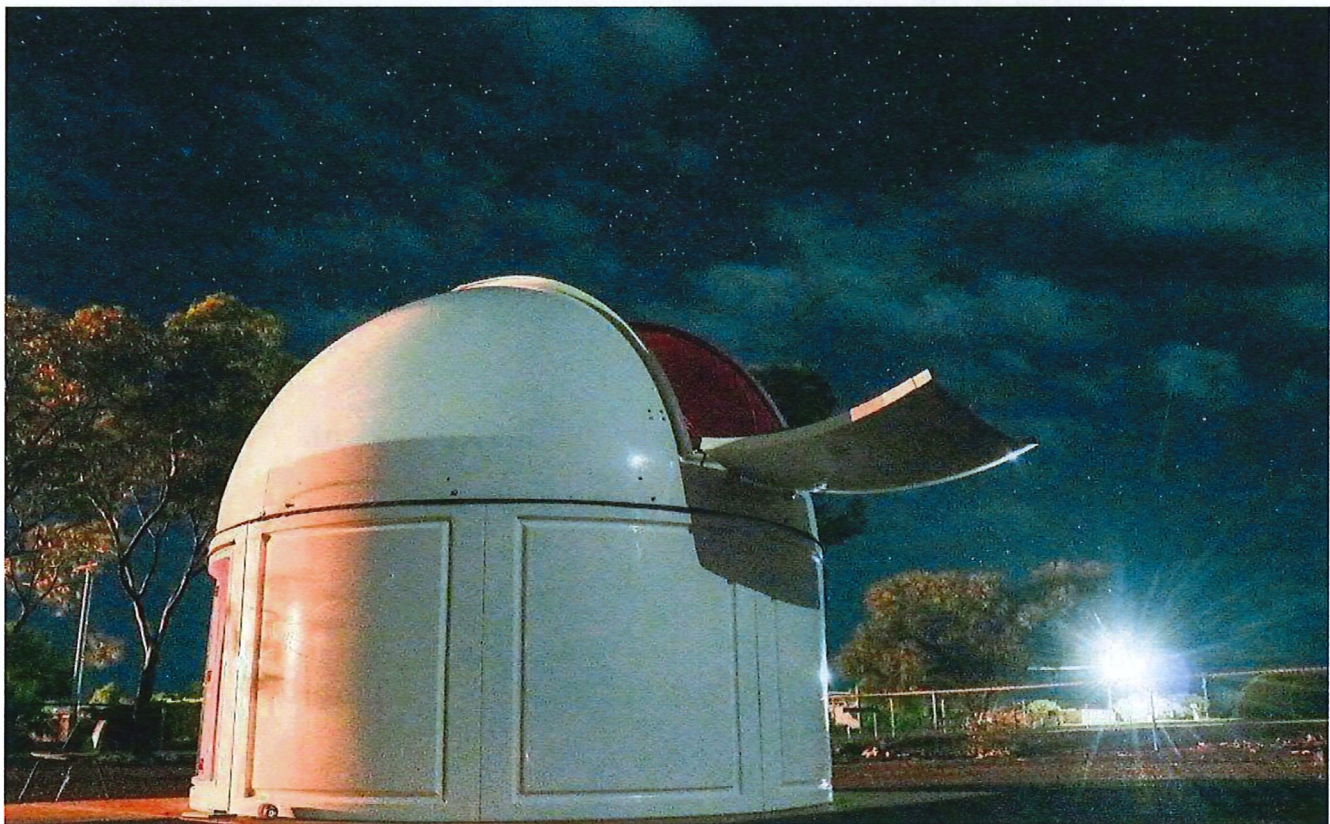
SHIRE OF SANDSTONE
23 HACK STREET
SANDSTONE WA 6639

EMAIL: ceo@sandstone.wa.gov.au WEBSITE: www.sandstone.wa.gov.au

TEL: (08) 9963 5802 FAX: (08) 9963 5852

Shire Statistics

Population	89 (ABS Census 2016)
Number of Electors	67
Number of Dwellings	78
Distance from Perth (km)	724
Area (sq km)	32,889
Suburbs and Localities	Sandstone
Library	Hack Street
Length of Sealed Roads (km)	11
Length of Unsealed Roads (km)	891
Rates Levied	\$944,855 (2018/19)
Total Operating Revenue	\$6,165,224 (2018/19)
Council Employees	20



Tourist Attractions

Heritage Trail including London Bridge, Brewery, Old State Battery and Contradiction Well, wildflowers, gold prospecting, natural landscapes, flora and fauna, Peter Denny Lookout, Astro Dome and Telescope

Local Industries

Tourism, pastoral stations, mining

Significant Local Events

Sandstone Open Golf Weekend (2nd weekend of September), Sandstone Art Show incorporating Wine and Cheese Night, Community Christmas Party, Australia Day, Anzac Day



Minutes - 2017-2018 ANNUAL GENERAL MEETING OF ELECTORS

The Annual General Meeting of Electors was held in the Council Chambers, Hack Street, Sandstone on Thursday 31st January 2019 commencing at 4.30pm

Order of Business

1.0 Opening of the Annual Electors Meeting by the Shire President.

The Shire President opened the meeting at 4:30PM.

2.0 Attendance and apologies

Attendance

Cr Beth Walton, Shire President
Cr Carol Hodshon, Deputy Shire President
Cr Freda May
Cr Vicki McQuie
Cr Kerry Key
Harry Hawkins CEO
Ms Karan Heath
Ms Margaret Duhig

Apologies

Cr David Lefroy

3.0 Confirmation of the minutes of the General Meeting of Electors held on 9 Friday 9 February 2018

Moved: Cr Hodshon

Seconded: Cr May

That the minutes of the meeting held on 9 February 2018 are confirmed as a true and correct record of proceedings

Carried

4.0 Receipt of the Annual Report 2017-18 The Annual Report was received by the Meeting

5.0 Questions from the Annual Report 2017-18

Ms Duhig asked what the Community Development Reserve money can be spent on?

Answer: As per Note 4 on page 14 of the Annual Financial Statements this reserve is to be used for projects to benefit the community as determined from time to time.

6.0 General Business

Questions were raised about when the shade sails that have been ripped and taken down from the water park and playground were going to be replaced. The Shire President advised that the Shire were looking at replacing them with a solid permanent roof structure as the shade sails are too expensive to keep replacing as they tear in the wind. Mark Lankford suggested that the shire look at something similar to a shopping Centre in Rockingham that has a roof shaped like waves over their carpark made from solar panels.

A question was asked about the photo display that used to be in the hall and if it was going to be put back up as many tourists ask after it.

Answer: They will be put up after the hall is painted which will hopefully be before the tourist season. It was asked if the disk on the history of Sandstone could be updated. This will be investigated.

A complaint was made about noise before 7.00am by the shire workers using the blower to clean leaves from the artificial grass at the administration office, the garbage truck emptying rubbish bins and the street sweeper.

7.0 Closure of Meeting

The Shire President thanked everyone for attending the Annual General Meeting of electors and closed the meeting at 5.45PM.

President's Report

Annual report.

On behalf of Council I am pleased to present the 2018-2019 Annual Report



Tourism

Although the numbers have been down this year we are still receiving many positive comments from those who have visited as to what a clean, tidy and safe place Sandstone is to visit and stay. The Caravan park always receives fantastic reviews on its clean amenities and well kept gardens. We have also had great reviews on the telescope, which our CEO Harry Hawkins has been operating giving visitors a view of our amazing night skies.

Projects

The Shire was successful in its application for grant funding to help cover the costs to purchase camp beds, stainless steel bench, white goods, floor coverings and interior painting of the Sandstone School Camp Site. The ablution block will be funded by the Shire out of reserves. This project will be for camp style accommodation for various group organizations so it will not be competing with the National Hotel or Outback Accommodation.

At long last the 2 rink Bowling Green was installed in late May 2019 at the Community Centre, providing a new facility for locals and visitors to use and enjoy for many years to come.

Unfortunately, the Pioneer Park has not progressed as much as we would have liked. The large shed to house mining and shearing equipment has been completed and in the new financial year we hope to see tree planting and mining/pastoral equipment added to complete this project.

The Visitor Centre has had a revamp with the building being restumped, a new Jarrah floor installed and the interior being freshly painted. A new semi-circle desk was purchased for our Visitor Centre Officers to work from and the entrance room to the centre changed around to give a more inviting and workable space.

The Shire Town Hall floor was sanded back and resealed and the interior given a fresh coat of paint making it much more inviting inside. Painting of the outside will be a future project.

The old school building had new floor coverings put down and the interior given a fresh coat of paint as part of getting the building ready for camp accommodation.

Community Postal Agent

On the 1st of November 2018 the Shire took on the role of Community Postal Agent in Sandstone after Gina Gloede advised Council that she no longer wanted to renew her Postal Agent Contract. Thank you to Rhonda and Margaret who undertook the necessary training to take on the extra duties of running the Agency and making it a smooth transition. The mail is now delivered on Tuesdays and Thursdays and is operating efficiently.

Staff

We have had some staff changes in the outside workforce and the Works Supervisor but continue to have a very stable administration team. Welcome to all new staff and best wishes to those who have left with their new endeavours.

Community Events

Community events are still being well attended by locals and visitors. The Australia Day Breakfast was popular followed by some good Aussie games. ANZAC Day was again well attended and the Annual Golf Open was a great success with many visitors from other clubs attending. The Wine and Cheese /Art Exhibition in the town hall was greatly supported and enjoyed with local and out of town artists exhibiting their fabulous arts and crafts.

Council

Kerry Key was re-elected in December 2018 unopposed, replacing Dan Murat who resigned in August due to commitments in Perth. Thankyou you Dan for your efforts whilst on Council. My thanks to all my fellow councillors for their support and assistance throughout the year. It is very pleasing to work with such a dedicated team.

Closing Comments

The Shire of Sandstone financials remains sound with no debt and good cash reserves. I would like to thank all Shire staff for their efforts in helping the shire achieve its commitments and I look forward to the new financial year working to ensure overdue projects are completed and our community continues to have access to safe roads and good services.

BETH WALTON
SHIRE PRESIDENT



Finance

RATES

The 2018/2019 Annual Budget was adopted by Council at the Council Meeting held on the 26 July 2018 with a rate increase of 2% which was less than the 4% shown in the shires long term financial plan. This increase was necessary to meet rising costs in most areas of Council activities. Minor changes were made to fees and charges and the minimum rates charged by Council remained the same.

RESERVE FUNDS

Council continues to maintain healthy reserve accounts to help with major projects and plant and equipment purchases. As at 30 June 2019 the balance in the Reserve Accounts was \$4,745,437 comprised as listed below:

Housing Reserve	\$ 315,030
Building Reserve	\$1,301,760
Plant Reserve	\$ 1,061,761
Employee Entitlements Reserve	\$ 217,205
Airport Reserve	\$ 289,341
Road & Flood Damage Reserve	\$ 673,441
Information Technology Reserve	\$ 46,679
Refuse Disposal Reserve	\$ 40,140
Community Development Projects Reserve	\$ 800,080
TOTAL	\$4,745,437

LOAN LIABILITY

As at 30 June, 2019 Council had no loan liabilities.

AUDIT

The Annual Audit was conducted during the period September and December 2019 and the Shire of Sandstone continues to be one of a group of local governments audited by the Office of the Auditor General. A copy of the audit report is included within this Annual Report. The Audit Report is qualified to the extent that a revaluation of Roads and Footpath Infrastructure was not conducted within the last 5 years. The last valuation was carried out as at 30th June 2014. This matter is a non-cash issue and mainly impacts on the Balance Sheet and Depreciation.

GRANT FUNDING

In the 2018-2019 year the shire received small grants from Lotterywest to complete the bowling green.. The fencing to the airport and rubbish tip was completed.

Council's general purpose and road grants through the WA Local Government Grants Commission are invaluable to Shire of Sandstone and smaller country local governments. This year Sandstone received a total of \$1,994,164

Regional Road Group funding for this year was \$120,000 to reform, re-sheet and improve drainage on a section of the Sandstone Paynes Find Road. Roads to Recovery funding was the last of the funding from this round of Roads to Recovery and we will now wait for the next round commencing in 2019-2020 for the new rounds Roads to Recovery money to come through.

The Shire received a total of \$3.32m from WANDRRA in 2017-18 for flood damage works to several roads across the shire as a result of flood damage at Easter 2016 Further funding of \$1.28m has been received to repair damage as a result of a heavy rainfall event in January/February 2017. These works were completed over this year.

Staff

This year has once again seen the Shire retain the majority of staff from 2018. . Administration, caravan park and visitor information staff remained stable. The comments and feedback on how lovely the town looks continue to be received and is testament to the hard work and dedication of all staff.

Projects

During the year a number of projects were undertaken including:

- The Bowling Green which will also receive minor works in 2020 to finish the edging and to fence the area
- Work commenced on the new park in Oroya Street.
- Minor repairs are ongoing to the old police house
- The ex MRAC house at 16 Green Street that was purchased for the purpose of contractor's housing has seen various contractors staying in Sandstone to complete works at a reduced cost to Council.

Road Works

Improvements and re- sheeting have been carried out on various roads these include the Sandstone–Menzies Road, Sandstone–Meekatharra Road, and an large re-sheeting program on the Sandstone–Paynes Find Road all these works have been funded from Councils own funds.

Maintenance grading with the use of both Council staff and contract was undertaken on most shire roads plus signs and delineators (guide posts) were replaced as required

Town Works

Works continued on the gardens in town and the street sweeper is brought out each fortnight to sweep the streets and paths. Visitors continue to leave positive comments about how lovely the town looks.

Plant Replacement



Major Plant

Council has replaced within the financial year the Maintenance Grader and the construction crew cab truck.

Minor Plant

There was no real minor plant purchases this year.

I would like to sincerely thank the outside crew for the works that they have completed this year in sometimes difficult circumstances.

HARRY HAWKINS
CHIEF EXECUTIVE OFFICER

Statutory Reports

1. STRATEGIC PLAN

Council updated the following plans during 2017-2018 and they were adopted by Council in 2017-2018:

Community Strategic Plan, Work Force Plan, Corporate Business Plan, Strategic Resources Plan incorporating Asset Management and Long Term Financial Plans as a part of the legislative requirements for local governments to enter into an integrated planning process.

2. FREEDOM OF INFORMATION

The Shire of Sandstone has a requirement to comply with the Freedom of Information Act.

During the 2018/19 financial year no applications were received for information under the terms of this legislation.

3. RECORD KEEPING PLAN

The State Records Act 2000 requires that the Shire of Sandstone maintains and disposes of all records in the prescribed manner. During 2016/17 a revised Record Keeping Plan was adopted by Council and submitted to the State Records Commission for approval. The plan was subsequently approved by the State Records Office.

Council is continuing to utilise an electronic record keeping system and formally archiving old records. A new Record Keeping Plan has been prepared and approved by the State Records Office.

In accordance with State Records Commission Standard 2 – Principle 6 compliance with the Record Keeping Plan the following is reported:

Rationale:

An organisation and its employees must comply with the organisation's Record Keeping Plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The Record Keeping Plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's Record Keeping System is evaluated not less than once every 5 years
2. The organisation conducts a Record Keeping Training Program.
3. The efficiency and effectiveness of the Record Keeping Training Program is reviewed from time to time.
4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's Record Keeping Plan.

The Shire has complied with items 1 to 4.

4. PUBLIC INTEREST DISCLOSURES

The Public Interest Disclosure Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken.

Council has complied with all obligations under the Act including:

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

There were no matters raised or reported during the year under review.

5. LEGISLATIVE REVIEW

All Local Governments are required to assess which of their Local Laws might impact on competition and conduct a review of each to determine how any restrictive practices might be overcome.

The Annual Report is to include a statement of which Local Laws that have been reviewed, the conclusions of those reviews, and a forward strategy for all Local Laws.

A review of all local laws concluded in 2016/2017

6. STRUCTURAL REFORM

The Shire of Sandstone did not privatise any activities during 2018/19.

A major review of the strategic plans was undertaken in 2017/2018.

7. DISABILITY ACCESS AND INCLUSION PLAN

The Disability Services Act 1993 was amended in December 2004, creating a requirement for public authorities to develop and implement Disability Access and Inclusion Plans (DAIPs). These plans had to be fully developed by July 2007, and replaced and built on the achievements of Disability Service Plans (DSPs).

Council adopted a revised DAIP in October 2016 covering the period 2016 – 2020.

1. Council is continually adapting our existing services to give people with disability the same opportunities as other people to access the services of, and any events organised by the Shire.
2. Council also continues with improvement to buildings and footpath infrastructure to assist both wheelchair and gopher access.
3. Wherever possible people with disability can receive information from the Shire in a format that will enable them to access the information as readily as other people are able to access it. This includes a comprehensive website and the ability to change documents to large front size.
4. The Staff are always encouraged to be aware of the needs of people with disability to ensure they receive the same level and quality of service as other people receive. We are also working with our contractors to ensure they are aware of their responsibilities.
5. People with disability have the same opportunities as other people to make complaints to the staff, this can be via written letters, email, SMS or verbally.
6. Council provides many ways for people to participate in public consultation and we are more than happy to discuss any grievances community members may have regarding the services available to the disabled.
7. People with disability have the same opportunities as other people to obtain and maintain employment with the Shire of Sandstone.

The Shire of Sandstone has adopted a revised **Disability Access and Inclusion Plan** that meets the requirements of the Disability Services Act. The Plan assists in the provision and allocation of resources to improve access and delivery of services for people with disability. Existing facilities in the Shire are reviewed and assessed continually to allow for improved access for all persons in the community.

8. EMPLOYEES REMUNERATION

Set out below, in bands of \$10,000, is the number of employees of the Shire of Sandstone entitled to an annual salary of \$100,000 or more:

Salary Range\$
140,000 – 149,999**2018**

1

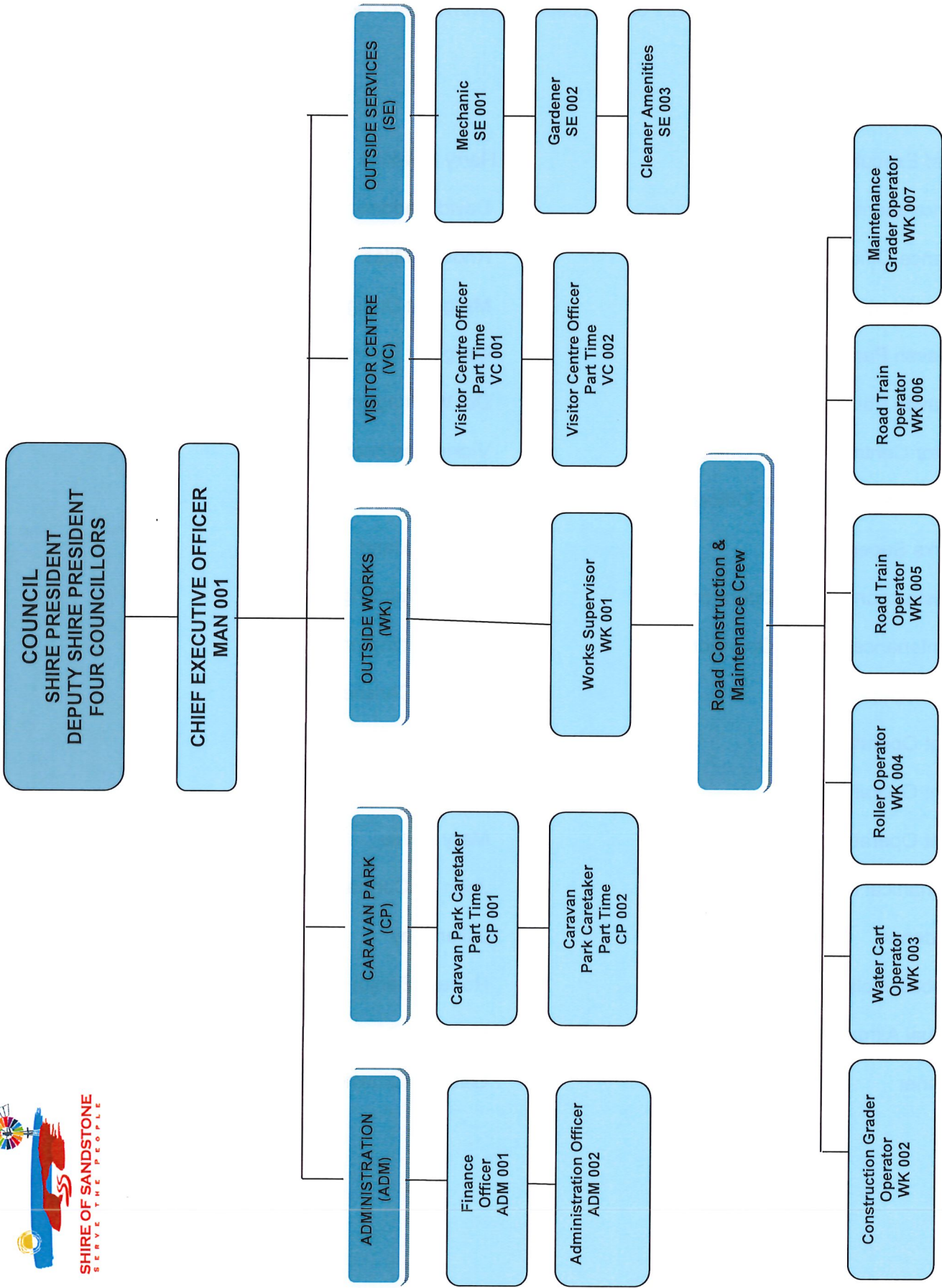
2019

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9. There were no entries made that required recording in the complaints register under section 5.121 of the Local Government Act 1995.

Staff

Chief Executive Officer	Harry Hawkins
Environmental Health Officer	David Hadden
Finance Officer	Rhonda Miles
Administration Officer	Margaret Duhig
Caravan Park Manager	Margaret Dixon
Caravan Park Officer	Dot Whittington
Visitor Centre/Museum Officer	Vickie Thomson
Visitor Centre/Museum Officer	Kim Moon
Works Supervisor	David Holland
Construction Grader Operator	Arthur Wainwright
Maintenance Grader Operator	Don Whittington
Plant Operator	George Christie
Plant Operator	Andy Mann
Plant Operator	Vic Taylor
Plant Operator	Mary Baillie
Mechanical Fitter	John McCormack
Gardener	Julian Day
Rubbish Collection/General Hand	Robert (Banjo) Patterson
Casual Allrounder	Paul Dixon
Cleaner	Gabby Wainwright



ENVIRONMENTAL HEALTH OFFICER / BUILDING SURVEYOR'S REPORT

This annual report provides a summary of the main activities and duties carried out by the Councils Environmental Health /Building officer (EHO/BS) Mr Dave Hadden for the 2018/19 financial year.

1. Building works in the Shire of Sandstone

Four building permits have been issued by myself to date being 3 carports and 1 accommodation unit (National Hotel).

The total Value of Building works to date is \$28,391.00 when last year it was \$98,391.00.

2. Demolition licences

There were Nil (0) demolition permit issued.

4. Reporting of Building Statistics to ABS

The new reporting system using an online portal based in the Building Commission of Western Australia has been a wonderful innovation. We now log each Permit issued on their site and these are assessable by the Australian Bureau of Statistics (ABS), so it saves us having to report to them each month.

The building permit data system is now the central record keeper for building data state wide with other government agencies accessing their data requirement directly from the new BPD system which reduces the Shires responsibility to provide this data independently.

5. Private Swimming Pool Inspections.

Local Government is required under the Building Regulations 2012 to carry out compliance inspections of swimming pool barriers within each shire every four years. Currently there are four private swimming pools that the shire is aware of that have been inspected to date. All swimming pool barriers were eventually approved as compliant. The next inspection period will be carried out in the 2021/2022 financial year.

Environmental Health

1. Food Businesses

- Food premises within the shire are being monitored in accordance with the Food Act 2002.
- All are registered under the Food Act with the Community Kitchen and Hotel making up the 5 Registered Food Premises under the Food Act.

2. Food recalls

- Food recalls are many and varied annually but rarely affect food premises in the Shire of Sandstone. If a recall notice relates to products sold locally the recall advice is forwarded to relevant premises for advice.

3. Waste management/recycling programmes

- Waste metal collection is still being collected at the landfill site.
- The tip continues to be maintained at a good level.
- The Bio-remediation Facility in Sandstone is quite unique and not found anywhere else in this region.
- Council management are currently thinking of closing the bioremediation facility as it has not received any recent disposals in the last couple of years while the management and administrative cost associated with compliance with the license conditions is increasing annually.
- The process has started to address the issue of effluent pickup and subsequent disposal at the landfill site. The Shire, the vehicle and equipment, as well as the driver are all required to be licensed under the Controlled Waste legislation. DWER legislation currently requires the liquid waste disposal pond to be licensed if receiving above 100 tonnes of waste per year. Most small local authorities operate ponds under the 100 tonne threshold by restricting disposals at the ponds to shire or townsite only. If Council breaches the 100 tonne threshold DWER will require an environmental assessment of the facility through the license application process which will increase costs significantly.

6. New Public Health Act 2016

The new Public Health Act 2016 has come into force, but certain sections are yet to be activated. In the meantime we now work with the new Act and also specific sections of the old Public Health Act which is now referred to as the Health (Miscellaneous Provisions) Act 1911 as amended.

The main sections we work with are contained within the Health (Miscellaneous Provisions) Act 1911 such as Nuisance provisions and housing. The main issue that is being pushed at the moment is the need to develop a Public Health Plan under the new Act, which will be required to be completed when the Public Health Act 2016 is finally completed. Council has engaged Mr Llew Withers to prepare Councils Health Plan while it is expected that a meeting with Mr Withers will occur in early 2020 to explain the process and assess the health profile of the shire that Mr Withers has prepared in readiness for the health plan.

More about this will be dealt with in the future.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Sandstone

Report on the Audit of the Financial Report

Opinion

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

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the annual financial report of the Shire of Sandstone:

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

Basis for Qualified Opinion

The Shire's roads and footpaths infrastructure, reported at values of \$36,087,015 and \$79,480 respectively in Note 9 of the annual financial report, were last valued in June 2014. Because the assets have not been re-valued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, I am unable to determine whether Infrastructure of \$38,203,388 in the Statement of Financial Position represents fair value.

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates significant adverse trend in the financial position of the Shire:
 - a. The Own Source Revenue Coverage Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the last three years. The financial ratios are reported at Note 29 of the financial report.

- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:
- a. For approximately 35% of purchase transactions we sampled, there were no purchase orders raised. This practice increases the likelihood of inappropriate purchases being made.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 29 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Delegate of the Auditor General for Western Australia
Perth, Western Australia
19 December 2019

SHIRE OF SANDSTONE

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1 Revaluation of Infrastructure	✓		
2 Related Party Declarations		✓	

KEY TO RATINGS

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF SANDSTONE

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Revaluation of Infrastructure

Finding:

Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 requires an asset to be revalued within a period of at least three years but no more than five years after the day on which the asset was last valued or revalued.

The Shire last revalued its Road and Footpath infrastructure asset classes in June 2014. The Road and Footpath infrastructure asset classes should have been revalued no later than June 2019, being five years after the day of the last revaluation of these asset classes.

Rating: Significant

Implication:

Non-compliance with regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996.

Recommendation:

The Shire must ensure that it revalues assets in accordance with the timeframes legislated by regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996.

Management Comment:

The valuation of roads and Footpaths was not undertaken as at 30 June 2019 due to an oversight. The Acting CEO has arranged with Greenfields Geraldton to undertake the valuation during 2019/20 and it is expected by 31 March 2020.

Responsible Person: CEO
Completion Date: 18 December 2019

SHIRE OF SANDSTONE

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Related Party Declarations

Finding:

Two related party declarations were not completed, one by an employee who was key management personnel and one by an elected member during the 2019 financial year.

Furthermore, two of the related party declarations completed by elected members had blank areas where they had not indicated that there was no change.

Rating: Moderate

Implication:

Potential non-compliance with the requirements of AASB 124 Related Party Disclosures.

Recommendation:

Shire councillors and key management staff must complete Related Party Disclosure forms for any period that they held office or were employed by the Shire during a financial year. The declarations must clearly indicate the period covered.

The Shire must therefore ensure that the completion of Related Party Disclosure forms are part of the exit protocol for all councillors leaving office or key management personnel leaving its employment.

Furthermore, the Shire should ensure that councillors and key management staff complete the entire related party declaration to ensure unwarranted information is not added to the declarations.

Management Comment:

This would be an oversight. An officer is assigned to ensure the forms are completed by key management personnel and completed properly.

Responsible Person: CEO

Completion Date: 18 December 2019

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

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COMMUNITY VISION

A welcoming and friendly community recognising our rich heritage and embracing economic opportunity, whilst nurturing our natural and built environment.

Principal place of business:
Hack Street
Sandstone
WA 6639

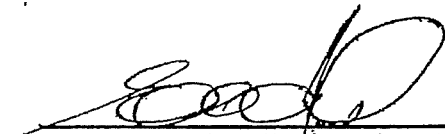
SHIRE OF SANDSTONE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Sandstone 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 Sandstone 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 19TH day of DECEMBER 2019



Acting Chief Executive Officer

Eddie Piper

Acting Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	20(a)	948,043	1,106,308	1,019,760
Operating grants, subsidies and contributions	2(a)	5,404,616	3,913,127	6,562,713
Fees and charges	2(a)	159,239	213,025	164,788
Interest earnings	2(a)	150,050	146,345	157,823
Other revenue	2(a)	451,319	517,926	539,616
		<u>7,113,267</u>	<u>5,896,731</u>	<u>8,444,700</u>
Expenses				
Employee costs		(986,616)	(1,275,240)	(1,056,909)
Materials and contracts		(3,978,022)	(3,510,687)	(5,791,061)
Utility charges		(136,418)	(134,467)	(112,440)
Depreciation on non-current assets	10(b)	(1,384,083)	(1,336,794)	(1,332,415)
Insurance expenses		(127,645)	(148,587)	(138,306)
Other expenditure		(105,540)	(134,599)	(32,356)
		<u>(6,718,324)</u>	<u>(6,540,374)</u>	<u>(8,463,487)</u>
		394,943	(643,643)	(18,787)
Non-operating grants, subsidies and contributions	2(a)	101,531	120,000	421,838
Profit on asset disposals	10(a)	0	213,496	0
(Loss) on asset disposals	10(a)	(30,075)	0	(106,919)
		<u>71,456</u>	<u>333,496</u>	<u>314,919</u>
Net result for the period		<u>466,399</u>	<u>(310,147)</u>	<u>296,132</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	1,219,355
Total other comprehensive income for the period		<u>0</u>	<u>0</u>	<u>1,219,355</u>
Total comprehensive income for the period		<u>466,399</u>	<u>(310,147)</u>	<u>1,515,487</u>

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
General purpose funding		3,094,994	2,279,449	3,105,795
Law, order, public safety		14,502	12,570	13,315
Housing		2,254	0	0
Community amenities		9,130	17,496	5,982
Recreation and culture		273	8,747	8,150
Transport		3,383,504	2,867,297	4,568,872
Economic services		545,649	604,636	650,618
Other property and services		62,961	106,536	91,968
		<u>7,113,267</u>	<u>5,896,731</u>	<u>8,444,700</u>
Expenses				
	2(b)			
Governance		(211,666)	(116,298)	(210,468)
General purpose funding		(104,621)	(118,047)	(58,493)
Law, order, public safety		(80,468)	(149,856)	(103,362)
Health		(33,541)	(39,893)	(28,065)
Housing		(271,770)	(211,679)	(258,529)
Community amenities		(122,148)	(175,410)	(159,154)
Recreation and culture		(481,396)	(623,421)	(525,823)
Transport		(4,219,395)	(4,119,599)	(5,750,177)
Economic services		(1,113,570)	(980,114)	(979,326)
Other property and services		(79,749)	(6,057)	(390,090)
		<u>(6,718,324)</u>	<u>(6,540,374)</u>	<u>(8,463,487)</u>
		394,943	(643,643)	(18,787)
Non-operating grants, subsidies and contributions	2(a)	101,531	120,000	421,838
Profit on disposal of assets	10(a)	0	213,496	0
(Loss) on disposal of assets	10(a)	(30,075)	0	(106,919)
		<u>71,456</u>	<u>333,496</u>	<u>314,919</u>
Net result for the period		<u>466,399</u>	<u>(310,147)</u>	<u>296,132</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	1,219,355
Total other comprehensive income for the period		<u>0</u>	<u>0</u>	<u>1,219,355</u>
Total comprehensive income for the period		<u>466,399</u>	<u>(310,147)</u>	<u>1,515,487</u>

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

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

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,699,219	3,287,008
Trade receivables	5	54,113	343,639
Other financial assets at amortised cost	7	3,445,356	2,999,049
Inventories	6	141,875	156,377
TOTAL CURRENT ASSETS		6,340,563	6,786,073
NON-CURRENT ASSETS			
Financial assets at fair value through profit and loss	7	17,517	0
Property, plant and equipment	8	8,705,829	9,244,233
Infrastructure	9	38,203,388	37,148,749
TOTAL NON-CURRENT ASSETS		46,926,734	46,392,982
TOTAL ASSETS		53,267,297	53,179,055
CURRENT LIABILITIES			
Trade and other payables	12	120,858	510,969
Employee related provisions	14	112,888	108,715
TOTAL CURRENT LIABILITIES		233,746	619,684
NON-CURRENT LIABILITIES			
Employee related provisions	14	33,889	26,108
TOTAL NON-CURRENT LIABILITIES		33,889	26,108
TOTAL LIABILITIES		267,635	645,792
NET ASSETS		52,999,662	52,533,263
EQUITY			
Retained surplus		34,662,212	33,975,478
Reserves - cash backed	4	4,745,437	4,965,772
Revaluation surplus	11	13,592,013	13,592,013
TOTAL EQUITY		52,999,662	52,533,263

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

SHIRE OF SANDSTONE
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		33,391,863	5,253,255	12,372,658	51,017,776
Comprehensive income					
Net result for the period		296,132	0	0	296,132
Other comprehensive income	11	0	0	1,219,355	1,219,355
Total comprehensive income		296,132	0	1,219,355	1,515,487
Transfers from/(to) reserves		287,483	(287,483)	0	0
Balance as at 30 June 2018		33,975,478	4,965,772	13,592,013	52,533,263
Comprehensive income					
Net result for the period		466,399	0	0	466,399
Total comprehensive income		466,399	0	0	466,399
Transfers from/(to) reserves		220,335	(220,335)	0	0
Balance as at 30 June 2019		34,662,212	4,745,437	13,592,013	52,999,662

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

SHIRE OF SANDSTONE
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		944,855	1,064,946	1,140,498
Operating grants, subsidies and contributions		5,658,115	3,913,127	6,395,631
Fees and charges		159,239	213,025	164,788
Interest received		150,050	146,345	157,823
Goods and services tax received		635,474	349,500	329,695
Other revenue		433,802	517,926	539,616
		<u>7,981,535</u>	<u>6,204,869</u>	<u>8,728,051</u>
Payments				
Employee costs		(974,566)	(1,275,240)	(1,137,925)
Materials and contracts		(4,359,827)	(3,377,564)	(5,774,235)
Utility charges		(136,418)	(134,467)	(112,440)
Interest expenses		6,100	0	(396)
Insurance paid		(127,645)	(148,587)	(138,306)
Goods and services tax paid		(596,259)	(349,500)	(97,960)
Other expenditure		(105,540)	(134,599)	(32,356)
		<u>(6,294,155)</u>	<u>(5,419,957)</u>	<u>(7,293,618)</u>
Net cash provided by (used in) operating activities	15	<u>1,687,380</u>	<u>784,912</u>	<u>1,434,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(532,412)	(794,500)	(456,196)
Payments for construction of infrastructure	9(a)	(1,640,456)	(1,628,732)	(1,008,338)
Term deposit investment recognised as other financial assets at amortised cost		(446,307)	0	0
Non-operating grants, subsidies and contributions	2(a)	101,531	120,000	421,838
Proceeds from sale of property, plant & equipment	10(a)	242,475	250,000	162,273
Net cash provided by (used in) investment activities		<u>(2,275,169)</u>	<u>(2,053,232)</u>	<u>(880,423)</u>
Net increase (decrease) in cash held		<u>(587,789)</u>	<u>(1,268,320)</u>	<u>554,010</u>
Cash at beginning of year	3	3,287,008	6,299,108	2,732,998
Cash and cash equivalents at the end of the year	15	<u>2,699,219</u>	<u>5,030,788</u>	<u>3,287,008</u>

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

SHIRE OF SANDSTONE
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)	21(b)	1,309,332	1,275,881	564,632
		1,309,332	1,275,881	564,632
Revenue from operating activities (excluding rates)				
General purpose funding		2,146,951	1,173,141	2,086,035
Law, order, public safety		14,502	12,570	13,315
Housing		2,254	0	0
Community amenities		9,130	17,496	5,982
Recreation and culture		273	8,747	8,150
Transport		3,383,504	3,080,793	4,568,872
Economic services		545,649	604,636	650,618
Other property and services		62,961	106,536	91,968
		6,165,224	5,003,919	7,424,940
Expenditure from operating activities				
Governance		(211,666)	(116,298)	(210,468)
General purpose funding		(104,621)	(118,047)	(58,493)
Law, order, public safety		(80,468)	(149,856)	(103,362)
Health		(33,541)	(39,893)	(28,065)
Housing		(271,770)	(211,679)	(258,529)
Community amenities		(122,148)	(175,410)	(159,154)
Recreation and culture		(481,396)	(623,421)	(537,823)
Transport		(4,249,470)	(4,119,599)	(5,845,096)
Economic services		(1,113,570)	(980,114)	(979,326)
Other property and services		(79,749)	(6,057)	(390,090)
		(6,748,399)	(6,540,374)	(8,570,406)
Non-cash amounts excluded from operating activities	21(a)	1,408,595	1,123,298	1,463,346
Amount attributable to operating activities		2,134,752	862,724	882,512
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	101,531	120,000	421,838
Proceeds from disposal of assets	10(a)	242,475	250,000	162,273
Purchase of property, plant and equipment	8(a)	(532,412)	(794,500)	(456,196)
Purchase and construction of infrastructure	9(a)	(1,640,456)	(1,628,732)	(1,008,338)
Amount attributable to investing activities		(1,828,862)	(2,053,232)	(880,423)
FINANCING ACTIVITIES				
Transfers to reserves (restricted assets)	4	(602,332)	(217,133)	(132,517)
Transfers from reserves (restricted assets)	4	822,667	301,333	420,000
Amount attributable to financing activities		220,335	84,200	287,483
Surplus/(deficit) before imposition of general rates		526,225	(1,106,308)	289,572
Total amount raised from general rates	20(a)	948,043	1,106,308	1,019,760
Surplus/(deficit) after imposition of general rates	21(b)	1,474,268	0	1,309,332

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 23 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			
General purpose funding	1,994,164	1,022,435	1,924,974
Law, order, public safety	14,036	11,918	12,733
Housing	2,254	0	0
Recreation and culture	0	8,000	7,900
Transport	3,383,504	2,867,297	4,568,871
Economic services	8,932	0	0
Other property and services	1,726	3,477	48,235
	<u>5,404,616</u>	<u>3,913,127</u>	<u>6,562,713</u>
Non-operating grants, subsidies and contributions			
Housing	0	0	(1,923)
Transport	101,531	120,000	423,761
	<u>101,531</u>	<u>120,000</u>	<u>421,838</u>
Total grants, subsidies and contributions	<u>5,506,147</u>	<u>4,033,127</u>	<u>6,984,551</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19.

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

(a) Revenue (Continued)

Significant revenue

Flood damage funding. This amount was recognised in operating grants and under Program Transport.

Other revenue

Reimbursements and recoveries

Other

Fees and Charges

General purpose funding

Law, order, public safety

Community amenities

Recreation and culture

Economic services

Other property and services

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

Rates instalment and penalty interest (refer Note 20(c))

Other interest earnings

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Significant revenue	3,199,396	0	4,271,214
Other revenue			
Reimbursements and recoveries	3,255	57,110	5,160
Other	448,064	460,816	534,456
	<u>451,319</u>	<u>517,926</u>	<u>539,616</u>
Fees and Charges			
General purpose funding	2,160	1,783	1,746
Law, order, public safety	466	652	582
Community amenities	9,130	17,496	5,761
Recreation and culture	273	747	250
Economic services	146,567	186,640	153,319
Other property and services	643	5,707	3,130
	<u>159,239</u>	<u>213,025</u>	<u>164,788</u>
Interest earnings			
Reserve accounts interest	122,893	117,133	129,336
Rates instalment and penalty interest (refer Note 20(c))	19,027	21,000	18,935
Other interest earnings	8,130	8,212	9,552
	<u>150,050</u>	<u>146,345</u>	<u>157,823</u>

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

2. REVENUE AND EXPENSES

(b) Expenses

Significant expense

Flood damage expenditure

This amount was recognised in materials and contracts in also in transport the year it was expensed.

Auditors remuneration

- Audit of the Annual Financial Report

- Other services

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Flood damage expenditure	2,771,414	0	4,308,748
Auditors remuneration			
- Audit of the Annual Financial Report	39,000	21,000	16,281
- Other services	5,701	8,131	4,140
	44,701	29,131	20,421

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		1,399,138	1,211,787
Term deposits		1,300,081	2,075,221
		<u>2,699,219</u>	<u>3,287,008</u>
Comprises:			
- Unrestricted cash and cash equivalents		1,393,038	1,211,787
- Restricted cash and cash equivalents		1,306,181	2,075,221
		<u>2,699,219</u>	<u>3,287,008</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Plant Replacement Reserve	4	98,151	642,618
Information Technology Reserve	4	46,679	46,075
Refuse Disposal Reserve	4	40,140	59,621
Housing Reserve	4	315,031	286,858
Community Development Reserve	4	800,080	931,551
		<u>1,300,081</u>	<u>1,966,723</u>
Other restricted cash and cash equivalents			
Unspent grants/contributions	19	0	108,498
Bonds and deposits held	23	6,100	0
Total restricted cash and cash equivalents		<u>1,306,181</u>	<u>2,075,221</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 SANDSTONE
 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	
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual
	Opening	Transfer	Transfer	Closing	Opening	Transfer	Transfer	Closing	Opening	Transfer	Transfer	Opening	Transfer	Closing
	Balance	to	(from)	Balance	Balance	to	(from)	Balance	Balance	to	(from)	Balance	to	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee Entitlement Reserve	214,394	2,811	0	217,205	211,783	4,850	0	216,633	209,205	5,189	0	214,394		
(e) Plant Replacement Reserve	1,107,593	524,168	(570,000)	1,061,761	1,182,897	127,088	0	1,309,985	1,156,376	31,217	(80,000)	1,107,593		
(f) Building Reserve	1,284,561	17,199	0	1,301,760	1,253,103	28,696	(60,000)	1,221,799	1,253,102	31,459	0	1,284,561		
(g) Airport Reserve	280,478	8,863	0	289,341	260,478	5,965	0	266,443	274,532	5,946	0	280,478		
(h) Road and Flood Damage Reserve	754,641	18,800	(100,000)	673,441	754,641	17,281	(112,000)	659,922	736,700	17,941	0	754,641		
(i) Information Technology Reserve	46,075	604	0	46,679	39,148	896	0	40,044	74,233	1,842	(30,000)	46,075		
(j) Refuse Disposal Reserve	39,621	519	0	40,140	58,894	1,349	0	60,243	58,177	1,444	0	39,621		
(k) Housing Reserve	306,858	8,172	0	315,030	426,003	9,755	(20,000)	415,758	581,438	15,420	(310,000)	306,858		
(l) Community Development Reserve	931,551	21,196	(152,667)	800,080	928,041	21,253	(109,333)	839,961	909,492	22,059	0	931,551		
	4,965,772	602,332	(822,667)	4,745,437	5,114,988	217,133	(301,333)	5,030,788	5,253,255	132,517	(420,000)	4,965,772		

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:

Anticipated date of use	Name of Reserve	Purpose of the reserve
ongoing	(a) Employee Entitlement Reserve	to be used to fund annual and long service leave requirements
ongoing	(e) Plant Replacement Reserve	to be used for the purchase of plant
ongoing	(f) Building Reserve	to be used for the construction and maintenance of council buildings
ongoing	(g) Airport Reserve	to be used to fund Sandstone Airport upgrades
ongoing	(h) Road and Flood Damage Reserve	to be used to fund road infrastructure and rehabilitation of borrow pits and to fund flood damage
ongoing	(i) Information Technology Reserve	to be used to maintain and replace computer systems
ongoing	(j) Refuse Disposal Reserve	to be used to fund the development of refuse disposal
ongoing	(k) Housing Reserve	to be used to fund maintenance and replacement of council employee housing requirements
ongoing	(l) Community Development Reserve	to be used for projects to benefit the community a determined from time to time

5. TRADE RECEIVABLES

Current

Rates receivable	8,693	5,505
Sundry receivables	0	564
GST receivable	45,420	84,635
Accrued income/payments in advance	0	252,935

	54,113	343,639
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Information with respect the impairment or otherwise of the totals of rates outstanding and sundry receivables is as follows:

Rates outstanding

Includes:

Not past due and not impaired	5,756	1,425
- 1 to 5 years	2,937	4,080

	8,693	5,505
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Sundry debtors outstanding

Includes:

Not past due and not impaired	0	564
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	0	564
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SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

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.

	2019	2018
	\$	\$
	8,693	5,505
	0	564
	45,420	84,635
	0	252,935
	54,113	343,639
	5,756	1,425
	2,937	4,080
	8,693	5,505
	0	564
	0	564

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

Current

Fuel and materials

	2019	2018
	\$	\$
	141,875	156,377
	<u>141,875</u>	<u>156,377</u>

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

Carrying amount at 30 June

	156,377	137,168
	(219,593)	(197,939)
	205,091	217,148
	<u>141,875</u>	<u>156,377</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

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

Land held for resale (Continued)

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

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

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

SHIRE OF SANDSTONE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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7. OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
Other financial assets at amortised cost		
- Financial assets at amortised cost - term deposits	3,445,356	2,999,049
	3,445,356	2,999,049
Non current financial assets at fair value through profit and loss		
Unlisted equity investments		
Units in LG housing trust (unlisted equity investment)	17,517	0
	17,517	0

Changes in the fair value of Units in Local Government House recognised as non-current financial assets at fair value through profit and loss have not been recognised nor considered as they are unlikely to be material and unable to be reliably determined at the time of preparation of these Statements

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 12(a) as self supporting loans. The following restrictions have been imposed by regulations or other externally imposed requirements:

Reserve accounts				
Employee Entitlement Reserve	4	217,205	214,394	
Plant Replacement Reserve	4	963,610	464,975	
Building Reserve	4	1,301,760	1,284,561	
Airport Reserve	4	289,341	280,478	
Road and Flood Damage Reserve	4	673,440	754,641	
		3,445,356	2,999,049	

Local government house trust

The Shire holds 1 of 620 units in the local government house trust which purchased the Local Government House. The total contribution by all Councils towards the purchase of the building was \$582,000.

Based on net assets of \$10,860,610 and 620 units, the value of 1 unit in the local government house at 30 June 2018 is \$17,517. This asset has been brought to account in 2019 as shown above.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

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

Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were 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 determined 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 26 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial 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	Total land buildings	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	438,300	5,769,218	5,769,218	6,207,518	65,200	3,430,715	9,703,433
Additions	20,000	356,990	356,990	376,990	0	79,206	456,196
(Disposals)	0	0	0	0	0	(257,192)	(257,192)
Revaluation increments / (decrements) transferred to revaluation surplus	0	123,553	123,553	123,553	0	0	123,553
Depreciation (expense)	0	(277,246)	(277,246)	(277,246)	(11,699)	(492,812)	(781,757)
Carrying amount at 30 June 2018	458,300	5,972,515	5,972,515	6,430,815	53,501	2,759,917	9,244,233
Comprises:							
Gross carrying amount at 30 June 2018	458,300	6,249,761	6,249,761	6,708,061	591,200	3,740,463	11,039,724
Accumulated depreciation at 30 June 2018	0	(277,246)	(277,246)	(277,246)	(537,699)	(980,546)	(1,795,491)
Carrying amount at 30 June 2018	458,300	5,972,515	5,972,515	6,430,815	53,501	2,759,917	9,244,233
Additions	0	0	0	0	6,412	526,000	532,412
(Disposals)	0	0	0	0	0	(272,550)	(272,550)
Depreciation (expense)	0	(292,263)	(292,263)	(292,263)	(11,464)	(494,539)	(798,266)
Carrying amount at 30 June 2019	458,300	5,680,252	5,680,252	6,138,552	48,449	2,518,828	8,705,829
Comprises:							
Gross carrying amount at 30 June 2019	458,300	6,249,761	6,249,761	6,708,061	597,612	3,950,536	11,256,209
Accumulated depreciation at 30 June 2019	0	(569,509)	(569,509)	(569,509)	(549,163)	(1,431,708)	(2,550,380)
Carrying amount at 30 June 2019	458,300	5,680,252	5,680,252	6,138,552	48,449	2,518,828	8,705,829

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	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate
Land - vested in and under the control of Council	3	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Management valuation	June 2017	Price per hectare / market borrowing rate
Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2017/2018	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment	2	Market approach using recent observable market data for similar assets (Gross Valuation method)	Independent registered valuers	June 2016	Market price per item
Plant and equipment	2	Market approach using recent observable market data for similar assets (Gross Valuation method)	Independent registered valuers	June 2016	Market price per item

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.

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.

	Roads	Other Infrastructure	Parks and Ovals	Footpaths	Airport	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	34,611,070	161,714	722,793	87,019	24,671	35,607,267
Additions	978,357	0	29,981	0	0	1,008,338
(Disposals)	0	0	(12,000)	0	0	(12,000)
Revaluation increments / (decrements) transferred to revaluation surplus	0	72,179	286,142	0	737,481	1,095,802
Depreciation (expense)	(414,028)	(20,593)	(102,166)	(3,769)	(10,102)	(550,658)
Carrying amount at 30 June 2018	35,175,399	213,300	924,750	83,250	752,050	37,148,749
Comprises:						
Gross carrying amount at 30 June 2018	43,875,127	213,300	924,750	131,807	752,050	45,897,034
Accumulated depreciation at 30 June 2018	(8,699,728)	0	0	(48,557)	0	(8,748,285)
Carrying amount at 30 June 2018	35,175,399	213,300	924,750	83,250	752,050	37,148,749
Additions	1,333,310	158,182	148,964	0	0	1,640,456
Depreciation (expense)	(421,694)	(25,246)	(104,262)	(3,770)	(30,845)	(585,817)
Carrying amount at 30 June 2019	36,087,015	346,236	969,452	79,480	721,205	38,203,388
Comprises:						
Gross carrying amount at 30 June 2019	45,208,437	371,482	1,073,714	131,807	752,050	47,537,490
Accumulated depreciation at 30 June 2019	(9,121,422)	(25,246)	(104,262)	(52,327)	(30,845)	(9,334,102)
Carrying amount at 30 June 2019	36,087,015	346,236	969,452	79,480	721,205	38,203,388

SHIRE OF SANDSTONE
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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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
Roads	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Management valuation	June 2014	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other Infrastructure	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Parks and Ovals	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Footpaths	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Management valuation	June 2014	Construction costs and current condition, residual values and remaining useful life assessments inputs
Airport	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

10. 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.

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

(a) Disposals of Assets

	2019		2019		2019		2019		2018		2018	
	Actual	Actual	Actual	Actual	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual
Plant and equipment	Net Book Value	Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss	Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss
Parks and Ovals	\$ 272,550	\$ 242,475	\$ 0	\$ (30,075)	\$ 36,504	\$ 250,000	\$ 213,496	\$ 0	\$ 257,192	\$ 162,273	\$ 0	\$ (94,919)
	0	0	0	0	0	0	0	0	12,000	0	0	(12,000)
	272,550	242,475	0	(30,075)	36,504	250,000	213,496	0	269,192	162,273	0	(106,919)

	2019		2019	
	Actual	Actual	Actual	Actual
Plant and Equipment	Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss
Transport	\$ 272,550	\$ 242,475	\$ 0	\$ (30,075)
	272,550	242,475	0	(30,075)

The following assets were disposed of during the year.

	2019		2019	
	Actual	Actual	Actual	Actual
Plant and Equipment	Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss
Transport	120,307	106,000	0	(14,307)
Platinum Backhoe	152,243	136,475	0	(15,768)
Caterpillar CP74B Pad Foot Roller	272,550	242,475	0	(30,075)
Transport Total				

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

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings	292,263	225,497	277,246
Furniture and equipment	11,464	10,296	11,699
Plant and equipment	494,539	576,691	492,812
Roads	421,694	414,030	414,028
Other Infrastructure	25,246	38,024	20,593
Parks and Ovals	104,262	68,486	102,166
Footpaths	3,770	3,770	3,769
Airport	30,845	0	10,102
	1,384,083	1,336,794	1,332,415

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement gravel sheet	50 years 12 years
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Parks and Ovals	5-40 years
Airport	75 years

Depreciation (Continued)

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

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

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11. REVALUATION SURPLUS

	2019			2019			2019			2018			2018		
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on	2019 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Revaluation Movement on	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Revaluation Movement on	2018 Closing Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land - freehold land	269,022	0	0	0	269,022	269,022	0	0	0	269,022	0	0	0	269,022	
Buildings	1,437,726	0	0	0	1,437,726	1,314,173	123,553	0	123,553	1,314,173	123,553	0	123,553	1,437,726	
Furniture and equipment	9,111	0	0	0	9,111	9,111	0	0	0	9,111	0	0	0	9,111	
Infrastructure - Roads	10,319,105	0	0	0	10,319,105	10,319,105	0	0	0	10,319,105	0	0	0	10,319,105	
Infrastructure - Other	207,850	0	0	0	207,850	135,671	72,179	0	72,179	135,671	72,179	0	72,179	207,850	
Infrastructure - Parks and Ovals	611,718	0	0	0	611,718	325,576	286,142	0	286,142	325,576	286,142	0	286,142	611,718	
Infrastructure - Airport	737,481	0	0	0	737,481	0	737,481	0	737,481	0	737,481	0	737,481	737,481	
	13,592,013	0	0	0	13,592,013	12,372,658	1,219,355	0	1,219,355	12,372,658	1,219,355	0	1,219,355	13,592,013	

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	
Bonds and deposits held (refer to Note 22)	
Accrued salaries and wages	
ATO liabilities	
Accrued expenses	

	2019	2018
	\$	\$
	48,295	248,023
	6,100	0
	15,515	15,394
	21,654	21,679
	29,294	225,873
	<u>120,858</u>	<u>510,969</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.

13. INFORMATION ON BORROWINGS

	2019	2018
(a) Undrawn Borrowing Facilities	\$	\$
Credit Standby Arrangements		
Credit card limit	20,000	20,000
Credit card balance at balance date	0	(2,758)
Total amount of credit unused	20,000	17,242

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

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

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	85,344	23,371	108,715
Non-current provisions	0	26,108	26,108
	85,344	49,479	134,823
Additional provision	93,721	17,834	111,555
Amounts used	(99,601)	0	(99,601)
Balance at 30 June 2019	79,464	67,313	146,777
Comprises			
Current	79,464	33,424	112,888
Non-current	0	33,889	33,889
	79,464	67,313	146,777
	2019	2018	
Amounts are expected to be settled on the following basis:	\$	\$	
More than 12 months from reporting date	146,777	134,823	
	146,777	134,823	

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	2,699,219	5,030,788	3,287,008
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	466,399	(310,147)	296,132
Non-cash flows in Net result:			
Depreciation	1,384,083	1,336,794	1,332,415
(Profit)/loss on sale of asset	30,075	(213,496)	106,919
Recognition of Unit in Local Government House Trust	(17,517)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	289,526	(41,362)	165,405
(Increase)/decrease in inventories	14,502	0	(19,209)
Increase/(decrease) in payables	(390,111)	133,123	(49,403)
Increase/(decrease) in provisions	11,954	0	24,012
Grants contributions for the development of assets	(101,531)	(120,000)	(421,838)
Net cash from operating activities	1,687,380	784,912	1,434,433

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
General purpose funding	8,693	5,505
Law, order, public safety	175,452	209,580
Housing	1,917,165	1,998,208
Community amenities	857,720	994,298
Recreation and culture	3,322,144	3,312,458
Transport	39,275,919	38,834,403
Economic services	765,616	872,458
Other property and services	3,559,268	3,545,939
Unallocated	3,385,320	3,406,206
	53,267,297	53,179,055

17. CONTINGENT LIABILITIES

The Shire of Sandstone has in compliance with the contaminated Sites Act 2003 s11 listed site to be possible sources of contamination:

- Sandstone Refuse Site,

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and degree with the Department of Water and Environmental Regulation the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated site. The Shire is continuing to monitor the site and will progressively undertake site investigations and remediation on a risk based approach. This approach is consistent with the Department of Water and Environmental Regulation guidelines.

18. 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	14,020	1,925	14,530
President's allowance	3,500	8,350	4,375
Deputy President's allowance	875	0	0
Travelling expenses	4,940	5,145	4,006
Telecommunications allowance	2,875	500	2,909
	<u>26,210</u>	<u>15,920</u>	<u>25,820</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	222,194	247,831
Other long-term benefits	5,287	0
	<u>227,481</u>	<u>247,831</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.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

18. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Purchase of goods and services		
Companies	12,477	135,699
Short term employee benefits -other related parties	0	3,512
Amounts outstanding from related parties:		
Trade and other receivables	0	41,182

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.

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
General purpose funding							
Grants Commission General	0	0	0	0	1,547,576	(1,547,576)	0
Grants Commission Roads	0	0	0	0	446,588	(446,588)	0
Law, order, public safety							
ESL Operating Grants	0	9,927	(9,927)	0	9,940	(9,940)	0
ESL Admin Grant	0	2,805	(2,805)	0	2,750	(2,750)	0
Housing							
Regional CLGF 2011/12 Staff Housing	1,748	0	(1,748)	0	0	0	0
Recreation and culture							
Old Shire Office - Picture Rails and A/Conditioning					7,900	(7,900)	0
Transport							
Roads to Recovery	0	277,143	(168,645)	108,498	0	(108,498)	0
Flood damage	0	4,508,164	(4,508,164)	0	3,199,396	(3,199,396)	0
Main Roads Project Grant	0	146,618	(146,618)	0	165,600	(165,600)	0
Main Roads Direct Grant	0	59,847	(59,847)	0	103,235	(103,235)	0
	1,748	5,004,504	(4,897,754)	108,498	5,482,985	(5,591,483)	0

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.

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
			Actual Rateable Value \$	Actual Rate Revenue \$	Actual Interim Rates \$	Actual Back Rates \$	Actual Total Revenue \$	Budget Total Revenue \$	Actual Total Revenue \$					
Differential general rate / general rate														
Gross rental valuations														
Townsite	0.064471	33	221,052	14,252	0	0	0	0	0	14,252	14,567	14,313		
Transient workforce accommodation	0.364661	4	72,020	26,263	0	0	0	0	0	26,263	26,263	25,622		
Unimproved valuations														
Rural	0.059683	19	700,188	41,789	0	0	0	0	0	41,789	41,789	40,770		
Mining	0.263638	140	3,772,449	994,561	(139,263)	82	82	82	82	855,380	1,019,824	936,314		
Sub-Total		196	4,765,709	1,076,865	(139,263)	82	82	82	82	937,684	1,102,443	1,017,019		
Minimum payment														
Minimum payment \$														
Gross rental valuations														
Townsite	200	29	0	5,800	0	0	0	0	0	5,800	5,800	6,200		
Unimproved valuations														
Rural	315	6	0	1,890	0	0	0	0	0	1,890	1,890	2,520		
Mining	315	46	0	14,490	0	0	0	0	0	14,490	14,175	12,585		
Sub-Total		81	0	22,180	0	0	0	0	0	22,180	21,865	21,305		
Discounts/concessions (refer Note 20(b))														
		277	4,765,709	1,099,045	(139,263)	82	82	82	82	959,864	1,124,308	1,038,324		
Total amount raised from general rate										(11,821)	(18,000)	(18,564)		
										948,043	1,106,308	1,019,760		

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

20. RATING INFORMATION (Continued)

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

Rates Discounts						
Rate or Fee	Discount	2019 Actual	2019 Budget	2018 Actual	Circumstances in which Discount is Granted	
Discount Granted	%	\$	\$	\$		
Discount on early payment	3.50%	11,821	18,000	18,564		Early payment of current rates and arrears within 14 days of the date of issue of the rate notice.
		11,821	18,000	18,564		

20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Pay early	14/08/2018	0	0.00%	0.00%
Option Two				
Pay on time	5/09/2018	0	0.00%	11.00%
Option Three				
First Instalment	5/09/2018	0	0.00%	11.00%
Second Instalment	5/11/2018	10.00	5.50%	11.00%
Third Instalment	7/01/2019	10.00	5.50%	11.00%
Fourth Instalment	7/03/2019	10.00	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	11,167	15,000	16,797
Interest on instalment plan	7,860	6,000	2,138
Charges on instalment plan	2,160	2,000	1,630
	21,187	23,000	20,565

21. 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)	0	(213,496)	0
Less: Recognition of unit in LG house trust		(17,517)	0	0
Movement in employee benefit provisions (non-current)		11,954	0	24,012
Add: Loss on disposal of assets	10(a)	30,075	0	106,919
Add: Depreciation on assets	10(b)	1,384,083	1,336,794	1,332,415
Non cash amounts excluded from operating activities		1,408,595	1,123,298	1,463,346

(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	4	(4,745,437)	(5,030,788)	(4,965,772)
Add: Cash backed employee provisions		112,888	100,000	108,715
Total adjustments to net current assets		(4,632,549)	(4,930,788)	(4,857,057)

Net current assets used in the Rate Setting Statement

Total current assets		6,340,563	5,200,788	6,786,073
Less: Total current liabilities		(233,746)	(270,000)	(619,684)
Less: Total adjustments to net current assets		(4,632,549)	(4,930,788)	(4,857,057)
Net current assets used in the Rate Setting Statement		1,474,268	0	1,309,332

22. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	2.56%	2,699,219	1,300,081	1,394,688	4,450
Financial assets at amortised cost - term deposits	2.44%	3,445,356	3,445,356	0	0
2018					
Cash and cash equivalents	1.84%	3,287,008	2,075,221	1,207,337	4,450
Financial assets at amortised cost	2.27%	2,999,049	2,999,049	0	0

Sensitivity

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

Impact of a 1% movement in interest rates on profit and loss and equity*

* Holding all other variables constant

	2019	2018
	\$	\$
	13,515	62,861

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(a)

22. FINANCIAL RISK MANAGEMENT

(b) Credit risk

Trade Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.01%	3.07%	6.99%	6.99%	
Gross carrying amount	4,598	1,278	563	2,254	8,693
Loss allowance	0	39	39	158	236
01 July 2018					
Rates receivable					
Expected credit loss	0.01%	8.63%	6.76%	6.99%	
Gross carrying amount	1,425	1,826	913	1,341	5,505
Loss allowance	0	158	62	94	314

There was no loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	0	0	0	0	0
Loss allowance	0	0	0	0	0
01 July 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	564	0	0	0	564
Loss allowance	0	0	0	0	0

22. FINANCIAL RISK MANAGEMENT

(c) Liquidity risk

Payables

Payables are 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(a).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	120,858	0	0	120,858	120,858
	120,858	0	0	120,858	120,858
2018					
Payables	510,969	0	0	510,969	510,969
	510,969	0	0	510,969	510,969

23. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are detailed below. In previous years, bonds and deposits were held as trust monies. They are now included in Restricted Cash at Note 3 and shown as a current liability at Note 12.

	1 July 2018	Amounts Received	Amounts Paid	Reclassified to Restricted Cash	30 June 2019
	\$	\$	\$	\$	\$
Housing bonds	6,576	1,724	(2,200)	(6,100)	0
Department of Transport - Licensing	748	0	(748)	0	0
	7,324	1,724	(2,948)	(6,100)	0

24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire evaluated events from 30 June 2019 through to the date the financial statements were issued. No subsequent events were noted that require disclosure.

25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

(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.

25. 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.

An assessment was performed to measure expected credit losses taking into account post events, current conditions and forecasts of future economic conditions. Any adjustments from adoption were deemed immaterial and have not been recognised directly in accumulated surplus/deficit.

26. 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 of AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

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

(b) Leases

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

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

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount and discounted using the lessee's incremental borrowing rate as 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.

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

Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions of 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.

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 within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

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

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

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27. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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28. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

ACTIVITIES

GOVERNANCE

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

Includes the activities of members, council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

To provide an operational framework for environmental and community health.

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

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

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

HOUSING

To provide and maintain elderly residents housing.

Provision and maintenance of elderly residents housing.

COMMUNITY AMENITIES

To provide services required by the community.

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning scheme, cemetery and public conveniences.

RECREATION AND CULTURE

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

Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

To provide safe, efficient transport services to the community.

Construction and maintenance of roads, street, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

To help promote the Shire and its economic wellbeing.

Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building control.

OTHER PROPERTY AND SERVICES

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

Private works operation, plant repair and operation costs and engineering operation costs.

29. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	13.15	3.35	2.00
Asset consumption ratio	0.80	0.82	0.81
Asset renewal funding ratio	1.01	1.05	0.98
Asset sustainability ratio	1.40	0.71	3.33
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	0.29	(0.09)	0.79
Own source revenue coverage ratio	0.19	0.16	0.17

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

