



ATTACHMENTS

Audit and Risk Management Committee Meeting – 18 January 2023

- 5(1) Minutes Audit and Risk Management Committee Meeting – 3 March 2022
- 6.1(1) Annual Financial Statements 2021/22
- 6.1(2) Audit Opinion 2021/22
- 6.1(3) Management Letter
- 6.1(4) Interim Audit Management Letter



AUDIT AND RISK MANAGEMENT COMMITTEE MEETING MINUTES

Held on

Thursday 3 March 2022

Commencing at 5.00pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

A handwritten signature in black ink, appearing to read 'Ben Rose'.

Ben Rose
Chief Executive Officer

08 March 2022

TABLE OF CONTENTS

1	DECLARATION OF OPENING	3
2	ATTENDANCE.....	3
	2.1 APOLOGIES.....	3
	2.2 APPROVED LEAVE OF ABSENCE.....	4
3	ANNOUNCEMENTS FROM CHAIRPERSON	4
4	DECLARATION OF INTEREST	4
5	CONFIRMATION OF MINUTES.....	4
6	REPORTS OF OFFICERS	5
	6.1 ANNUAL FINANCIAL STATEMENTS AUDIT OPINION 2020/21	5
	6.2 COMPLAINTS AUDIT RETURN 2021	11
	6.3 INTERNAL AUDIT PROPOSAL.....	16
	6.4 CHIEF EXECUTIVE OFFICER TO PROVIDE A VERBAL UPDATE ON THE EXPRESSION OF INTEREST FOR POSITIONS OF EXTERNAL MEMBERS TO THE AUDIT AND RISK MANAGEMENT COMMITTEE	20
7	CLOSURE.....	20

SHIRE OF DONNYBROOK BALINGUP
AUDIT AND RISK MANAGEMENT COMMITTEE MEETING MINUTES

Held at the Council Chambers
3 March 2022 at 5.00pm

1 DECLARATION OF OPENING

Chairperson – Acknowledgment of Country

The Shire President acknowledged the traditional custodians of the land, the Wardandi People of the Noongar Nation, paying respects to Elders; past, present and emerging.

The Chairperson declared the meeting open at 5:00pm and welcomed the members of the Committee.

The Chairperson stated the following in accordance with Council Policy EM/CP-2:

This meeting is being digitally recorded in accordance with Council policy.

Members of the public are reminded that no other visual or audio recording of this meeting by any other means is allowed without the permission of the Chairperson.

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS	STAFF
Cr Leanne Wringe (Shire President) Cr Chris Smith	Mr Kim Dolzadelli – Director Corporate Community Mr Ben Rose – Chief Executive Officer Archana Arun – Administration Officer Executive Services
EXTERNAL MEMBERS	GUESTS
Mr Ian Telfer – Chairperson	

2.1 APOLOGIES

Ms Carly Anderson
Cr Chaz Newman

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

Nil.

4 DECLARATION OF INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

5 CONFIRMATION OF MINUTES

Minutes of the Audit and Risk Management Committee meeting held 9 February 2022 are attached (Attachment 5(1)).

EXECUTIVE RECOMMENDATION

That the Minutes of the Audit and Risk Management Committee Meeting held 9 February 2022 be confirmed as a true and correct record.

COMMITTEE RESOLUTION

Moved: Cr Wringe Seconded: Cr Smith

That the Minutes of the Audit and Risk Management Committee Meeting held 9 February 2022 be confirmed as a true and correct record.

CARRIED 3/0

The Chairperson in consultation with the committee members brought Agenda Item 6.4 forward.

6 REPORTS OF OFFICERS

6.1 ANNUAL FINANCIAL STATEMENTS AUDIT OPINION 2020/21

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 02A
Author	Kim Dolzadelli, Director Corporate and Community
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	6.1(1) - Annual Financial Statements 2020/21 6.1(2) - Audit Opinion 2020/21 6.1(3) – Report on Significant Finding 2020/21 Audit
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee recommend to Council:

- 1. Receive the Annual Financial Report and Audit Report for the year ending 30 June 2021; and**
- 2. Forward to the Minister for Local Government, Sport and Cultural Industries the report on significant findings as attached for the year ending 30 June 2021, as required by Section 7.12A(4)(b) of the Local Government Act 1995.**

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

The Office of the Auditor General (OAG) has completed the Audit of the Annual Financial Report for the year ended 30 June 2021. The audit opinion was issued on 23 February 2022 and is attached to this item for reference.

The audit opinion is unqualified and concludes that the report fairly represents the results of the operations of the Shire for the period ended 30 June 2021.

There is one item included under the heading of 'Report on Other Legal and Regulatory Requirements' which require consideration by the Committee and the Council and relate to a significant adverse trends opinion as follows:

"(a) In my opinion, the following material matters indicates a significant adverse trend in the financial position of the Shire:

- a) The Operating Surplus Ratio as reported in Note 35 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries standard for the past 3 financial years."*

Management Comment

The Shire's Operating Surplus Ratio is being adversely impacted by non-cash depreciation charges. A preliminary review of Depreciation Rates has been undertaken and points to a potential over calculation of depreciation as does the fact that Road Infrastructure Assets are not disaggregated therefore residual values cannot be put in place where appropriate.

Officers note that the Department of Local Government, Sport and Cultural Industries (DLGSC), under direction from the Minister, has recently released its draft Model Financial Statements as part of the broader Local Government Reform currently being undertaken.

The following is contained in the current draft which if progressed would remove the current Ratio calculations:

- "Prescribed financial ratios have been removed. Consequently, it should be assumed that financial data required to report useful financial ratios will be prescribed in the model accounts."*

The methodologies of calculating the operating surplus ratio are generally recognized, within the Local Government sector, as being inappropriate to be used to determine a significant adverse trend.

Pending the final outcome of the Local Government Reform Officers will undertake a full review of Depreciation calculation and methodology.

There are two items included under the heading of 'Report on Other Legal and Regulatory Requirements' which requires consideration by the Committee and the Council and relates to statutory compliance as follows:

"(ii) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:

- a) Accounting journal adjustments were processed with no evidence of independent review and approval. Accounting journals can represent significant adjustments to previously*

approved accounting transactions, and therefore should be appropriately reviewed and approved.

- b) *The Shire has not reported the Asset Renewal Funding Ratio for 2021, 2020 and 2019 in the annual financial report as required by Section 50(1) of the Local Government (Financial Management) Regulations 1996, as the long-term financial plan adopted by the Shire does not include the required information to calculate the ratio.”*

Management Comment

Accounting Journals:

Management acknowledges this finding and notes that the above recommendation is in operational practice.

The Director of Corporate and Community has personally reviewed the 1148 general journals processed in the 2020/21 Financial Year and has found a total of 6 that had no evidence of review by a senior staff member. This equates to a failure rate in the process of 0.52% with compliance standing at 99.48%. The 6 journals were also checked for legitimacy and supporting documentation with no adverse findings.

Staff appreciate the importance and significance of the process and will continue to strive for 100% compliance.

Asset Renewal Funding Ratio:

The Shire adopted its Long Term Financial Plan (LTFP) 2020-2040 on 22 December 2020 however this plan was not considered by the OAG as it does not categorise Capital expenditure into type; that being New, Upgrade or Renewal, for this ratio to be calculated the Renewal component needs to be itemised in the LTFP.

All the necessary asset management planning is complete to a sufficient level to inform the development of the calculation of the asset renewal funding ratio, this however needs to be imbedded into the LTFP.

Officers note that the Department of Local Government, Sport and Cultural Industries (DLGSC), under direction from the Minister, has recently released its draft Model Financial Statements as part of the broader Local Government Reform currently being undertaken.

The following is contained in the current draft which if progressed would remove the current Ratio calculations:

- *“Prescribed financial ratios have been removed. Consequently, it should be assumed that financial data required to report useful financial ratios will be prescribed in the model accounts.*
- *Asset ratios requiring audit attestation have been removed from audit scope. This will require amendment to regulation 10 (3) (e) and 4A of the Local Government (Audit) Regulations 1996.”*

Pending the final outcome of the Local Government Reform Officers will work to ensure that the appropriate data is compiled in the LTFFP which is currently under review to allow for this ratio to be calculated if required.

BACKGROUND

The Shire of Donnybrook Balingup audit for year ending 30 June 2021 was conducted by the Office of the Auditor (OAG) using a private contractor; Moore Australia.

FINANCIAL IMPLICATIONS

Nil

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government Act 1995 Part – 7 Audit

7.12A. Duties of local government with respect to audits

- (3) *A local government must —*
 - (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must —*
 - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*

- (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

Local Government (Audit) Regulations 1996

16. Functions of audit committee

An audit committee has the following functions —

- (a) *to guide and assist the local government in carrying out —*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) *regulation 17(1); and*
 - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
 - (i) *is required to take by section 7.12A(3); and*
 - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

CONSULTATION

Not Applicable.

OFFICER CONCLUSION

The matters raised in the Audit Opinion have been considered by Council officers and actions are to be put in place addressing issues raised.

COMMITTEE RESOLUTION

Moved Cr Smith

Seconded Cr Wringe

That the Audit and Risk Management Committee recommend to Council:

- 1. Receive the Annual Financial Report and Audit Report for the year ending 30 June 2021; and**
- 2. Forward to the Minister for Local Government, Sport and Cultural Industries the report on significant findings as attached for the year ending 30 June 2021, as required by Section 7.12A(4)(b) of the Local Government Act 1995.**

CARRIED 3/0

6.2 COMPLAINTS AUDIT RETURN 2021

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	N/A
Author	Loren Clifford, Corporate Planning and Governance Officer
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	6.2(1) - 2021 Compliance Audit Return 6.2(2) - Letter OAG - 2020-21 Annual Financial Audit Report Delay
Voting Requirements	Simple Majority

Executive Recommendation 1

That the Audit and Risk Management Committee review the Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021.

Executive Recommendation 2

That the Audit and Risk Management Committee recommends to Council that:

- 1. The 2021 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021 be adopted, and**
- 2. Makes any recommendations to Council regarding the review as it considers appropriate.**

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.2	Seek a high level of legislative compliance and effective internal controls.

EXECUTIVE SUMMARY

A Local Government Compliance Audit Return (CAR) is required to be undertaken in accordance with the *Local Government (Audit) Regulations 1996* Reg. 14(1).

The Audit was conducted by staff for the period 1st January to 31st December 2021, within the scope and in the format required by the Department of Local Government, Sport and Cultural Industries.

After conducting the checking process, the 2021 CAR contains a positive compliance response (or not applicable) of 96 out of the 98 compliance items (98%) with a non-compliance response for two items as set out in the table below.

The Officer also notes the comments in relation to the two items and in the case of Item 3 the lack of control the Shire has over the OAG in the delivery of the Annual Financial Report and also the fact that as such there is no statutory timeframe for the CEO to adopt the Employee Code of Conduct.

For all intents and purposes the officer is of the opinion that 100% compliance has been attained for items that it can control.

Topic	Item Number	Matter
Finance	3	Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?
Officer Comment:		
Not received from OAG, Audit exit meeting occurred Tuesday 15 February 2022. Letter from OAG attached apologising for delay previously circulated to all Councillors 4 January 2022 and tabled at the Audit and Risk Management Committee meeting held 9 February 2022.		
Topic	Item Number	Matter
Disclosure of Interest	25	Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?
Officer Comment:		
The Draft Code of Conduct will be presented to staff at the March 2022 staff meeting for comment. There is no statutory timeframe for the CEO to adopt the Employee Code of Conduct.		

BACKGROUND

The Department of Local Government, Sport and Cultural Industries (DLGSCI) requires local governments to conduct an annual assessment of their compliance with key components of the *Local Government Act 1995* (the Act) and associated Regulations. The 2021 CAR is to be provided to the DLGSCI by 31 March 2022.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Under *Regulation 14 of the Local Government (Audit) Regulations 1996* the 2021 CAR is to be reviewed by Council's Audit Committee and then report the results of that review to Council for adoption.

A printed copy of the CAR and a copy of minute of the Audit Committee is to be presented to the Council at the next Ordinary Council Meeting for consideration. The minute and recommendation from the Audit and Risk Management Committee to the Council is considered to constitute the report referred to in the legislation.

Following presentation to Council, a certified copy of the 2021 CAR, along with an extract of the minutes of the meeting at which the CAR was adopted by Council, and any additional information, is to be submitted on-line to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The 2021 CAR contains 98 questions grouped in relation to various compliance areas.

The result of the 2021 CAR was a positive compliance response or not applicable response to 96 of those requirements and two negative responses as set out below:

- **Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?** Not received from OAG, Audit exit meeting occurred Tuesday 15 February 2022.
- **Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?** The Draft Code of Conduct will be presented to staff at the February 2022 staff meeting for

comment. There is no statutory timeframe for the CEO to adopt the Employee Code of Conduct.

EXECUTIVE RECOMMENDATION 1

That the Audit and Risk Management Committee review the Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021.

EXECUTIVE RECOMMENDATION 2

That the Audit and Risk Management Committee recommends to Council that:

- 1. The 2021 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021 be adopted, and**
- 2. Makes any recommendations to Council regarding the review as it considers appropriate.**

Amendment Cr Wringe

Seconded Cr Smith

- 1. That the Audit and Risk Management Committee review the Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021.**
- 2. That the Audit and Risk Management Committee recommends to Council that:**
 - a) The 2021 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021 be adopted, and**
 - b) Makes any recommendations to Council regarding the review as it considers appropriate.**

LAPSED AS SUBSTANTIVE MOTION CARRIED

Amendment Cr Smith

Seconded Cr Wringe

- 1. That the Audit and Risk Management Committee review the Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021.**

- 2. That the Audit and Risk Management Committee recommends to Council that:**
 - a) The 2021 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021 be adopted, and**

 - b) The Committee notes they have no recommendations to the Council on this matter given the extensive information included by staff in the Compliance Audit Return documentation attached.**

COMMITTEE RESOLUTION

Moved Cr Smith

Seconded Cr Wringe

- 1. That the Audit and Risk Management Committee review the Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021.**

- 2. That the Audit and Risk Management Committee recommends to Council that:**
 - a) The 2021 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2021 to 31 December 2021 be adopted, and**

 - b) The Committee notes they have no recommendations to the Council on this matter given the extensive information included by staff in the Compliance Audit Return documentation attached.**

CARRIED 3/0

The Mover and Secunder agreed to an amendment to Resolution 2 b.

6.3 INTERNAL AUDIT PROPOSAL

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 02A
Author	Kim Dolzadelli, Director Corporate and Community
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	6.3(1) - Confidential AMD Internal Audit Proposal 6.3(2) - Confidential AMD Internal Audit List of Modules Note: the attachments are considered confidential in accordance with the Local Government Act 1995, Section 5.23 (2) (c) <i>a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.</i>
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee:</p> <ol style="list-style-type: none"> 1. Review the Internal Audit Proposal attached as a confidential document, and 2. Recommends that Council accept the proposal 3 Year Internal Audit Proposal from AMD Chartered Accountants.

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.2	Seek a high level of legislative compliance and effective internal controls.

EXECUTIVE SUMMARY

An Expression of Interest for the provision of Internal Audit services was sent out to the following three qualified providers:

- a) Moore Australia - (declined due to conflict of interest as they are appointed as our auditor through the Office of the Auditor General),
- b) Butler Settineri – no response, and

- c) AMD Chartered Accountants (AMD) – response received

The Officer recommends acceptance of the proposal received by AMD.

BACKGROUND

At its meeting held 7 December 2021 the Audit and Risk Management Committee made the following resolution.

“COMMITTEE RESOLUTION

Moved Cr Chris Smith Seconded Cr Chaz Newman

That the Audit and Risk Management Committee notes that a Request for Expression of Interest for Internal Audit functions will be prepared by Officers to encompass the following requirements:

- 1. To be undertaken in accordance with the Institute of Internal Auditors Code of Ethics;*
- 2. To be undertaken in accordance with the Internal Auditors Professional Practices Framework; and*
- 3. The broad scope of the Internal Audit program will include, at least, the following items with componentized costings:*
 - a. Information technology;*
 - b. Security and emergency procedures including accident / incident reporting;*
 - c. Vehicle fleet management;*
 - d. Lease management (where Local Government Lessor);*
 - e. Service contract management;*
 - f. FBT/GST review;*
 - g. Assessment of attractive asset control – i.e., phones, tablets and fraud awareness;*
 - h. Compliance (Local Government Act and local laws);*
 - i. Asset management (capital expenditure, asset control, depreciation schedules and preventative maintenance programs);*
 - j. Insurance management;*
 - k. Stock control; and*
 - l. Policy and procedure maintenance.*

The Final Scope for the Internal Audit program will be reviewed at the Audit and Risk Management Committee and recommendations made to Council at the February 2022.”

FINANCIAL IMPLICATIONS

The 2021/22 Budget includes a provision of \$15,000 for Internal Audit Services.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

The Internal Audit process is not required by any legislation and goes beyond any Statutory Compliance requirements.

CONSULTATION

Not Applicable.

OFFICER COMMENT/CONCLUSION

The officer believes that the proposal from AMD represents good value and the spreading of the detailed scope being spread over a period of three years will ensure that the processes undertaken are thorough and do not simply skim the surface.

Timing provided by AMD for each area is shown in the table below however they have stated that they are willing to adjust these should the Committee/Council so wish.

AMD are also offering a fixed price over the term of the proposal.

Auditable Areas	Year		
	2022	2023	2024
Prepare Strategic Internal Audit Plan	✓		
Annual Review of Strategic Internal Audit Plan		✓	✓
Review of Prior Year recommendations – Internal Audit		✓	✓
Review of Prior Year recommendations – External Audit	✓	✓	✓
Planning	✓	✓	✓
Information Technology		✓	
Security and emergency procedures including accident / incident reporting	✓		
Vehicle fleet management			✓
Lease management (where Local Government Lessor)	✓		
Service contract management	✓		
FBT/GST review	✓		
Assessment of attractive asset control			✓
Compliance (Local Government Act and local laws)		✓	
Asset management (capital expenditure, asset controls, depreciation schedules and preventative maintenance programs)			✓
Insurance management			✓
Stock control			✓
Policy and procedure maintenance		✓	
Review and Reporting	✓	✓	✓

Moved Cr Wringe Seconded Cr Smith

That the Audit and Risk Management Committee:

- 1. Review the Internal Audit Proposal attached as a confidential document, and**
- 2. Recommends that Council accept the proposal 3 Year Internal Audit Proposal from AMD Chartered Accountants.**

Amendment Cr Wringe Seconded Cr Smith

That the Audit and Risk Management Committee:

- 1. Review the Internal Audit Proposal attached as a confidential document, and**
- 2. Recommends that Council accept the proposal for a 3 Year Internal Audit Function from AMD Chartered Accountants.**

COMMITTEE RESOLUTION

Moved Cr Wringe Seconded Cr Smith

That the Audit and Risk Management Committee:

- 1. Review the Internal Audit Proposal attached as a confidential document, and**
- 2. Recommends that Council accept the proposal for a 3 Year Internal Audit Function from AMD Chartered Accountants.**

CARRIED 3/0

The Mover and Seconder agreed to a minor amendment to Resolution 2.

6.4 CHIEF EXECUTIVE OFFICER TO PROVIDE A VERBAL UPDATE ON THE EXPRESSION OF INTEREST FOR POSITIONS OF EXTERNAL MEMBERS TO THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Chief Executive Officer advised that Ms Carly Anderson has resigned from her position after several years of service. The Shire has received one application for the vacant position that was advertised through the Preston Press earlier this year. The Chief Executive Officer along with the Director Corporate and Community intend to present an item to the Council at the March Ordinary Council Meeting with the recommendation to make an appointment to the Audit and Risk Management Committee.

The Chief Executive Officer then provided a brief summary of the applicant.

7 CLOSURE

The Chairperson declared the meeting closed at 5:48pm.

SHIRE OF DONNYBROOK BALINGUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Certification of Financial Report	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Rate Setting Statement	7
Index of Notes to the Financial Report	8
Independent Auditor's Report	57

The Shire of Donnybrook Balingup conducts the operations of a local government with the following community vision:

A proud community enjoying our rural lifestyle, cultural heritage and natural environment.

Principal place of business:
Corner Collins and Bentley Streets
Donnybrook WA 6239

**SHIRE OF DONNYBROOK BALINGUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

The attached financial report of the Shire of Donnybrook Balingup for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the Shire of Donnybrook Balingup at 30 June 2022 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 Fifteenth day of December 2022



Chief Executive Officer

Benjamin (Ben) Rose

Name of Chief Executive Officer

SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2022

		2022	2022	2021
	NOTE	Actual	Budget	Actual (Restated)
		\$	\$	\$
Revenue				
Rates	28(a)	6,122,936	6,110,565	5,097,943
Operating grants, subsidies and contributions	2(a)	5,333,239	2,432,997	3,643,313
Fees and charges	27(c)	1,750,780	1,582,087	2,169,363
Interest earnings	2(a)	80,288	104,000	108,388
Other revenue	2(a)	16,835	400	429
		13,304,078	10,230,049	11,019,436
Expenses				
Employee costs		(5,701,415)	(5,597,803)	(4,965,382)
Materials and contracts		(3,036,481)	(3,714,673)	(3,424,877)
Utility charges		(402,382)	(379,610)	(348,041)
Depreciation on non-current assets	10(a)	(5,711,771)	(5,758,977)	(5,484,216)
Amortisation	10(a)	(530,249)	0	(28,552)
Interest expenses	2(b)	(11,494)	(12,372)	(27,504)
Insurance expenses		(377,200)	(367,996)	(345,052)
Other expenditure		(235,470)	(209,599)	(371,542)
		(16,006,462)	(16,041,030)	(14,995,166)
		(2,702,384)	(5,810,981)	(3,975,730)
Non-operating grants, subsidies and contributions	2(a)	4,892,961	11,389,111	5,401,767
Profit on asset disposals	10(b)	130,482	24,018	56,408
(Loss) on asset disposals	10(b)	(1,407,197)	(28,303)	(9,262)
		3,616,246	11,384,826	5,448,913
Discontinued Operations				
Profit / (Loss) on discontinued operations	34	0	0	(644,695)
		913,862	5,573,845	828,488
Net result for the period				
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	19	14,181,440	0	0
		14,181,440	0	0
Total other comprehensive income for the period				
		15,095,302	5,573,845	828,488
Total comprehensive income for the period				

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

SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	NOTE	2022	2021 (Restated)
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	10,443,573	11,131,480
Trade and other receivables	5	802,148	977,733
Other financial assets	4(a)	22,988	9,397
Inventories	6	257,644	46,187
Other assets	7	63,416	144,295
TOTAL CURRENT ASSETS		11,589,769	12,309,092
NON-CURRENT ASSETS			
Trade and other receivables	5	138,294	122,040
Other financial assets	4(b)	248,780	256,943
Inventories	6	1,971,753	271,628
Other assets	7	719,498	722,405
Property, plant and equipment	8	48,463,683	35,864,629
Infrastructure	9	130,122,273	129,478,056
Right-of-use assets	11(a)	36,763	65,509
Intangible assets	12	526,890	73,409
TOTAL NON-CURRENT ASSETS		182,227,934	166,854,619
TOTAL ASSETS		193,817,703	179,163,711
CURRENT LIABILITIES			
Trade and other payables	13	1,350,643	2,335,885
Other liabilities	14	2,208,477	2,387,785
Lease liabilities	11(b)	15,032	29,043
Borrowings	15	65,983	63,578
Other Financial Liabilities	16	0	215,436
Employee related provisions	17	856,343	802,924
TOTAL CURRENT LIABILITIES		4,496,478	5,834,651
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	23,062	38,094
Borrowings	15	273,004	338,988
Other financial liabilities	16	3,802,000	3,852,000
Employee related provisions	17	139,132	94,983
Other provisions	18	1,755,323	771,593
TOTAL NON-CURRENT LIABILITIES		5,992,521	5,095,658
TOTAL LIABILITIES		10,488,999	10,930,309
NET ASSETS		183,328,704	168,233,402
EQUITY			
Retained surplus		33,035,978	32,015,240
Reserve accounts	31	5,319,382	5,426,258
Revaluation surplus	19	144,973,344	130,791,904
TOTAL EQUITY		183,328,704	168,233,402

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

SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2020		29,961,747	6,651,263	130,791,904	167,404,914
Comprehensive income for the period					
Net result for the period (as previously reported)		616,427	0	0	616,427
Correction of prior period error	33	212,061			212,061
Other comprehensive income for the period	19	0	0	0	0
Total comprehensive income for the period (restated)		828,488	0	0	828,488
Transfers from reserves	31	1,948,603	(1,948,603)	0	0
Transfers to reserves	31	(723,598)	723,598	0	0
Balance as at 30 June 2021		32,015,240	5,426,258	130,791,904	168,233,402
Comprehensive income for the period					
Net result for the period		913,862	0	0	913,862
Other comprehensive income for the period	19	0	0	14,181,440	14,181,440
Total comprehensive income for the period		913,862	0	14,181,440	15,095,302
Transfers from reserves	31	2,632,984	(2,632,984)	0	0
Transfers to reserves	31	(2,526,108)	2,526,108	0	0
Balance as at 30 June 2022		33,035,978	5,319,382	144,973,344	183,328,704

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

SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		6,135,637	6,110,565	5,157,010
Operating grants, subsidies and contributions		3,500,633	2,432,997	5,371,146
Fees and charges		1,746,923	1,582,087	3,080,648
Interest received		80,288	104,000	128,264
Goods and services tax received		1,521,729	1,200,000	1,052,701
Other revenue		982	400	14,447
		12,986,192	11,430,049	14,804,216
Payments				
Employee costs		(5,642,555)	(5,597,803)	(8,157,018)
Materials and contracts		(4,114,076)	(3,719,622)	(3,761,025)
Utility charges		(391,152)	(379,610)	(421,117)
Finance costs		(13,103)	(12,372)	(14,710)
Insurance paid		(377,200)	(367,996)	(377,019)
Goods and services tax paid		(1,458,336)	(1,200,000)	(1,167,790)
Other expenditure		(201,518)	(209,599)	(300,500)
		(12,197,940)	(11,487,002)	(14,199,179)
Net cash provided by (used in) operating activities	20(b)	788,252	(56,953)	605,037
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(977,683)	(7,314,497)	(2,402,689)
Payments for construction of infrastructure	9(a)	(5,281,979)	(7,505,073)	(4,612,532)
Non-operating grants, subsidies and contributions		4,892,961	11,389,111	5,130,139
Proceeds from financial assets at amortised cost - self supporting loans		10,509	9,396	4,663
Proceeds from sale of property, plant & equipment	10(b)	238,091	143,870	122,091
Proceeds from sale of land held for resale	10(b)	0	0	81,818
Net cash provided by (used in) investing activities		(1,118,101)	(3,277,193)	(1,676,510)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	30(a)	(63,579)	(63,577)	(61,288)
Payments for principal portion of lease liabilities	30(c)	(29,043)	(39,309)	(55,333)
Proceeds from new borrowings	30(a)	0	2,500,000	0
Net proceeds from other financial liabilities		(265,436)	(33,000)	102,436
Loan advance - commercial entity		0	0	(120,000)
Net transfers of bonds and deposits		0	0	(4,229,897)
Net cash provided by (used in) financing activities		(358,058)	2,364,114	(4,364,082)
Net increase (decrease) in cash held		(687,907)	(970,032)	(5,435,555)
Cash at beginning of year		11,131,480	11,242,319	16,567,035
Cash and cash equivalents at the end of the year	20(a)	10,443,573	10,272,287	11,131,480

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

SHIRE OF DONNYBROOK BALINGUP
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
NET CURRENT ASSETS - At start of financial year - surplus/(deficit)	29(b)	1,346,843	1,128,182	1,018,550
OPERATING ACTIVITIES				
Revenue from operating activities (excluding general rate)				
Operating grants, subsidies and contributions		5,333,239	2,432,997	5,872,277
Fees and charges		1,750,780	1,582,087	3,080,648
Interest earnings		80,288	104,000	128,264
Other revenue		16,835	400	201,676
Profit on asset disposals	10(b)	130,482	24,018	56,408
		7,311,624	4,143,502	9,339,273
Expenditure from operating activities				
Employee costs		(5,701,415)	(5,597,803)	(7,837,008)
Materials and contracts		(3,036,481)	(3,714,673)	(4,165,081)
Utility charges		(402,382)	(379,610)	(421,117)
Depreciation		(5,711,771)	(5,758,977)	(5,671,020)
Amortisation		(530,249)	0	(28,552)
Finance costs		(11,494)	(12,372)	(27,638)
Insurance		(377,200)	(367,996)	(377,019)
Other expenditure		(235,470)	(209,599)	(397,745)
Loss on asset disposals	10(b)	(1,407,197)	(28,303)	(85,315)
		(17,413,659)	(16,069,333)	(19,010,495)
Non-cash amounts excluded from operating activities	29(a)	5,833,475	5,763,262	5,215,634
Amount attributable to operating activities		(4,268,560)	(6,162,569)	(4,455,588)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		4,892,961	11,389,111	5,401,767
Proceeds from disposal of assets	10(b)	238,091	143,870	203,909
Proceeds from financial assets at amortised cost - self supporting loans		10,509	9,396	4,663
Purchase of property, plant and equipment	8(a)	(977,683)	(7,314,497)	(2,402,689)
Purchase and construction of infrastructure	9(a)	(5,281,979)	(7,505,073)	(4,612,532)
Amount attributable to investing activities		(1,118,101)	(3,277,193)	(1,404,882)
FINANCING ACTIVITIES				
Repayment of borrowings	30(a)	(63,579)	(63,577)	(61,288)
Proceeds from borrowings	30(a)	0	2,500,000	0
Payments for principal portion of lease liabilities	30(c)	(29,043)	(39,309)	(55,333)
Net proceeds from other financial liabilities		(265,436)	(33,000)	102,436
Loan - advance to commercial entity		0	0	(120,000)
Transfers to reserves (restricted assets)	31	(2,526,108)	(824,638)	(723,598)
Transfers from reserves (restricted assets)	31	2,632,984	1,647,768	1,948,603
Amount attributable to financing activities		(251,182)	3,187,244	1,090,820
Surplus/(deficit) before imposition of general rates		(4,291,000)	(5,124,336)	(3,751,100)
Total amount raised from general rates	28(a)	6,122,936	6,110,565	5,097,943
Surplus/(deficit) after imposition of general rates	29(b)	1,831,936	986,229	1,346,843

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

**SHIRE OF DONNYBROOK BALINGUP
FOR THE YEAR ENDED 30 JUNE 2022
INDEX OF NOTES TO THE FINANCIAL REPORT**

Note 1	Basis of Preparation	9
Note 2	Revenue and Expenses	10
Note 3	Cash and Cash Equivalents	12
Note 4	Other Financial Assets	12
Note 5	Trade and Other Receivables	13
Note 6	Inventories	14
Note 7	Other Assets	15
Note 8	Property, Plant and Equipment	16
Note 9	Infrastructure	18
Note 10	Fixed Assets	20
Note 11	Leases	23
Note 12	Intangible Assets	24
Note 13	Trade and Other Payables	25
Note 14	Other Liabilities	26
Note 15	Borrowings	27
Note 16	Other Financial Liabilities	28
Note 17	Employee Provisions	29
Note 18	Other Provisions	30
Note 19	Revaluation Surplus	31
Note 20	Notes to the Statement of Cash Flows	32
Note 21	Contingent Liabilities	33
Note 22	Commitments	33
Note 23	Related Party Transactions	34
Note 24	Joint Arrangements	37
Note 25	Financial Risk Management	39
Note 26	Other Significant Accounting Policies	42
Note 27	Function and Activity	43
Note 28	Rating Information	46
Note 29	Rate Setting Statement Information	49
Note 30	Borrowings and Lease Liabilities	50
Note 31	Reserves - Cash Backed	52
Note 32	Trust Funds	54
Note 33	Correction of Prior Period Error	55
Note 34	Discontinued Operations	56

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the *Australian Accounting Standards*. The *Australian Accounting Standards* (as they apply to local governments and not-for-profit entities) and Interpretations of Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

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 financial 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.

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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 32 of the financial report.

Judgements and 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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.
- estimation uncertainties made in relation to lease accounting
- estimated useful life of intangible asset

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Fees and charges - licenses, registrations, approvals	Buildings, planning, development and animal management, having the same nature as a license regardless of naming	Single point in time	Full payment prior to issue	None	On payment of the license, registration or approval
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Fees and charges - sale of stock	Kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Output method based on goods

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

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature or types of goods or services is provided in the table below:

For the year ended 30 June 2022

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	6,122,936	0	6,122,936
Operating grants, subsidies and contributions	5,333,239	0	0	0	5,333,239
Fees and charges	1,741,729	0	9,051	0	1,750,780
Interest earnings	0	0	80,288	0	80,288
Other revenue	0	0	0	16,835	16,835
Non-operating grants, subsidies and contributions	0	4,892,961	0	0	4,892,961
Total	7,074,968	4,892,961	6,212,275	16,835	18,197,039

For the year ended 30 June 2021

Nature or type	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	5,097,943	0	5,097,943
Operating grants, subsidies and contributions	5,872,277	0	0	0	5,872,277
Fees and charges	2,368,177	0	712,471	0	3,080,648
Interest earnings	0	0	128,264	0	128,264
Other revenue	0	0	0	201,676	201,676
Non-operating grants, subsidies and contributions	0	5,401,767	0	0	5,401,767
Total	8,240,454	5,401,767	5,938,678	201,676	19,782,575

2021 includes revenue relating to the discontinued operation management of Tuia Lodge Aged Care Home.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE AND EXPENSES (Continued)

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
(a) Revenue (Continued)				
Interest earnings				
Interest on reserve funds		14,238	30,000	28,180
Rates instalment and penalty interest (refer Note 28(c))		57,208	54,500	59,537
Other interest earnings		8,842	19,500	20,671
		80,288	104,000	108,388
(b) Expenses				
Auditors remuneration				
- Audit of the Annual Financial Report		33,800	30,000	26,400
- Other services		5,000	19,500	5,560
		38,800	49,500	31,960
Finance costs				
Borrowings *	30(a)	9,613	10,234	11,935
Other provisions: unwinding of discount	18	0	0	12,928
Lease liabilities	30(c)	1,881	2,138	2,775
		11,494	12,372	27,638

* 2021 includes interest relating to the discontinued operational management of Tuia Lodge aged care home. \$134 of interest expense relates to the discontinued operation, \$27,504 relates to normal operations.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand
 Term deposits
Total cash and cash equivalents

Note	2022 \$	2021 \$
	7,943,573	11,131,480
	2,500,000	0
20(a)	10,443,573	11,131,480
	2,343,238	2,077,200
20(a)	8,100,335	9,054,280
	10,443,573	11,131,480

Held as
 - Unrestricted cash and cash equivalents
 - Restricted cash and cash equivalents

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

Details of restrictions on financial assets can be found at Note 20.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Self supporting loans receivable

Held as

- Unrestricted other financial assets at amortised cost

(b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit and loss

Financial assets at amortised cost

Self supporting loans receivable

Financial assets at fair value through profit and loss

Units in Local Government House Trust

Shares in Bendigo Bank

	2022 \$	2021 \$
	22,988	9,397
	22,988	9,397
29(b)	22,988	9,397
	22,988	9,397
	22,988	9,397
	22,988	9,397
	145,976	170,076
	102,804	86,867
	248,780	256,943
	145,976	170,076
	145,976	170,076
	77,804	61,867
	25,000	25,000
	102,804	86,867

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 31(a) as self supporting loans. Fair value of financial assets at fair value through profit and loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

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.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 26 (i)) due to the observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit and loss

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

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

Impairment and risk

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

**SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable

Non-current

Pensioner's rates and ESL deferred

Note	2022	2021
	\$	\$
	405,884	409,161
	307,207	416,122
	89,057	152,450
	802,148	977,733
	138,294	122,040
	138,294	122,040

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 grants, contributions, reimbursements, and goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

Impairment and risk exposure

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

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

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

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

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

6. INVENTORIES

Note	2022	2021
	\$	\$
Current		
Fuel and materials	10,767	8,613
Gravel	244,983	35,016
Work in progress - Gravel	200	200
Kiosk supplies	1,694	2,358
	<u>257,644</u>	<u>46,187</u>
Non-current		
Clay Soil Stockpile	1,971,753	271,628
	<u>1,971,753</u>	<u>271,628</u>

The following movements in inventories occurred during the year:

Balance at beginning of year	317,815	170,390
Inventories expensed during the year	(236,365)	(238,549)
Disposal of land held for resale	0	(45,468)
Additions to inventory	2,147,947	431,442
Balance at end of year	<u>2,229,397</u>	<u>317,815</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.

**SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

7. OTHER ASSETS

	2022	2021
	\$	\$
Other assets - current		
Prepayments	0	2,083
Accrued income	48,508	3,274
Contract assets	14,908	138,938
	63,416	144,295
Other assets - non-current		
Accrued Income	719,498	722,405
	719,498	722,405

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Contract assets

Contract assets primarily relate to the Shire's right to . consideration for work completed but not billed at the end of the period.

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

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Note	Land	Buildings - Non- specialised	Total Land and Buildings	Furniture and Equipment	Plant and Equipment	Work in Progress - Movement	Total Property, Plant and Equipment
		\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020		4,187,400	25,347,769	29,535,169	350,676	4,950,324	886,003	35,722,172
Additions		0	2,114,744	2,114,744	81,078	203,867	3,000	2,402,689
Disposals		0	0	0	(48,053)	(139,295)	0	(187,348)
Work in progress movement		0	788,758	788,758	0	0	(788,758)	0
Depreciation	10(a)	0	(1,170,782)	(1,170,782)	(112,303)	(692,554)	0	(1,975,639)
Assets Written Off		0	0	0	0	0	(97,245)	(97,245)
Balance at 30 June 2021		4,187,400	27,080,489	31,267,889	271,398	4,322,342	3,000	35,864,629
Comprises:								
Gross balance amount at 30 June 2021		4,187,400	31,633,914	35,821,314	627,391	7,336,957	3,000	43,788,662
Accumulated depreciation at 30 June 2021		0	(4,553,425)	(4,553,425)	(355,993)	(3,014,615)	0	(7,924,033)
Balance at 30 June 2021		4,187,400	27,080,489	31,267,889	271,398	4,322,342	3,000	35,864,629
Additions		0	681,749	681,749	23,166	261,632	11,136	977,683
Disposals		(93,000)	(277,624)	(370,624)	0	(92,167)	0	(462,791)
Revaluation increments / (decrements) transferred to revaluation surplus		1,247,600	12,933,840	14,181,440	0	0	0	14,181,440
Depreciation	10(a)	0	(1,243,605)	(1,243,605)	(104,860)	(673,409)	0	(2,021,874)
Transfers		0	(72,404)	(72,404)	22,743	(22,743)	(3,000)	(75,404)
Balance at 30 June 2022		5,342,000	39,102,445	44,444,445	212,447	3,795,655	11,136	48,463,683
Comprises:								
Gross balance amount at 30 June 2022		5,342,000	69,289,973	74,631,973	672,721	7,374,005	11,136	82,689,835
Accumulated depreciation at 30 June 2022		0	(30,187,528)	(30,187,528)	(460,274)	(3,578,350)	0	(34,226,152)
Balance at 30 June 2022		5,342,000	39,102,445	44,444,445	212,447	3,795,655	11,136	48,463,683

**SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties/ income approach using discounted cashflow methodology	Independent Valuer	June 2022	Price per hectare, market borrowing rate, sales evidence
Buildings - Non-specialised	2	Cost approach using depreciated replacement cost	Independent Valuer	June 2022	Construction costs and current condition, residual values and remaining useful life assessments
<p>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.</p> <p>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.</p>					
(ii) Cost					
Furniture and equipment		N/A	Cost	N/A	Purchase cost
Plant and equipment		N/A	Cost	N/A	Purchase cost

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE

(a) Movements in Balances

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

Note	Infrastructure - Roads	Infrastructure - Other	Infrastructure - Drainage	Infrastructure - Footpaths	Infrastructure - Bridges	Infrastructure - Work in Progress - Movement	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	79,084,071	5,924,090	18,400,017	2,723,513	22,318,912	53,892	128,504,495
Additions	1,853,291	593,943	0	269,833	1,113,956	781,509	4,612,532
Work in Progress - movement	0	45,404	0	0	0	(45,404)	0
Depreciation	(2,009,629)	(397,145)	(316,195)	(58,083)	(857,919)	0	(3,638,971)
Balance at 30 June 2021	78,927,733	6,166,292	18,083,822	2,935,263	22,574,949	789,997	129,478,056
Comprises:							
Gross balance at 30 June 2021	109,897,792	12,162,487	26,349,624	4,389,233	54,586,782	789,997	208,175,915
Accumulated depreciation at 30 June 2021	(30,970,059)	(5,996,195)	(8,265,802)	(1,453,970)	(32,011,833)	0	(78,697,859)
Balance at 30 June 2021	78,927,733	6,166,292	18,083,822	2,935,263	22,574,949	789,997	129,478,056
Additions	2,873,898	2,124,638	0	102,277	0	181,166	5,281,979
(Disposals)	0	(1,052,015)	0	0	0	0	(1,052,015)
Depreciation	(2,048,491)	(354,780)	(316,196)	(63,045)	(878,639)	0	(3,661,151)
Transfers	0	327,114	0	14,846	424,942	(691,498)	75,404
Balance at 30 June 2022	79,753,140	7,211,249	17,767,626	2,989,341	22,121,252	279,665	130,122,273
Comprises:							
Gross balance at 30 June 2022	112,771,690	12,037,777	26,349,624	4,506,356	54,704,782	279,665	210,649,894
Accumulated depreciation at 30 June 2022	(33,018,550)	(4,826,528)	(8,581,998)	(1,517,015)	(32,583,530)	0	(80,527,621)
Balance at 30 June 2022	79,753,140	7,211,249	17,767,626	2,989,341	22,121,252	279,665	130,122,273

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (Level 3).

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

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

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS

(a) Depreciation

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings - Non-specialised	8(a)	1,243,605	1,230,187	1,170,782
Furniture and Equipment	8(a)	104,860	168,713	112,303
Plant and Equipment	8(a)	673,409	692,553	692,554
Infrastructure - Roads	9(a)	2,048,491	2,009,628	2,009,629
Infrastructure - Other	9(a)	354,780	397,145	397,145
Infrastructure - Drainage	9(a)	316,196	316,195	316,195
Infrastructure - Footpaths	9(a)	63,045	58,084	58,083
Infrastructure - Bridges	9(a)	878,639	857,919	857,919
Right-of-use assets - Plant and Equipment	11(a)	28,746	0	56,410
		5,711,771	5,730,424	5,671,020
Amortisation				
Intangible assets - Waste cell airspace	12	530,249	28,553	28,552
		530,249	28,553	28,552
		6,242,020	5,758,977	5,699,572

* 2021 includes depreciation relating to the discontinued operational management of Tuia Lodge aged care home. \$186,804 depreciation relates to the discontinued operation, \$5,484,216 relates to normal operations.

Revision of useful lives of plant and equipment

During the year the estimated total useful lives of certain items of plant and equipment used in the maintenance of road infrastructure were revised. The net effect of the change is nil.

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

Buildings
Office Furniture and Equipment
Computer Equipment
Plant and equipment

Infrastructure

Bridges
Road clearing and earthworks
Road Pavement
Road Seal
Car Parks
Cycleways
Footpaths - Concrete
Footpaths - Slabs
Storm Water Drainage
Other

Useful life

4 to 100 years
4 to 15 years
4 to 15 years
5 to 15 years

27 to 77 years
not depreciated
40 to 55 years
15 years
40 years
40 years
25 to 72 years
25 to 72 years
83 years
3 to 80 years

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS (Continued)

(b) Disposals of assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - Freehold Land	93,000	140,000	114,000	(67,000)	0	0	0	0	0	0	0	0
Buildings - Non-specialised	277,624	0	0	(277,624)	0	0	0	0	0	0	0	0
Furniture and Equipment	0	0	0	0	0	0	0	0	48,053	0	0	(48,053)
Plant and Equipment	92,167	98,091	16,482	(10,558)	148,155	143,870	24,018	(28,303)	139,295	122,091	20,058	0
Land Held for Resale	0	0	0	0	0	0	0	0	45,468	81,818	36,350	0
Infrastructure - Other	1,052,015	0	0	(1,052,015)	0	0	0	0	0	0	0	0
	1,514,806	238,091	130,482	(1,407,197)	148,155	143,870	24,018	(28,303)	232,816	203,909	56,408	(48,053)

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
Plant and Equipment				
Transport				
Hino Tip Truck - DB4550	32,913	25,000	0	(7,913)
Mitsubishi Triton Ute - DB112	18,000	21,909	3,909	0
Mitsubishi Triton Ute - DB646	5,063	12,818	7,755	0
Mitsubishi Triton Ute - DB346	18,000	22,818	4,818	0
Economic services				
Mitsubishi Triton - DB631	18,191	15,546	0	(2,645)
	92,167	98,091	16,482	(10,558)
Land				
Other Property and Services				
Lot 107, 41 Steere St, Dbk	67,000	0	0	(67,000)
Lot 200 & 201, SW Highway, Dbk	26,000	140,000	114,000	0
	93,000	140,000	114,000	(67,000)
Infrastructure Other				
Recreation and culture				
Balingup Transfer Station	5,940	0	0	(5,940)
Golf Club, Donnybrook	716,000	0	0	(716,000)
Dbk Country Club, Lighting	46,988	0	0	(46,988)
Dbk Country Club, Bowling Green	64,318	0	0	(64,318)
Dbk Country Club, Shelter	173,457	0	0	(173,457)
Egan Park - Netball	45,312	0	0	(45,312)
	1,052,015	0	0	(1,052,015)
Buildings				
Governance				
Transportable Office Admin	7,151	0	0	(7,151)
Law, order, public safety				
Shed - Old SES Building, Dbk	11,850	0	0	(11,850)
Education and welfare				
Carport - Minn Cottages	9,380	0	0	(9,380)
Transport				
Vehicle Shed - Donnybrook Depot	54,570	0	0	(54,570)
Depot Store - Donnybrook	25,747	0	0	(25,747)
Office - Donnybrook Depot	120,480	0	0	(120,480)
Mower Shed - Donnybrook Depot	5,100	0	0	(5,100)
Main Shed - Balingup Depot	43,346	0	0	(43,346)
	277,624	0	0	(277,624)
	1,514,806	238,091	130,482	(1,407,197)

*2021 includes disposals relating to the discontinued operational management of Tuia Lodge aged care home. \$76,053 of disposals relates to the discontinued operation, \$47,146 relates to normal operations.

**SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either property, 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 for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair 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)*. These assets are expensed immediately.

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

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

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates 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 revaluation date in accordance with the mandatory measurement framework.

Revaluation

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

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

Revaluation (continued)

For property, plant and equipment and infrastructure, 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. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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 on revaluation

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

- (i) 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
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

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

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

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - Plant and \$	Right-of-use assets Total \$
Balance at 1 July 2020		89,901	89,901
Additions		32,018	32,018
Depreciation		(56,410)	(56,410)
Balance at 30 June 2021		65,509	65,509
Depreciation	10(a)	(28,746)	(28,746)
Balance at 30 June 2022		36,763	36,763

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	Note	2022 Actual \$	2021 Actual \$
Depreciation on right-of-use assets	10(a)	(28,746)	(56,410)
Interest expense on lease liabilities	30(c)	(1,881)	(2,775)
Total amount recognised in the statement of comprehensive income		(30,627)	(59,185)
 Total cash outflow from leases		(30,924)	(58,108)
 (b) Lease Liabilities			
Current		15,032	29,043
Non-current	30(c)	23,062	38,094
		38,094	67,137

The Shire of Donnybrook Balingup has seven leases relating to plant and equipment. The lease term for these leases vary up to 5 years. The measurement of lease liabilities does not include any future cash outflows associated with leases not yet commenced to which the Shire is committed.

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 30(c).

Right-of-use assets - valuation measurement

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

**SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

12. INTANGIBLE ASSETS

	2022	2021
Note	Actual	Actual
Intangible assets	\$	\$
Non-current		
Waste cell airspace	1,742,395	758,665
Less: Accumulated amortisation	(1,215,505)	(685,256)
	526,890	73,409
 Movements in balances of intangible assets during the financial year are shown as follows:		
Balance at 1 July	73,409	85,656
Recognition of waste cell airspace	983,730	16,305
Amortisation expense	10(a) (530,249)	(28,552)
Balance at 30 June	526,890	73,409
 TOTAL INTANGIBLE ASSETS	526,890	73,409

The Shire operates the Donnybrook Waste Management Facility (DWMF) as the central waste processing and disposal facility for the Shire.

Landfills within Western Australia are required to have a plan for capping, closing and rehabilitating waste facilities at the end of its life.

An airspace asset is an intangible asset that is measured based on the net present value of the future cash flows required to meet the rehabilitation requirement details in the landfill licensing agreement.

A Landfill Closure Management Plan (LCMP) was prepared for the existing facility in 2021 in line with guidance standards. The LCMP specifies the final cap design, slopes, methods of managing storm water, post closure monitoring requirements including groundwater, surface water and landfill gas monitoring.

The LCMP has been approved by the Department of Water and Environmental Regulation.

Estimated costings for capping and monitoring the facility was undertaken in 2021 by ASK Waste Management Consultancy Services (Landfill Closure Management Plan, November 2021).

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Prepaid rates
 ATO liabilities
 Bonds and deposits held
 Accrued expenses
 Other payables

	2022	2021
	\$	\$
	342,547	515,429
	190,946	165,268
	148,551	187,592
	572,476	1,240,237
	45,794	227,359
	50,329	0
	1,350,643	2,335,885

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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.

Trade and other payables

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

The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

14. OTHER LIABILITIES

Current

Contract liabilities
 Capital grant/contributions liabilities

Reconciliation of changes in contract liabilities

Opening balance
 Additions
 Revenue from contracts with customers included as a contract liability at the start of the period

The Shire expects to satisfy the performance obligations from contracts with customers unsatisfied at the end of the reporting period to be satisfied within the next 12 months.

Reconciliation of changes in capital grant/contribution liabilities

Opening balance
 Additions
 Revenue from capital grant/contributions held as a liability

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

	2022	2021
	\$	\$
Contract liabilities	6,236	1,758
Capital grant/contributions liabilities	2,202,241	2,386,027
	2,208,477	2,387,785
Opening balance	1,758	0
Additions	6,236	1,758
Revenue from contracts with customers included as a contract liability at the start of the period	(1,758)	0
	6,236	1,758
Opening balance	2,386,027	2,994,190
Additions	2,701,634	2,386,027
Revenue from capital grant/contributions held as a liability	(2,885,420)	(2,994,190)
	2,202,241	2,386,027

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 26(i)) due to the unobservable inputs, including own credit risk.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

15. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		65,983	273,004	338,987	63,578	338,988	402,566
Total secured borrowings	30(a)	65,983	273,004	338,987	63,578	338,988	402,566

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Donnybrook Balingup.

SIGNIFICANT ACCOUNTING POLICIES

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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature. Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 26(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 25. Details of individual borrowings required by regulations are provided at Note 30(a).

**SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

16. Other Financial Liabilities

Preston Village Lease Liability	2022	2021
	\$	\$
Carrying amount at beginning of period	4,067,436	3,965,000
Liability Increase	0	195,000
Liability Decrease	(265,436)	(92,564)
Carrying amount at end of period	<u>3,802,000</u>	<u>4,067,436</u>
	2022	2021
	\$	\$
Current	0	215,436
Non-current	3,802,000	3,852,000
	<u>3,802,000</u>	<u>4,067,436</u>

Preston Village Lease Liability

Preston Village Lease Liability represents monies paid by the ingoing lessee of the Preston Retirement Village, Sharp Street Donnybrook under a life tenancy lease arrangement.

The proceeds received from the life tenancies are initially classified as a non-current liability as the Shire is only required to repay these funds to a vacating lessee, or their estate, in the event that the Shire is unable to attract a subsequent lessee within the 3-year time period, as specified in the lease agreement.

The lease liability in respect to each unit leased will remain unchanged unless the Shire is required to refund any lease amount in which case the lease liability will be reduced when refunded.

Where a lessee has vacated a property prior to balance date, the loan liability to the lessee has been classified as non-current as the Shire will not be required to repay the lessee until the property is re-leased. In the event that the property will be re-leased within the next 12 months, the existing liability will be replaced with a new non current liability with no net impact on the Shire's Statement of Financial Position.

In the event that Council elects not to market a vacated unit, or the unit will have been vacant for a period of three years at a date falling within the next 12 months, any loan liability on the property will be classified as current.

The respective cost of land and buildings to which the leases relate are recorded at fair value within the Shire's property, plant and equipment (Note 8a).

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

17. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual Leave

Long Service Leave

Non-current provisions

Long Service Leave

	2022	2021
	\$	\$
	417,614	380,860
	438,729	422,064
	856,343	802,924
	139,132	94,983
	139,132	94,983
	995,475	897,907

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

Note	2022	2021
	\$	\$
	355,690	394,595
	639,785	503,312
	995,475	897,907

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

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

Long-term employee benefits provisions 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 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.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

18. OTHER PROVISIONS

	Note	Provision for Waste Cell Rehabilitation \$	Total \$
Opening balance at 1 July 2021			
Non-current provisions		771,593	771,593
		<u>771,593</u>	<u>771,593</u>
Additional provision		983,730	983,730
Balance at 30 June 2022		<u>1,755,323</u>	<u>1,755,323</u>
Comprises			
Non-current		1,755,323	1,755,323
		<u>1,755,323</u>	<u>1,755,323</u>

Other provisions

A provision is recognised when:

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

Amounts which are reliably expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliability estimated as it is dependent on factors beyond the control of the local government.

Provision for Waste Cell Rehabilitation

The Shire operates the Donnybrook Waste Management Facility (DWMF) as the central waste processing and disposal facility for the Shire.

Landfills within Western Australia are required to have a plan for capping, closing and rehabilitating waste facilities at the end of its life.

A Landfill Closure Management Plan (LCMP) was prepared for the existing facility in 2013 in line with guidance standards. The LCMP specifies the final cap design, slopes, methods of managing storm water, post closure monitoring requirements including groundwater, surface water and landfill gas monitoring.

The LCMP has been approved by the Department of Water and Environmental Regulation.

Estimated costings for the capping and monitoring of the facility was undertaken in 2021 by ASK Waste Management Consultancy Services (Economic Review - Waste Facility Future Operatings, November 2021).

Make good provisions

Under the licence for the operation of the Shire of Donnybrook Balingup waste landfill site, the Shire has a legal obligation to restore the site.

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

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

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.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

19. REVALUATION SURPLUS

	2022 Opening Balance	2022 Revaluation Increment	2022 Revaluation (Decrement)	Total Movement on Revaluation	2022 Closing Balance	2021 Opening Balance	2021 Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - Freehold Land	2,629,439	1,247,600	0	1,247,600	3,877,039	2,629,439	2,629,439
Revaluation surplus - Buildings - Non-specialised	13,377,810	12,933,840	0	12,933,840	26,311,650	13,377,810	13,377,810
Revaluation surplus - Infrastructure - Roads	70,312,456	0	0	0	70,312,456	70,312,456	70,312,456
Revaluation surplus - Infrastructure - Other	7,452,600	0	0	0	7,452,600	7,452,600	7,452,600
Revaluation surplus - Infrastructure - Drainage	17,987,255	0	0	0	17,987,255	17,987,255	17,987,255
Revaluation surplus - Infrastructure - Footpaths	1,623,969	0	0	0	1,623,969	1,623,969	1,623,969
Revaluation surplus - Infrastructure - Bridges	17,408,375	0	0	0	17,408,375	17,408,375	17,408,375
	130,791,904	14,181,440	0	14,181,440	144,973,344	130,791,904	130,791,904

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

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

20. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	10,443,573	10,272,287	11,131,480
Restrictions				
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:				
- Cash and cash equivalents	3	8,100,335	6,716,128	9,054,280
		8,100,335	6,716,128	9,054,280
The restricted financial assets are a result of the following specific purposes to which the assets may be used:				
Restricted reserve accounts	31	5,319,382	4,716,128	5,426,258
Contract liabilities		2,208,477	1,800,000	2,387,785
Bonds and deposits		572,476	200,000	1,240,237
Total restricted financial assets		8,100,335	6,716,128	9,054,280

**(b) Reconciliation of Net Result to Net Cash Provided
By Operating Activities**

Net result		913,862	5,573,845	828,488
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit and loss		(15,937)	0	0
Depreciation/amortisation		6,242,020	5,758,977	5,699,572
(Profit)/loss on sale of asset *		1,276,715	4,285	28,907
Asset write-off		0	0	97,245
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		159,331	(250,000)	(250,691)
(Increase)/decrease in other assets		83,786	300,000	274,704
(Increase)/decrease in inventories		(1,911,582)	200,000	78,735
Increase/(decrease) in trade and other payables		(985,242)	300,000	212,680
Increase/(decrease) in employee related provisions		97,568	(200,000)	(182,130)
Increase/(decrease) in other provisions		0	13,000	12,928
Increase/(decrease) in other financial liabilities		0	0	(187,229)
Increase/(decrease) in other liabilities		0	0	0
Increase/(decrease) in contract liabilities		(179,308)	(367,949)	(606,405)
Non-operating grants, subsidies and contributions		(4,892,961)	(11,389,111)	(5,401,767)
Net cash provided by/(used in) operating activities		788,252	(56,953)	605,037

* 2021 includes disposals relating to the discontinued operational management of Tuia Lodge aged care home. (\$76,053) of disposals relates to the discontinued operation, \$47,146 relates to normal operations.

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit - Municipal Fund	100,000	100,000
Bank overdraft limit - Dept Transport Licensing	10,000	10,000
Bank overdraft at balance date	0	0
Credit card limit	9,000	9,000
Credit card balance at balance date	(3,123)	(1,610)
Total amount of credit unused	115,877	117,390

Loan facilities

Loan facilities - current	65,983	63,578
Loan facilities - non-current	273,004	338,988
Total facilities in use at balance date	338,987	402,566

Unused loan facilities at balance date

	0	0
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SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

21. CONTINGENT LIABILITIES

The Shire of Donnybrook Balingup has identified the following sites, in relation to land owned, vested or leased, that is known to be, or suspected of being contaminated. As at the date of this report the value and timing of remediation has not been ascertained.

Location	Land Use	Nature of Potential Contamination
A197 - Lot 13 Bentley Street, Donnybrook	Former Shire Depot	Hydrocarbon
A3418 - Res 30530 Boyup Brook Road, Lowden	Former Landfill Site	Petrescible Waste
A3420 - Res 30773 Boyup Brook Road, Mumballup	Former Landfill Site	Petrescible Waste
A3611 - F21 Valentines Road, Newlands	Former Waste Facility	Buried Waste
A4014 - Lot 597, Plan 38225, Donnybrook	Historic Station Loading Yard	Heavy Metals
A3605 - Lot 2928 F27 Gavins Road, Donnybrook	Landfill Site	Landfill Waste Material
A3444 - Lot 506, 39 Sandhills Road, Beelerup	Depot	Herbicides Mixed onsite

22. CAPITAL COMMITMENTS

	2022	2021
	\$	\$
Contracted for:		
- capital expenditure projects	9,210	1,198,566
- plant & equipment purchases	104,182	106,902
	113,392	1,305,468
Payable:		
- not later than one year	113,392	1,305,468

The contractual commitments outstanding at the end of the current reporting period represent VC Mitchell park redevelopment and purchase of property, plant & equipment.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cr Leanne Wringle			
President's annual allowance	7,071	0	0
Meeting attendance fees	11,443	9,858	9,858
Other expenses	0	100	0
Telecommunications allowance	2,266	1,010	1,100
Travel expenses	0	983	0
	20,780	11,951	10,958
Cr Lisa Glover			
Deputy President's annual allowance	1,768	0	0
Meeting attendance fees	6,965	0	0
Telecommunications allowance	777	0	0
Travel expenses	633	0	0
	10,143	0	0
Cr Jackie Massey			
Deputy President's annual allowance	734	2,502	2,502
Meeting attendance fees	9,858	9,858	9,858
Other expenses	0	100	20
Telecommunications allowance	1,100	1,010	1,100
Travel expenses	1,248	983	1,992
	12,940	14,453	15,472
Cr Shane Atherton			
Meeting attendance fees	9,858	9,858	9,858
Other expenses	0	100	28
Telecommunications allowance	1,100	1,010	1,100
Travel expenses	0	983	0
	10,958	11,951	10,986
Cr Chaz Newman			
Meeting attendance fees	9,858	9,858	9,858
Other expenses	0	100	28
Telecommunications allowance	1,100	1,010	1,100
Travel expenses	0	983	203
	10,958	11,951	11,189
Cr Chris Smith			
Meeting attendance fees	9,858	9,858	9,858
Other expenses	0	100	28
Telecommunications allowance	1,100	1,010	1,100
Travel expenses	0	983	0
	10,958	11,951	10,986
Cr Fred Mills			
Meeting attendance fees	6,965	0	0
Telecommunications allowance	777	0	0
Travel expenses	2,016	0	0
	9,758	0	0
Cr Phil Jones			
Meeting attendance fees	6,965	0	0
Telecommunications allowance	777	0	0
Travel expenses	161	0	0
	7,903	0	0

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Cr Peter Gubler

Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Meeting attendance fees	6,965	0	0
Telecommunications allowance	777	0	0
	7,742	0	0

Cr Brian Piesse

President's annual allowance	2,937	10,008	10,008
Meeting attendance fees	3,552	12,102	12,102
Other expenses	0	100	0
Telecommunications allowance	808	2,750	2,750
Travel expenses	123	983	943
	7,420	25,943	25,803

Cr Anita Lindemann

Meeting attendance fees	2,893	9,858	9,858
Other expenses	0	100	0
Telecommunications allowance	323	1,010	1,100
Travel expenses	0	983	0
	3,216	11,951	10,958

Cr Anne Mitchell

Meeting attendance fees	2,893	9,858	9,858
Other expenses	0	100	0
Telecommunications allowance	323	1,010	1,100
Travel expenses	0	983	0
	3,216	11,951	10,958

Cr Shane Sercombe

Meeting attendance fees	0	9,858	5,668
Other expenses	0	100	0
Telecommunications allowance	0	1,010	633
Travel expenses	0	983	0
	0	11,951	6,301

115,992 124,053 113,611

Fees, expenses and allowances to be paid or reimbursed to elected council members.

	2022 Actual \$	2022 Budget \$	2021 Actual \$
President's annual allowance	10,008	10,008	10,008
Deputy President's annual allowance	2,502	2,502	2,502
Meeting attendance fees	88,073	90,966	86,776
Other expenses	0	900	104
Telecommunications allowance	11,228	10,830	11,083
Travel expenses	4,181	8,847	3,138

23(b) 115,992 124,053 113,611

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS

(b) Key Management Personnel (KMP) Compensation

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

	2022 Actual	2021 Actual
	\$	\$
Short-term employee benefits	532,769	508,422
Post-employment benefits	57,268	49,993
Employee - other long-term benefits	52,772	54,558
Council member costs	115,992	113,611
23(a)	758,801	726,584

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Termination benefits

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

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

(c) 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 guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2022 Actual	2021 Actual
	\$	\$
Purchase of goods and services	46,560	41,120

(d) 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 council member, are considered key management personnel.

ii. Other Related Parties

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

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

iii. Entities subject to significant influence by the Shire

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

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

24. JOINT ARRANGEMENTS

Share of joint operations

Arrangements with Homeswest relate to four sets of Well Aged housing complexes located on South Western Highway, Donnybrook. The Shire is required to recognise any trading surplus from the operation of these units as Restricted Assets, and is further required to maintain a Contingency Reserve for future major maintenance.

Minninup Cottages, Units 5-8 (lot 486) built in 1982/83
 Council Equity - 34.48%
 Homeswest Equity - 65.52%

Minninup Cottages, Units 9-12 (lot 479) built in 1992/93
 Council Equity - 15.2%
 Homeswest Equity - 84.8%

Langley Villas, Units 1-6 (lot 100) built in 1994/95
 Council Equity - 20.8%
 Homeswest Equity - 79.2%

Langley Villas, Units 7-9 (lot 100) built in 2001/02
 Council Equity - 35.98%
 Homeswest Equity - 64.02%

Statement of Financial Position

Non current assets

Total assets

The income and expenses associated with this joint operation are:

Statement of Comprehensive Income

Operating revenue

Other expenditure

Profit/(loss) for the period

Other comprehensive income

Total comprehensive income for the period

	2022 Actual	2021 Actual
	\$	\$
Non current assets	635,762	823,433
Total assets	635,762	823,433
Operating revenue	124,817	171,461
Other expenditure	(88,938)	(157,356)
Profit/(loss) for the period	35,879	14,105
Other comprehensive income	0	0
Total comprehensive income for the period	35,879	14,105

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

24. JOINT ARRANGEMENTS

The Shire has a 50% Equity interest in the Donnybrook Community Library situated on Education Department Land (Reserve 24032 Bentley Street, Donnybrook). Operational and maintenance costs are apportioned between the Shire and the Education Department based on estimated usage patterns.

Assets	1,323,533	694,871
Total assets	1,323,533	694,871
Current liabilities	0	0
Total liabilities	0	0
Statement of Comprehensive income		
Other revenue	216	316
Donated Assets		0
Other expenditure	(380,430)	(395,513)
Net result for the period	(380,214)	(395,197)
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in asset revaluation surplus	724,832	0
Total other comprehensive income for the period	724,832	0
Total comprehensive income for the period	344,618	(395,197)

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

25. FINANCIAL RISK MANAGEMENT

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

Risk	Exposure arising from	Measurement	Management
Market risk - interest rates	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, term deposits, and Treasury bonds 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
	%	\$	\$	\$	\$
2022					
Cash and cash equivalents	0.14%	10,443,573	2,500,000	7,942,613	960
2021					
Cash and cash equivalents	0.11%	11,131,480	0	11,129,320	2,160

Sensitivity

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

	2022	2021
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	79,426	111,293

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 30(a).

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other 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 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 2021 or 1 July 2022 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.

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	Less than 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total	Note
30 June 2022						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	85,182	86,382	54,399	179,921	405,884	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Rates receivable						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	99,605	100,749	53,986	154,821	409,161	
Loss allowance	0	0	0	0	0	5

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Less than 1 year past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total	
30 June 2022						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	199,030	94,999	0	13,178	307,207	
Loss allowance	0	0	0	0	0	5
30 June 2021						
Trade and other receivables						
Expected credit loss	0.00%	0.00%	0.00%	0.00%		
Gross carrying amount	398,621	16,211	1,100	190	416,122	
Loss allowance	0	0	0	0	0	5

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 20(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2022</u>					
Trade and other payables	1,350,643	0	0	1,350,643	1,350,643
Borrowings	73,811	194,954	94,722	363,487	338,987
Other Financial Liabilities	0	0	3,802,000	3,802,000	3,802,000
Lease liabilities	16,272	24,054	0	40,326	38,094
	<u>1,440,726</u>	<u>219,008</u>	<u>3,896,722</u>	<u>5,556,456</u>	<u>5,529,724</u>
<u>2021</u>					
Trade and other payables	2,335,885	0	0	2,335,885	2,335,885
Borrowings	73,811	263,170	174,128	511,109	402,566
Other Financial Liabilities	215,436	0	3,852,000	4,067,436	4,067,436
Lease liabilities	30,908	40,325	0	71,233	67,137
	<u>2,656,040</u>	<u>303,495</u>	<u>4,026,128</u>	<u>6,985,663</u>	<u>6,873,024</u>

26. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost 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).

i) 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.

j) 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.

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

It is not expected these standards will have an impact on the financial report.

27. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Shire operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective	Description
<p>Governance To provide decision-making process for the efficient allocation of scarce resources.</p>	Includes the activities of members of Council and the administrative support available to the Council for the provision of governance of the district. Other costs relate to the task of assisting council members and ratepayers on matters which do not concern specific local government services.
<p>General purpose funding To collect revenue to allow for the provision of services.</p>	Rates, general purpose government grants and interest revenue.
<p>Law, order, public safety To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
<p>Health To provide an operational framework for environmental and community health.</p>	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
<p>Education and welfare To provide services to disadvantaged persons, the elderly, children and youth.</p>	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home care programs and youth services.
<p>Housing To provide and maintain elderly residents housing.</p>	Provision and maintenance of elderly resident housing.
<p>Community amenities To provide services required by the community.</p>	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 schemes, cemetery and public conveniences.
<p>Recreation and culture To establish and effectively manage infrastructure and resource which will help the social well being of the community</p>	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.
<p>Transport To provide safe, effective and efficient transport services to the community.</p>	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
<p>Economic services To help promote local government and its economic wellbeing.</p>	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.
<p>Other property and services To monitor and control operating accounts.</p>	Private works operation, plant repair and costs.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

27. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2022	2022	2021
	Actual	Budget	Actual
	\$	\$	\$
Income excluding grants, subsidies and contributions			
Governance	965	500	6,237
General purpose funding	6,281,775	6,279,565	5,273,702
Law, order, public safety	74,603	53,008	56,451
Health	159,171	152,499	146,504
Education and welfare	307,436	269,619	1,414,015
Community amenities	677,436	652,150	1,222,105
Recreation and culture	256,121	221,079	189,874
Transport	19,425	18,510	4,075
Economic services	323,068	173,590	215,618
Other property and services	1,321	550	36,358
	8,101,321	7,821,070	8,564,939
Grants, subsidies and contributions			
Governance	75,389	41,200	101,843
General purpose funding	2,534,873	1,086,758	2,043,459
Law, order, public safety	526,839	649,951	567,120
Health	20,457	19,190	20,765
Education and welfare	37,606	1,650	2,799,324
Community amenities	1,671,460	800	461,849
Recreation and culture	2,497,770	6,880,201	2,721,855
Transport	2,562,833	4,674,942	2,184,841
Economic services	100,336	355,816	169,244
Other property and services	198,637	111,600	203,744
	10,226,200	13,822,108	11,274,044
Total Income	18,327,521	21,643,178	19,838,983
Expenses			
Governance	(1,072,330)	(1,160,619)	(998,577)
General purpose funding	(164,969)	(175,119)	(181,125)
Law, order, public safety	(1,526,550)	(1,544,951)	(1,258,171)
Health	(255,444)	(263,551)	(249,887)
Education and welfare	(904,713)	(836,226)	(5,287,483)
Community amenities	(2,555,069)	(1,951,582)	(1,638,034)
Recreation and culture	(4,986,022)	(4,055,301)	(3,650,608)
Transport	(5,148,288)	(5,001,704)	(4,980,399)
Economic services	(591,261)	(860,630)	(559,389)
Other property and services	(209,013)	(219,650)	(206,822)
Total expenses	(17,413,659)	(16,069,333)	(19,010,495)
Net result for the period	913,862	5,573,845	828,488

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

27. FUNCTION AND ACTIVITY (Continued)

	2022	2022	2021
	Actual	Budget	Actual
(c) Fees and Charges	\$	\$	\$
Governance	965	500	607
General purpose funding	62,216	64,900	66,941
Law, order, public safety	74,602	47,000	56,451
Health	159,172	152,499	146,504
Education and welfare	307,435	269,319	281,607
Community amenities	676,937	652,150	1,210,467
Recreation and culture	256,121	221,079	189,874
Transport	2,942	500	1,287
Economic services	209,069	174,090	215,618
Other property and services	1,321	50	7
	1,750,780	1,582,087	2,169,363
	2022	2021	
	\$	\$	
(d) Total Assets			
Governance	12,505,073	12,985,289	
General purpose funding	731,487	780,460	
Law, order, public safety	4,362,756	3,800,609	
Health	1,485,988	1,261,688	
Education and welfare	12,572,562	11,486,694	
Housing	121,000	138,000	
Community amenities	1,293,246	755,543	
Recreation and culture	30,907,203	20,468,978	
Transport	126,222,934	123,725,422	
Economic services	1,470,771	1,499,969	
Other property and services	2,144,683	2,261,059	
	193,817,703	179,163,711	

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

28. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2021/22 Actual Rateable Value *	2021/22 Actual Rate Revenue	2021/22 Actual Interim Rates	2021/22 Actual Total Revenue	2021/22 Budget Rate Revenue	2021/22 Budget Interim Rate	2021/22 Budget Back Rate	2021/22 Budget Total Revenue	2020/21 Actual Total Revenue
Differential general rate / general rate	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations											
General Rate	9.7461	1,050	20,676,242	2,015,127	46,465	2,061,592	2,015,127	32,000	0	2,047,127	1,679,854
Unimproved valuations											
General Rate	0.6412	787	322,385,278	2,067,134	0	2,067,134	2,067,134	0	0	2,067,134	1,793,869
Sub-Total		1,837	343,061,520	4,082,261	46,465	4,128,726	4,082,261	32,000	0	4,114,261	3,473,723
Minimum payment											
Gross rental valuations											
General Rate	1,316	928	8,714,026	1,221,248	0	1,221,248	1,221,248	0	0	1,221,248	1,048,800
Unimproved valuations											
General Rate	1,316	591	79,919,709	777,756	0	777,756	777,756	0	0	777,756	580,704
Sub-Total		1,519	88,633,735	1,999,004	0	1,999,004	1,999,004	0	0	1,999,004	1,629,504
		3,356	431,695,255	6,081,265	46,465	6,127,730	6,081,265	32,000	0	6,113,265	5,103,227
Concessions on general rates (Refer note 28(b))						(3,040)				(2,700)	(2,550)
Total amount raised from general rates						6,124,690				6,110,565	5,100,677
Less rates written off						(1,754)				0	(2,734)
Totals						6,122,936				6,110,565	5,097,943
(b) Total Rates						6,122,936				6,110,565	5,097,943

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 *Income for not-for-profit entities*.

* Rateable value is based on the value of properties at the time the rate is raised.

SHIRE OF DONNYBROOK BALINGUP
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2022

28. RATING INFORMATION (Continued)

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

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Waiver/Concession	Discount %	Discount \$	2022 Actual \$	2022 Budget \$	2021 Actual \$
General Rates	Rate	Concession	Various		(3,040)	(2,700)	(2,550)
					(3,040)	(2,700)	(2,550)
Total discounts/concessions (Note 28)					(3,040)	(2,700)	(2,550)

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects and reasons of the Waiver or Concession
General Rates	A concession on general rates for selected properties where the property crosses a boundary with a neighbouring local government	To recognise the impact of rates charged by two local governments for same property

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

28. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	14/10/2021	N/A	5.50%	7.00%
Option Two				
First instalment	14/10/2021	\$11.00	5.50%	7.00%
Second instalment	11/02/2022	\$11.00	5.50%	7.00%
Option Three				
First instalment	14/10/2021	\$11.00	5.50%	7.00%
Second instalment	13/12/2021	\$11.00	5.50%	7.00%
Third instalment	11/02/2022	\$11.00	5.50%	7.00%
Fourth instalment	12/04/2022	\$11.00	5.50%	7.00%
			2022 Budget	2021 Actual
			\$	\$
Interest on unpaid rates		40,047	37,500	42,312
Interest on instalment plan		17,161	17,000	17,225
Charges on instalment plan		23,415	25,000	24,866
		80,623	79,500	84,403

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

29. RATE SETTING STATEMENT INFORMATION

		2021/22 Budget	2020/21
	2021/22 (30 June 2022 Carried Forward)	(30 June 2022 Carried Forward)	(30 June 2021 Carried Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	10(b) (130,482)	(24,018)	(56,408)
Less: Current Asset - land held for resale proceeds	0	0	(45,468)
Less: Movement in liabilities associated with restricted cash	0	0	(192,881)
Less: Change in provision - unwinding of discount	0	0	12,928
Less: Debt waiver - Tuia Lodge	0	0	(187,229)
Add: Loss on disposal of assets	10(b) 1,407,197	28,303	85,315
Add: Asset write off	0	0	97,245
Add: Depreciation	10(a) 5,711,771	5,758,977	5,671,020
Add: Amortisation on non-current assets	10(a) 530,249	0	28,552
Non-cash movements in non-current assets and liabilities:			
Pensioner deferred rates	(16,254)	0	15,052
Employee benefit provisions	44,149	0	(33,062)
Accrued income	2,907	0	92,198
Long term investment - WALGA House Trust	(15,937)	0	0
Inventory	(1,700,125)	0	(271,628)
Non-cash amounts excluded from operating activities	5,833,475	5,763,262	5,215,634
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserve accounts	31 (5,319,382)	(4,716,128)	(5,426,258)
Less: Financial assets at amortised cost - self supporting loans	4(a) (22,988)	0	(9,397)
Less: Unspent borrowings	0	(986,229)	0
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	15 65,983	0	63,578
- Current portion of other financial liabilities	0	0	215,436
- Current portion of lease liabilities	11(b) 15,032	0	29,043
- Employee benefit provisions (cash backed)	0	17,500	0
Total adjustments to net current assets	(5,261,355)	(5,684,857)	(5,127,598)
Net current assets used in the Rate Setting Statement			
Total current assets	11,589,769	11,490,787	12,309,092
Less: Total current liabilities	(4,496,478)	(4,819,701)	(5,834,651)
Less: Total adjustments to net current assets	(5,261,355)	(5,684,857)	(5,127,598)
Net current assets used in the Rate Setting Statement	1,831,936	986,229	1,346,843

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

30. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual							Budget				
		Principal at 1 July 2020	New Loans During 2020-21	Actual Debt waiver 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
		\$	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Dental Surgery Extension		65,802	0	0	(11,692)	54,110	0	(12,385)	41,725	54,109	0	(12,385)	41,724
Tuia Lodge RAD's Borrowings		187,229	0	(187,229)	0	0	0	0	0	0	0	0	0
Tuia Lodge Fire Suppression		291,000	0	0	(27,083)	263,917	0	(27,513)	236,404	263,917	0	(27,512)	236,405
VC Mitchell Park (Stage 1)		0	0	0	0	0	0	0	0	0	2,500,000	0	2,500,000
Collins St Storage Units		42,916	0	0	(13,369)	29,547	0	(14,285)	15,262	29,546	0	(14,284)	15,262
Total		586,947	0	(187,229)	(52,144)	347,574	0	(54,183)	293,391	347,572	2,500,000	(54,181)	2,793,391
Self Supporting Loans													
Donnybrook Country Club		64,136	0	0	(9,144)	54,992	0	(9,396)	45,596	54,992	0	(9,396)	45,596
Total Self Supporting Loans		64,136	0	0	(9,144)	54,992	0	(9,396)	45,596	54,992	0	(9,396)	45,596
Total Borrowings	15	651,083	0	(187,229)	(61,288)	402,566	0	(63,579)	338,987	402,564	2,500,000	(63,577)	2,838,987

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Interest Repayments

Purpose	Note	Function and activity	Loan Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021
						\$	\$	\$
Dental Surgery Extension		Health	74	WATC	5.83%	(2,908)	(2,977)	(3,603)
Tuia Lodge Fire Suppression		Education and welfare	93	WATC	1.58%	(3,981)	(4,062)	(4,412)
Collins St Storage Units		Economic services	80	WATC	6.73%	(1,329)	(1,752)	(2,271)
Total						(8,218)	(8,791)	(10,286)
Self Supporting Loans Interest Repayments								
Donnybrook Country Club		Recreation and culture	90	WATC	2.74%	(1,395)	(1,443)	(1,649)
Total Self Supporting Loans Interest Repayments						(1,395)	(1,443)	(1,649)
Total Interest Repayments	2(b)					(9,613)	(10,234)	(11,935)

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

30. BORROWING AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2021/22

	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2022 Actual	2022 Budget	2022 Actual	2022 Budget		
VC Mitchell Park (Stage 1)	WATC	Debenture	20	2.80%	0	2,500,000	0	2,500,000	0	0

(c) Lease Liabilities

Purpose	Note	Actual						Budget				
		Principal at 1 July 2020	New Leases During 2020-21	Principal Repayments During 2020-21	Principal at 30 June 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022
IT Equipment - Laptops		\$ 33,677	\$ 0	(8,340)	25,337	0	(8,515)	16,822	25,337	0	(8,515)	16,822
Printer/Copier - Works		2,132	0	(1,208)	924	0	(924)	0	924	0	(924)	0
IT Equipment - Desktops		11,381	0	(5,632)	5,749	0	(5,749)	0	5,750	0	(5,750)	0
IT Equipment - Scanner		2,064	0	(1,368)	696	0	(696)	0	695	0	(695)	0
IT Equipment - Stacking Switches		0	32,018	(4,733)	27,285	0	(6,013)	21,272	27,284	0	(6,013)	21,271
CESM Vehicle		16,848	0	(16,848)	0	0	0	0	0	0	0	0
Printer/Copier - AEOS		741	0	(741)	0	0	0	0	0	0	0	0
Printer/Copier - Main Office		0	0	0	0	0	0	0	0	12,720	(2,305)	10,415
Printer/Copier - Dev Services		0	0	0	0	0	0	0	0	4,500	(816)	3,684
Gym Equipment - Cardio		14,929	0	(9,901)	5,028	0	(5,028)	0	5,028	0	(5,028)	0
Gym Equipment - Spin Bikes		6,289	0	(4,171)	2,118	0	(2,118)	0	2,118	0	(2,118)	0
Gym Equipment - Bikes		1,142	0	(1,142)	0	0	0	0	5,028	0	(5,028)	0
IT Equipment - Desktops		1,249	0	(1,249)	0	0	0	0	2,117	0	(2,117)	0
Total Lease Liabilities	11(b)	90,452	32,018	(55,333)	67,137	0	(29,043)	38,094	74,281	17,220	(39,309)	52,192

Lease Interest Repayments

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021	Lease Term
						\$	\$	\$	
IT Equipment - Laptops		Governance	009-0147653-003	Dell Financial	2.10%	(447)	(352)	(622)	48 months
Printer/Copier - Works		Governance	E6N0159975	Alleasing Pty Ltd	2.10%	(12)	(8)	(34)	33 months
IT Equipment - Desktops		Governance	E6N0162342	MAIA Financial	2.10%	(69)	(65)	(188)	30 months
IT Equipment - Scanner		Governance	E6N0160847	MAIA Financial	2.10%	(4)	(4)	(31)	30 months
IT Equipment - Stacking Switches		Governance	214-0939437-001	De Lage Landen Pty	2.20%	(1,297)	(1,297)	(1,358)	60 months
Printer/Copier - Main Office		Governance	New			0	(239)	0	
Printer/Copier - Dev Services		Governance	New			0	(85)	0	
CESM Vehicle		Law, order, public safety	9188385	SG Fleet	2.00%	0	0	(191)	25 months
Printer/Copier - AEOS		Education and welfare	E6N0162061	MAIA Financial	2.00%	0	0	(2)	15 months
Gym Equipment - Cardio		Recreation and culture	E6N0162250	MAIA Financial	2.00%	(35)	(31)	(225)	30 months
Gym Equipment - Spin Bikes		Recreation and culture	E6N0162200	MAIA Financial	2.00%	(17)	(13)	(94)	30 months
Gym Equipment - Bikes		Recreation and culture	E6N0159802	Alleasing Pty Ltd	2.00%	0	(31)	(9)	18 months
IT Equipment - Desktops		Recreation and culture	E6N0160846	Alleasing Pty Ltd	2.00%	0	(13)	(21)	18 months
Total Interest Repayments	2(b)					(1,881)	(2,138)	(2,775)	

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

31. RESERVE ACCOUNTS

	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance	2022 Budget Opening Balance	2022 Intra Reserve Transfer	2022 Budget Transfer to	2022 Budget Transfer (from)	2022 Budget Closing Balance	2021 Actual Opening Balance	2021 Intra Reserve Transfer	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council														
(a) Minnip Cottages 1-4 Surplus Reserve	0	64,877	(1,298)	63,579	0	64,877	0	(51,818)	13,059	0	0	0	0	0
(b) Minnip Cottages 5-8 Surplus Reserve	0	97,702	(4,572)	93,130	0	97,702	10,924	(60,000)	48,626	0	0	0	0	0
(c) Minnip Cottages 9-12 Surplus Reserve	0	256,137	0	256,137	0	251,920	9,629	0	261,549	0	0	0	0	0
(d) Langley Villas 1-6 Surplus Reserve	0	351,027	0	351,027	0	338,237	19,249	(15,164)	342,322	0	0	0	0	0
(e) Langley Villas 7-9 Surplus Reserve	0	221,724	0	221,724	0	207,681	1,294	0	208,975	0	0	0	0	0
(f) Minnip Cottages 5-8 Lt Maintenance Reserve	0	7,669	0	7,669	0	5,669	500	0	6,169	0	0	0	0	0
(g) Minnip Cottages 9-12 Lt Maintenance Reserve	0	6,628	0	6,628	0	4,628	500	0	5,128	0	0	0	0	0
(h) Langley Villas 1-6 Lt Maintenance Reserve	0	13,823	0	13,823	0	10,223	600	0	10,823	0	0	0	0	0
(i) Langley Villas 7-9 Lt Maintenance Reserve	0	3,600	0	3,600	0	1,800	600	0	2,400	0	0	0	0	0
(j) Preston Village Exit Deferred Management Reserve	0	201,370	0	201,370	0	302,126	0	(40,169)	261,957	0	0	0	0	0
(k) Preston Village Reserve Fund Contribution Reserve	0	63,151	(2,541)	60,610	0	38,320	0	(16,499)	21,821	0	0	0	0	0
(l) Employee Entitlements Reserve	0	25,000	(7,500)	17,500	0	0	25,000	(7,500)	17,500	192,881	0	808	(193,689)	0
(m) Waste Management Reserve	1,476,407	0	(176,275)	1,300,132	1,476,407	0	0	(199,720)	1,276,687	1,535,974	0	0	(59,567)	1,476,407
(n) Bushfire Control & Management Reserve	2,282	0	(2,282)	0	2,282	0	0	(2,282)	0	2,282	0	0	0	2,282
(o) Aged Housing Reserve	1,210,183	0	(1,210,183)	0	1,323,183	(1,323,183)	0	0	0	1,187,133	0	229,185	(206,135)	1,210,183
(p) Covid 19 Reserve	95,058	0	0	95,058	95,058	0	0	0	95,058	102,532	0	0	(7,474)	95,058
(q) Arbutnot Memorial Scholarship Reserve	3,285	0	(300)	2,985	3,285	0	0	(300)	2,985	3,585	0	0	(300)	3,285
(r) Strategic Planning Studies Reserve	40,051	0	(750)	39,301	40,051	0	0	(20,000)	20,051	40,051	0	0	0	40,051
(s) Land Development Reserve Fund	350,271	0	0	350,271	350,271	0	0	0	350,271	450,271	(100,000)	0	0	350,271
(t) Vehicle Reserve	391,795	253,405	(42,298)	602,902	391,795	0	250,000	(265,948)	375,847	402,000	(121,645)	212,000	(100,560)	391,795
(u) Roadworks Reserve	435,434	271,841	(146,592)	560,683	435,434	0	0	(285,442)	149,992	435,434	0	0	0	435,434
(v) Revaluation Reserve	10,700	40,000	(17,400)	33,300	10,700	0	40,000	0	50,700	10,700	0	0	0	10,700
(w) Central Business District Reserve	3,054	0	(3,054)	0	3,054	0	0	(3,054)	0	3,054	0	0	0	3,054
(x) Buildings Reserve	495,996	352,692	(374,121)	474,567	495,996	0	352,692	(363,674)	485,014	758,523	191,676	0	(454,203)	495,996
(y) Council Election Reserve	0	13,650	0	13,650	0	0	13,650	0	13,650	0	0	0	0	0
(z) Apple Funpark Reserve	0	0	0	0	0	0	0	0	0	99,521	(99,521)	0	0	0
(aa) Information Technology Reserve	93,522	41,812	(6,600)	128,734	93,522	0	0	(13,000)	80,522	107,522	(14,000)	0	0	93,522
(ab) Park and Reserves Reserve	129,744	240,000	(4,193)	365,551	129,744	0	100,000	(8,509)	221,235	153,744	0	1,000	(25,000)	129,744
(ac) Carried Forward Project Reserve	688,476	0	(633,025)	55,451	688,476	0	0	(294,689)	393,787	1,166,056	143,490	280,605	(901,675)	688,476
	5,426,258	2,526,108	(2,632,984)	5,319,382	5,539,258	0	824,638	(1,647,768)	4,716,128	6,651,263	0	723,598	(1,948,603)	5,426,258

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

31. RESERVE ACCOUNTS

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Restricted by council		
(a) Minnipup Cottages 1-4 Surplus Reserve	Ongoing	To accumulate surplus income of units 1-4 for the purpose of unit maintenance, renewal and upgrades.
(b) Minnipup Cottages 5-8 Surplus Reserve	Ongoing	To accumulate surplus income of units 5-8 for purposes prescribed in the Joint Venture Agreement.
(c) Minnipup Cottages 9-12 Surplus Reserve	Ongoing	To accumulate surplus income of units 9-12 for purposes prescribed in the Joint Venture Agreement.
(d) Langley Villas 1-6 Surplus Reserve	Ongoing	To accumulate surplus income of units 1-6 for purposes prescribed in the Joint Venture Agreement.
(e) Langley Villas 7-9 Surplus Reserve	Ongoing	To accumulate surplus income of units 7-9 for purposes prescribed in the Joint Venture Agreement.
(f) Minnipup Cottages 5-8 Lt Maintenance Reserve	Ongoing	To accumulate fund for units 5-8 prescribed under the Joint Venture Agreement for the purposes of property maintenance.
(g) Minnipup Cottages 9-12 Lt Maintenance Reserve	Ongoing	To accumulate fund for units 9-12 prescribed under the Joint Venture Agreement for the purposes of property maintenance.
(h) Langley Villas 1-6 Lt Maintenance Reserve	Ongoing	To accumulate fund for units 1-6 prescribed under the Joint Venture Agreement for the purposes of property maintenance.
(i) Langley Villas 7-9 Lt Maintenance Reserve	Ongoing	To accumulate fund for units 7-9 prescribed under the Joint Venture Agreement for the purposes of property maintenance.
(j) Preston Village Exit Deferred Management Reserve	Ongoing	To accumulate Preston Village Exit Deferred management fees as contribution towards funding the lease liability.
(k) Preston Village Reserve Fund Contribution Reserve	Ongoing	To accumulate the Preston Village Reserve fund contribution for purposes prescribed within the Residence Contract.
(l) Employee Entitlements Reserve	Ongoing	To provide for the payment of annual leave, long service leave, personal leave, and grandfathered gratuity scheme entitlements.
(m) Waste Management Reserve	Ongoing	To receive funds collected from the Shire's Waste Management levy for the purpose of providing waste management facilities.
(n) Bushfire Control & Management Reserve	Ongoing	To receive funds collected from the Shire's Fire Protection Levy for the purpose of providing fire fighting equipment to meet the needs of the district.
(o) Aged Housing Reserve	N/A	Fund Closed - Transferred to new Reserves - Res 87/21, 26 May 2021
(p) Covid 19 Reserve	Ongoing	To fund initiatives and activities associated with the Shire's response and recovery from the COVID-19 pandemic.
(q) Arbuthnott Memorial Scholarship Reserve	Ongoing	To fund the payment of the Arbuthnott Scholarship.
(r) Strategic Planning Studies Reserve	Ongoing	To accumulate funds for engaging strategic studies / reports.
(s) Land Development Reserve Fund	Ongoing	To fund the purchase of land for future community purposes.
(t) Vehicle Reserve	Ongoing	To accumulate funds for the acquisition and replacement of Council's vehicle fleet.
(u) Roadworks Reserve	Ongoing	To accumulate funds for the construction, renewal and major maintenance of road infrastructure.
(v) Revaluation Reserve	Ongoing	To accumulate funds for asset revaluations and rates gross rental valuation - General revaluation.
(w) Central Business District Reserve	Ongoing	To fund future Central Business District projects.
(x) Buildings Reserve	Ongoing	To accumulate funds for the construction, renewal and major maintenance of Council buildings.
(y) Council Election Reserve	Ongoing	To accumulate fund for council postal elections.
(z) Apple Funpark Reserve	N/A	Fund Closed - Transferred to Building Reserve as per Council Resolution 179/20
(aa) Information Technology Reserve	Ongoing	To accumulate funds for the acquisition and replacement of Information Technology equipment and software.
(ab) Park and Reserves Reserve	Ongoing	To accumulate funds for the construction, renewal and major maintenance of parks & reserves infrastructure.
(ac) Carried Forward Project Reserve	Ongoing	To accumulate funds from projects carried into future financial years.

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

32. TRUST FUNDS

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

	<u>1 July 2021</u>	<u>Amounts Received</u>	<u>Amounts Paid</u>	<u>30 June 2022</u>
	\$	\$	\$	\$
Cash in Lieu of Public Open Space	265,738	0	(208,771)	56,967
	<u>265,738</u>	<u>0</u>	<u>(208,771)</u>	<u>56,967</u>

SHIRE OF DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022

33. CORRECTION OF PRIOR PERIOD ERROR

Retrospective restatements as per AASB108.42:

Claysoil Stockpile

Council received a donation of soil material from MRWA, to be used in future rehabilitation activities and the construction of hard stand areas for Shire use. The soil was delivered to the Donnybrook Waste Management Facility over a four month period commencing in June 2021.

A desktop valuation report was prepared by Griffin Valuation Advisory on 19th September 2021 for the total value of the clay soil asset, the Shire received confirmation from MRWA that 27,172 tonnes of claysoil had been delivered during June 2021. As the value of this delivery was material, a prior year adjustment is required to recognise the inventory received and corresponding income.

Total value of the claysoil inventory delivered during 2020/21 was \$271,628.

Reclassification - WIP Infrastructure Other

During 2020/21 financial year capital expenditure was incurred at the Donnybrook Waste Management Facility for site works, rehabilitation and capping. The project was not completed during 2020/21 and the expenditure was transferred to a WIP Infrastructure asset account.

The project was finalised during 2021/22 financial year, it was identified that the costs incurred during 2020/21 was for operator and plant time to shift the claysoil stockpile after it was delivered by MRWA. These costs incurred are not part of the initial delivery of the inventory and should have been expensed at the time given as it doesn't add any value to the landfill site. A prior year adjustment is required to reallocated from WIP Infrastructure Other to an Operating expense account. The total value for 2020/21 is \$59,567.

Statement of Financial Position (Extract)	Note	30 June 2021	Increase/ (Decrease)	30 June 2021 (Restated)
		\$	\$	\$
Infrastructure	9	129,537,623	(59,567)	129,478,056
Stock on Hand (Clay Soil) Non Current	6	0	271,628	271,628
Net assets		129,537,623	212,061	129,749,684
Retained earnings		31,803,179	212,061	32,015,240
Total equity		168,021,341	212,061	168,233,402

Statement of Comprehensive Income (Extract)		2021	Increase/ (Decrease)	2021 (Restated)
		\$	\$	\$
<i>By Nature or Type</i>				
Revenue				
Non-operating grants, subsidies and contributions	2(a)	5,130,139	271,628	5,401,767
Expenses				
Materials and Contracts		(3,365,310)	(59,567)	(3,424,877)
Net result for the period		616,427	212,061	828,488
Total comprehensive income for the period		616,427	212,061	828,488

34 DISCONTINUED OPERATIONS

The Shire discontinued operational management of Tuia Lodge aged care home during the 2020/21 year. Analysis of the financial impact of discontinued operations is as follows.

Changes to Statement of Comprehensive Income by Nature or Type

	2022	2021
Revenue		
Operating grants, subsidies and contributions	0	2,228,964
Fees and charges	0	911,285
Interest earnings	0	19,876
Other revenue	0	201,247
	<u>0</u>	<u>3,361,372</u>
Expenses		
Employee costs	0	(2,871,626)
Materials and contracts	0	(740,204)
Utility charges	0	(73,076)
Depreciation on non-current assets	0	(186,804)
Interest expense	0	(134)
Insurance expenses	0	(31,967)
Other expenses	0	(26,203)
Loss on Asset Disposal	0	(76,053)
	<u>0</u>	<u>(4,006,067)</u>
Profit / (Loss) from discontinued operations	<u>0</u>	<u>(644,695)</u>

Revenue and expenses from the operations were previously reported under Education and Welfare Program



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Shire of Donnybrook-Balingup

To the Commissioner of the Shire of Donnybrook-Balingup

Opinion

I have audited the financial report of the Shire of Donnybrook-Balingup (Shire) which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Commissioner for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to

the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and the Commissioner and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Chief Executive Officer and the Commissioner for the financial report

The Chief Executive Officer of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the Shire's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

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

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 financial report. 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.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Donnybrook-Balingup for the year ended 30 June 2022 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.

Jordan Langford-Smith
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
21 December 2022

SHIRE OF DONNYBROOK BALINGUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fair value of Infrastructure Assets	✓		
2. Purchase Order		✓	

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. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed 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 DONNYBROOK BALINGUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Fair Value of Infrastructure Assets

Finding

The Shire has performed an assessment to determine whether its infrastructure assets represent fair value. This assessment has relied on the Shire's internal assessment by management of the current market conditions. This review indicated there were no significant movements or impacts on its infrastructure assets relevant to 30 June 2022.

Whilst acknowledging management's assessment we note that this conclusion appears somewhat inconsistent with the outcomes (revaluation increments) of independent valuations that were obtained for other assets (Land and Buildings).

Rating: Significant Implication

Without a robust assessment of fair value of Shire Infrastructure Assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

The Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. This process is to ensure that the Shire's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year.

Management comment

The Shire appreciates the recommendation of the Auditor whilst also acknowledging the significant cost of assessing the Fair Value of Assets. For the 2021/2022 Financial year Asset classes of Land and Property were revalued at a cost of \$96,212 with the Infrastructure Asset class to be revalued in the 2022/2023 Financial Year at a quoted cost of 17,410.

The Shire will in the future obtain relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year.

Valuers have been appointed to conduct revaluation of the infrastructure asset class in accordance with regulation 17A of the Local Government (Financial Management) Regulation 1996. This will be effective for the 2022/23 financial year.

Responsible person: Kim Dolzadelli
Completion date: 15 December 2022

SHIRE OF DONNYBROOK BALINGUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Purchase order

Finding

Our sample testing of expenditure internal controls noted 2 instances (out of 15 transactions tested) where the purchase order was dated after the date the corresponding supplier invoice was received.

Rating: Moderate

Implication

Where purchases are made without authorised purchase orders, there is a greater risk of unauthorised purchases being made.

Recommendation

The Shire should ensure that all purchase orders are raised prior to authorising the works/services or ordering goods. This will help to ensure works/services or goods have been appropriately authorised, which will assist with budget monitoring and responsibility.

Management comment

The Shire accepts the Audit recommendation.

Responsible person: Kim Dolzadelli

Completion date: 15 December 2022

SHIRE OF DONNYBROOK-BALINGUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Timesheets		✓	
2. Employees pay rate		✓	

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 DONNYBROOK-BALINGUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Timesheets

Finding

Our sample testing of payroll internal controls noted 1 instance (out of 7 transactions tested) where the daily timesheets of an employee were not signed as authorised by the respective manager or supervisor.

Rating

Moderate

Implication

Without proper authorisation of timesheets, there is an increased risk that employees are paid for hours that were not actually worked. Also, there is an increased risk that errors within payroll transactions could occur and go undetected. Lastly, there is a risk of incorrect allocation of wages between operating expenditure and capital expenditure as timesheets are the mechanism of tracking job costs.

Recommendation

The Shire should make sure that all employee timesheets are authorised by a manager or supervisor and signed as evidence of this authorisation.

Management comment

The Shire acknowledges the feedback, and notes that additional control measures were implemented from mid-April 2022, immediately after the interim audit close out meeting

The new control measures are:

- Payroll Officer will no longer accept timesheets that are unsigned by the manager/supervisor. Previously in the interest of ensuring all employees were paid on time the payroll officer would concurrently manage the process of loading the timesheets for payment and seeking validation from management to ensure timesheets were signed. This is no longer the case, with unsigned timesheets being returned immediately, and no further action taken until the timesheet is signed by the appropriate manager and then returned. We believe that this control mitigates this risk entirely.
- In addition, training and support has been provided to all managers/supervisors to ensure they understand the importance and implications of timesheets not being reviewed/signed off appropriately (from an organisational risk perspective, and also from an impact to employee payments perspective)
- Reporting of non-compliant timesheets has also commenced, with the Payroll Officer now advising the Finance Manager of any non compliant timesheets received, so that feedback can be provided to management.
- Timesheets that generate a financial benefit to staff (i.e. if the timesheet indicates overtime, allowances etc. are payable) are co-signed by both the immediate supervisor and the applicable manager. This dual level signing provides an additional layer of control to ensure that any financial benefits to employees are appropriately reviewed.
- The pay run process has had an additional step added, whereby employee's prior pays are compared to current, with any variances investigated and explained. The output of this analysis is provided to the Finance Manager for review prior to any pays being processed. This additional step further mitigates risk of overpayment as any material variances are investigated and understood prior to payment taking place.

SHIRE OF DONNYBROOK-BALINGUP
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Timesheets (continued)

Responsible person

Katie McIntyre

Completion date

31st May 2022

2. Employees pay rate

Finding

Our sample testing of payroll noted 1 instance (out of 7 transactions tested) where an employee's pay rate per their contract did not agree to the pay rate as per the payroll system. On further investigation, we noted that this variance is due to an error in the contract that was rectified in the payroll system but not documented in the employee's personal file.

Rating

Moderate

Implication

Without proper documentation of employee pay rates, there is an increased risk that employees are not paid at the correct rates. Also, there is an increased risk that errors within payroll transactions could occur and go undetected.

Recommendation

The Shire should make sure that any pay rate changes are documented and kept on each employee's personal file.

Management comment

The Shire acknowledges the feedback, and notes that additional control measures were implemented from mid-April 2022, immediately after the interim audit close out meeting

- All communications that impact finance and human resources are now communicated or confirmed via email, with all impacted parties included in the communications
- Training and support of finance and human resources employees has been conducted to improve internal communications, and ensure understanding of when/how employee pay changes impact each department and what processes are required to be undertaken as a result.

Responsible person

Katie McIntyre (Manager Finance)

Maureen Keegan (Manager Executive Services *includes Human Resources*)

Completion date

31st May 2022