



Shire of Northam
Heritage, Commerce and Lifestyle

Shire of Northam

Agenda

Audit & Risk Management

Committee Meeting

4 December 2019

NOTICE PAPER

Audit & Risk Management Committee Meeting

4 December 2019

Committee Members

I inform you that an Audit Committee meeting will be held in the Council Chambers, located at 395 Fitzgerald Street, Northam on 4 December 2019 at 4:00pm.

Yours faithfully



Jason Whiteaker
Chief Executive Officer

DISCLAIMER

This agenda has yet to be dealt with by the Council. The Recommendations shown at the foot of each item have yet to be considered by the Council and are not to be interpreted as being the position of the Council. The minutes of the meeting held to discuss this agenda should be read to ascertain the decision of the Council.

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1. DECLARATION OF OPENING

2. ELECTION OF PRESIDING MEMBER

In accordance with section 5.12 of the Local Government Act 1995. The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1.

The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2.

Should the presiding member not be available or is unable or unwilling to perform the functions of presiding member, then the deputy presiding member, if any, may perform the functions of presiding member.

3. ATTENDANCE

Committee:

Shire President
Councillors

Cr C R Antonio
Cr A J Mencshelyi
Cr M P Ryan
Cr S B Pollard

Staff:

Acting Chief Executive Officer
Executive Manager Corporate Services
Accountant
Payroll Officer

C B Hunt
C J Young
Z Macdonald
J Grant

Guest:

Moore Stephens
Office of the Auditor General

G Godwin
A Lei

3.1 APOLOGIES

Nil.

3.2 APPROVED LEAVE OF ABSENCE

Nil.

4. DISCLOSURE OF INTERESTS

Item Name	Item No.	Name	Type of Interest	Nature of Interest

5. CONFIRMATION OF MINUTES

5.1 COMMITTEE MEETING HELD 9 OCTOBER 2019

RECOMMENDATION

That the minutes of the Audit Committee meeting held on 9 October 2019 be confirmed as a true and correct record of that meeting subject to the following amendment:

- The reference to \$132,905 per capita being corrected to \$132.90 per capita (page 114).

6. COMMITTEE REPORTS

6.1 SHIRE OF NORTHAM AUDIT REPORT

Address:	N/A
Owner:	N/A
Applicant:	N/A
File Reference:	8.2.7.5
Reporting Officer:	Executive Manager Corporate Services Colin Young
Responsible Officer:	Accountant Zoe Macdonald
Officer Declaration of Interest:	Nil
Voting Requirement:	Simple Majority
Press release to be issued:	No

BRIEF

For Council to consider and receive the Audit Concluding Memorandum Report for the year ended 30 June 2019 for the Shire of Northam.

ATTACHMENTS

Attachment 1: Audit Concluding Memorandum to for the year ended June 2019(confidential) - provided to Elected Members as a separate attachment to this agenda and minutes.

Attachment 2: Draft Financial Report for the year ended June 2019

BACKGROUND / DETAILS

The draft Financial Report for the year ended 30 June 2019 has been completed and presented to the Office of the Auditor General for audit. The audit was carried out on-site between 9th & 11th September 2019 with the draft Financial Report being ready for signoff on the 27th November 2019. Final signoff is expected to take place within 5 working days from the Auditor General's Audit Concluding Memorandum being presented to the Audit Committee.

CONSIDERATIONS

Strategic Community / Corporate Business Plan

Theme Area 6: Governance & Leadership

Outcome 6.3: The Shire of Northam Council is a sustainable, responsive, innovative and transparent organisation.

- Maintain a high standard of corporate governance; and
- Undertake our regulatory roles in a safe, open, accountable and respectful manner.

Outcome 6.4: The Elected Members of the Shire of Northam provide accountable, strong and effective community leadership.

- Open, accountable and effective decision making.

Financial / Resource Implications

Nil, however, it is estimated that additional staff resources may be needed if the more extensive audit requirements are ongoing. It is estimated staff resources associated with the annual audit tripled this year.

Legislative Compliance

Local Government (Audit) Regulations 1996 Section 9A

CEO to provide documents to Auditor General carrying out financial audit

- (1) *In this regulation — audit document means — (a) the strategic community plan as defined in the Local Government (Administration) Regulations 1996 regulation 19BA; or (b) the corporate business plan as defined in the Local Government (Administration) Regulations 1996 regulation 19BA; or (c) another plan or informing strategy specified by the Auditor General; or (d) another document specified by the Auditor General.*
- (2) *The CEO must provide a copy of an audit document to the Auditor General within 14 days after the Auditor General requests it for the purposes of a financial audit under Part 7 Division 3A of the Act.*

Local Government Act 1995 Section 5.53 Annual Reports;

- (1) *The local government is to prepare an annual report for each financial year.*

- (2) The annual report is to contain -
- (a) a report from the mayor or president; and
 - (b) a report from the CEO; and
 - [(c), (d) deleted]
 - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
 - (f) the financial report for the financial year; and
 - (g) such information as may be prescribed in relation to the payments made to employees; and
 - (h) the auditor's report for the financial year; and
 - (ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and
 - (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
 - (i) the number of complaints recorded in the register of complaints;
 - (ii) how the recorded complaints were dealt with; and
 - (iii) any other details that the regulations may require; and
 - (i) such other information as may be prescribed.

Local Government Act 1995 Section 5.54 Acceptance of Annual Reports:

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

Policy Implications

Nil.

Stakeholder Engagement / Consultation

Nil.

Risk Implications

Risk Category	Description	Rating (consequence x likelihood)	Mitigation Action
Financial	N/A	N/A	N/A
Health & Safety	N/A	N/A	N/A
Reputation	N/A	N/A	N/A
Service Interruption	N/A	N/A	N/A
Compliance	The Report is to be presented to the Audit Committee annually in order to comply with relevant legislation	Low	There are processes in place to ensure compliance with relevant legislation
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A

OFFICER'S COMMENT

This year was the first year the Shire of Northam was audited by the Office of Auditor General. The process was more rigorous and prolonged than was expected by finance staff.

This was compounded with the mandatory adoption of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities.

The Office of Auditor General also made a ruling relating to monies held in trust, this resulted in the transfer of \$831,382 from Councils trust to Councils municipal fund.

The preparation of the Financial Report adopted methodology in calculating the asset consumption ratio has been updated to align with the Current Long-Term Financial Plan and Asset Management Plans and now better reflects the condition of Councils infrastructure. Subsequently this ratio has weakened slightly dropping from 0.56 to 0.53, however it is still within the accepted standard.

The table below outlines the reconciliation between the budgeted surplus and the actual surplus as presented in the Financial Report, the required timing adjustments will be carried out as part of the budget review process.

Surplus Reconciliation	2018/19	Adjustment
Budgeted Surplus	4,463,884	
WANDRRA Accrued Income	(237,220)	This income had been initially accounted for as accrued income, however as not yet received, it will be accounted for as revenue in the 2019/20 financial year
Aquatic Centre Grant	(375,000)	This income had been initially accounted for as accrued income, however as not yet received, it was considered as having an element of risk should there be any complications prior to its completion, it will be accounted for as revenue in the 2019/20 financial year
Prepaid Rates	280,140	Prepaid rates were recognised as a liability at 30 June 2019 under AASB 9. From 1 July 2019 AASB 1058 applies as such this will be accounted for as a liability as of the 1 July 2019
Adjusted Total	4,131,804	
Financial Report Actual Surplus	(4,162,558)	
Unallocated	(30,754)	

RECOMMENDATION

That Council accept the Audit Concluding Memorandum for the year ended 30 June 2019 for the Shire of Northam.

Attachment 2

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

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Principal place of business:
395 Fitzgerald Street
NORTHAM WA 6401

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the day of 2019

JASON WHITEAKER
Chief Executive Officer



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	24(a)	10,284,644	10,109,614	9,616,368
Operating grants, subsidies and contributions	2(a)	5,906,081	4,379,720	5,419,200
Fees and charges	2(a)	3,721,822	3,964,894	3,602,255
Interest earnings	2(a)	423,101	391,500	399,214
Other revenue	2(a)	755,087	751,571	829,845
		21,090,735	19,597,299	19,866,882
Expenses				
Employee costs		(8,672,875)	(8,083,630)	(8,009,476)
Materials and contracts		(5,269,554)	(6,531,974)	(5,460,999)
Utility charges		(979,358)	(952,576)	(1,016,244)
Depreciation on non-current assets	11(b)	(4,180,155)	(4,363,387)	(4,245,898)
Interest expenses	2(b)	(131,437)	(133,094)	(144,292)
Insurance expenses		(504,551)	(475,846)	(449,755)
Other expenditure		(364,477)	(184,609)	(288,688)
		(20,102,407)	(20,725,116)	(19,615,352)
		988,328	(1,127,817)	251,530
Non-operating grants, subsidies and contributions	2(a)	17,819,568	7,223,845	4,534,499
Profit on asset disposals	11(a)	33,146	84,234	43,109
(Loss) on asset disposals	11(a)	(360,094)	(160,082)	(135,426)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	210,205	0	0
		17,702,825	7,147,997	4,442,182
		18,691,153	6,020,180	4,693,712
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(7,309,692)
		0	0	(7,309,692)
		18,691,153	6,020,180	(2,615,980)

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		80,939	35,400	74,973
General purpose funding		14,143,683	12,304,090	13,418,818
Law, order, public safety		493,351	646,108	463,593
Health		62,310	81,000	57,330
Education and welfare		1,253,200	1,291,387	1,315,874
Housing		51,619	44,568	48,041
Community amenities		2,583,699	2,626,194	2,612,903
Recreation and culture		343,596	408,753	424,002
Transport		1,406,905	1,403,196	866,918
Economic services		483,401	696,403	479,429
Other property and services		188,032	60,200	105,001
		21,090,735	19,597,299	19,866,882
Expenses				
	2(b)			
Governance		(1,281,821)	(1,306,014)	(1,308,666)
General purpose funding		(362,145)	(282,705)	(275,814)
Law, order, public safety		(1,332,894)	(1,265,540)	(1,269,806)
Health		(269,762)	(299,775)	(271,273)
Education and welfare		(1,332,506)	(1,368,890)	(1,275,209)
Housing		(61,266)	(74,259)	(82,585)
Community amenities		(3,192,512)	(3,460,527)	(3,175,361)
Recreation and culture		(4,213,486)	(4,523,552)	(4,210,531)
Transport		(5,309,523)	(5,343,733)	(5,395,965)
Economic services		(2,463,838)	(2,639,885)	(2,037,370)
Other property and services		(141,217)	(27,142)	(168,480)
		(19,970,970)	(20,592,022)	(19,471,060)
Finance Costs				
	2(b)			
Recreation and culture		(82,105)	(83,368)	(91,838)
Transport		0	0	(673)
Economic services		(49,332)	(49,726)	(51,781)
		(131,437)	(133,094)	(144,292)
		988,328	(1,127,817)	251,530
Non-operating grants, subsidies and contributions	2(a)	17,819,568	7,223,845	4,534,499
Profit on disposal of assets	11(a)	33,146	84,234	43,109
(Loss) on disposal of assets	11(a)	(360,094)	(160,082)	(135,426)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	210,205	0	0
		17,702,825	7,147,997	4,442,182
Net result for the period		18,691,153	6,020,180	4,693,712
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(7,309,692)
Total other comprehensive income for the period		0	0	(7,309,692)
Total comprehensive income for the period		18,691,153	6,020,180	(2,615,980)

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

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

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	8,123,774	9,699,752
Trade receivables	5	3,308,497	3,408,443
Other financial assets	8(a)	15,758	16,818
Inventories	6	0	1,224
Other current assets	7	1,933,962	71,474
TOTAL CURRENT ASSETS		13,381,991	13,197,711
NON-CURRENT ASSETS			
Trade receivables	5	403,701	408,638
Other financial assets	8(b)	360,723	174,553
Property, plant and equipment	9	60,053,216	60,157,628
Infrastructure	10	160,465,459	139,487,644
TOTAL NON-CURRENT ASSETS		221,283,099	200,228,463
TOTAL ASSETS		234,665,090	213,426,174
CURRENT LIABILITIES			
Trade and other payables	13	3,658,158	1,698,187
Borrowings	14(b)	279,985	224,381
Employee related provisions	15	1,207,425	1,064,296
TOTAL CURRENT LIABILITIES		5,145,568	2,986,864
NON-CURRENT LIABILITIES			
Borrowings	14(b)	2,000,696	1,783,681
Employee related provisions	15	222,810	271,813
Trade and other payables	13	221,047	0
TOTAL NON-CURRENT LIABILITIES		2,444,553	2,055,494
TOTAL LIABILITIES		7,590,121	5,042,358
NET ASSETS		227,074,969	208,383,816
EQUITY			
Retained surplus		108,080,070	88,280,094
Reserves - cash backed	4	5,015,888	6,124,711
Revaluation surplus	12	113,979,011	113,979,011
TOTAL EQUITY		227,074,969	208,383,816

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

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

NOTE	RETAINED	RESERVES	REVALUATION	TOTAL
	SURPLUS	CASH BACKED	SURPLUS	EQUITY
	\$	\$	\$	\$
Balance as at 1 July 2017	84,238,304	5,472,789	121,288,703	210,999,796
Comprehensive income				
Net result for the period	4,693,712	0	0	4,693,712
Other comprehensive income	12	0	(7,309,692)	(7,309,692)
Total comprehensive income	4,693,712	0	(7,309,692)	(2,615,980)
Transfers from/(to) reserves	(651,922)	651,922	0	0
Balance as at 30 June 2018	88,280,094	6,124,711	113,979,011	208,383,816
Comprehensive income				
Net result for the period	18,691,153	0	0	18,691,153
Total comprehensive income	18,691,153	0	0	18,691,153
Transfers from/(to) reserves	1,108,823	(1,108,823)	0	0
Balance as at 30 June 2019	108,080,070	5,015,888	113,979,011	227,074,969

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

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

NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates	9,996,812	10,168,291	9,448,759
Operating grants, subsidies and contributions	4,884,372	4,579,720	4,388,585
Fees and charges	4,553,204	5,142,201	3,602,255
Interest received	423,101	391,500	399,214
Goods and services tax received	0	300,000	82,945
Other revenue	480,411	751,571	829,845
	<u>20,337,900</u>	<u>21,333,283</u>	<u>18,751,603</u>
Payments			
Employee costs	(8,564,061)	(8,063,630)	(7,985,164)
Materials and contracts	(3,935,406)	(5,931,974)	(5,262,536)
Utility charges	(979,358)	(952,576)	(1,016,244)
Interest expenses	(133,822)	(133,094)	(148,683)
Insurance paid	(504,551)	(475,846)	(449,755)
Goods and services tax paid	(168,977)	(300,000)	0
Other expenditure	(364,479)	(184,609)	(288,688)
	<u>(14,650,654)</u>	<u>(16,041,729)</u>	<u>(15,151,070)</u>
Net cash provided by (used in) operating activities	16 5,687,246	5,291,554	3,600,533
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	(1,975,725)	(3,627,616)	(5,640,235)
Payments for construction of infrastructure	(10,894,955)	(17,616,432)	(4,806,690)
Non-operating grants, subsidies and contributions	5,019,568	7,223,845	4,534,499
Proceeds from self supporting loans	25,096	25,095	24,075
Proceeds from sale of property, plant & equipment	290,174	450,113	514,634
Net cash provided by (used in) investment activities	(7,535,842)	(13,544,995)	(5,373,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	(227,382)	(227,382)	(227,610)
Proceeds from new borrowings	500,000	2,900,000	0
Net cash provided by (used in) financing activities	272,618	2,672,618	(227,610)
Net increase (decrease) in cash held	(1,575,978)	(5,580,823)	(2,000,794)
Cash at beginning of year	9,699,752	9,705,222	11,700,546
Cash and cash equivalents at the end of the year	16 8,123,774	4,124,399	9,699,752

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

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

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	25 (b)	4,962,863	5,448,818	6,793,608
		4,962,863	5,448,818	6,793,608
Revenue from operating activities (excluding rates)				
Governance		291,144	35,400	74,973
General purpose funding		4,153,662	2,210,101	3,816,580
Law, order, public safety		493,351	670,214	463,593
Health		62,310	81,000	57,330
Education and welfare		1,286,346	1,379,009	1,315,874
Housing		51,619	44,568	48,041
Community amenities		2,583,699	2,670,392	2,612,903
Recreation and culture		343,596	408,753	467,111
Transport		1,406,904	1,413,739	866,918
Economic services		483,401	696,402	479,429
Other property and services		188,032	60,200	105,001
		11,344,064	9,669,778	10,307,753
Expenditure from operating activities				
Governance		(1,295,414)	(1,306,014)	(1,311,751)
General purpose funding		(362,145)	(283,705)	(275,814)
Law, order, public safety		(1,334,026)	(1,277,593)	(1,276,824)
Health		(269,762)	(299,775)	(271,273)
Education and welfare		(1,346,746)	(1,415,923)	(1,275,209)
Housing		(61,266)	(74,259)	(82,585)
Community amenities		(3,226,512)	(3,482,626)	(3,179,309)
Recreation and culture		(4,397,312)	(4,606,920)	(4,326,794)
Transport		(5,481,333)	(5,504,864)	(5,493,587)
Economic services		(2,546,764)	(2,689,611)	(2,089,151)
Other property and services		(141,218)	(27,141)	(168,482)
		(20,462,498)	(20,968,431)	(19,750,779)
Non-cash amounts excluded from operating activities	25(a)	4,482,509	4,439,235	4,263,292
Amount attributable to operating activities		326,938	(1,410,600)	1,613,874
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		5,019,568	7,223,845	4,534,499
Proceeds from disposal of assets	11(a)	290,174	450,113	514,634
Proceeds from self supporting loans	14(b)	25,096	25,095	24,075
Purchase of property, plant and equipment	9(a)	(1,975,725)	(3,627,616)	(5,640,235)
Purchase and construction of infrastructure	10(a)	(10,894,955)	(17,616,432)	(4,806,690)
Amount attributable to investing activities		(7,535,842)	(13,544,995)	(5,373,717)
FINANCING ACTIVITIES				
Repayment of borrowings	14(b)	(227,382)	(227,382)	(227,610)
Proceeds from borrowings	14(c)	500,000	2,900,000	0
Transfers to reserves (restricted assets)	4	(678,099)	(1,029,767)	(1,342,764)
Transfers from reserves (restricted assets)	4	1,786,922	3,217,755	690,842
Amount attributable to financing activities		1,381,441	4,860,606	(879,532)
Surplus/(deficit) before imposition of general rates		(5,827,463)	(10,094,989)	(4,639,375)
Total amount raised from general rates	24	9,990,021	10,094,989	9,602,238
Surplus/(deficit) after imposition of general rates	25(b)	4,162,558	0	4,962,863

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

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 27 to these financial statements.

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	0	4,000	0
General purpose funding	3,375,216	1,646,848	3,284,568
Law, order, public safety	258,532	160,204	197,682
Education and welfare	1,123,412	1,103,357	1,162,127
Recreation and culture	8,921	30,000	89,150
Transport	1,138,000	1,397,211	608,953
Economic services	2,000	38,100	76,720
	5,906,081	4,379,720	5,419,200
Non-operating grants, subsidies and contributions			
Law, order, public safety	402,784	742,719	45,791
Community amenities	310,000	0	0
Recreation and culture	3,636,508	5,786,000	3,507,900
Transport	13,450,986	695,126	976,808
Economic services	19,290	0	4,000
	17,819,568	7,223,845	4,534,499
Total grants, subsidies and contributions	23,725,649	11,603,565	9,953,699

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 23.

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

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

2. REVENUE AND EXPENSES (Continued)

	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
(a) Revenue (Continued)			
Significant revenue			
General Purpose Funding FAGs Grant (note (i))	1,738,569	0	1,749,433
Mainroads Newcastle Bridge Handover (note(ii))	12,800,000	0	0
(i) The significant revenue in 2019 relates to the prepayment of the first installment of the Financial Assistance Grant for the 2019/2020 year.			
(ii) Mainroads completed the maintenance of the Newcastle Road Bridge then handed it back to the Shire of Northam at no cost to the Shire. On completion, the Bridge was revalued at \$ 12.8m by external valuer during the year 2018/19.			
Other revenue			
Reimbursements and recoveries	589,098	470,643	437,454
Other	165,989	280,928	392,391
	755,087	751,571	829,845
Fees and Charges			
Governance	2	300	0
General purpose funding	67,067	79,000	73,190
Law, order, public safety	£2,254	61,587	76,656
Health	33,810	36,000	28,304
Education and welfare	121,826	183,500	£2,103
Housing	51,033	44,000	47,460
Community amenities	2,566,700	2,610,793	2,555,755
Recreation and culture	315,019	311,270	313,775
Transport	102,889	105,896	87,171
Economic services	399,944	522,548	348,895
Other property and services	1,278	10,000	8,946
	3,721,822	3,964,894	3,602,255
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Loans receivable - clubs/institutions	7,351	7,494	8,548
Reserve accounts interest	123,904	117,230	125,404
Rates instalment and penalty interest (refer Note 24)	247,946	172,500	179,826
Other interest earnings	43,900	94,276	85,436
	423,101	391,500	399,214
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report	12,312	22,028	26,930
- Other services	23,758	27,622	24,239
	36,070	49,650	51,169
The audit fee expensed in the current financial year relates to 50% of the cost for the 17/18 Annual Financial Report. The audit was carried out by Moore Stephens. The 18/19 audit is being undertaken by the Office of the Auditor General. The indicative cost for the service is \$47,000.			
Interest expenses (finance costs)			
Borrowings (refer Note 14(b))	131,437	133,094	144,292
	131,437	133,094	144,292
Rental charges			
- Operating leases	13,008	13,008	13,008
Page 11	13,008	13,008	13,008

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		1,950,382	2,949,435
Term deposits		6,173,392	6,750,317
		8,123,774	9,699,752
Comprises:			
- Unrestricted cash and cash equivalents		1,983,523	2,388,385
- Restricted cash and cash equivalents		6,140,251	7,311,367
		8,123,774	9,699,752
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Leave Reserve	4	427,796	419,166
Aged accommodation reserve	4	227,404	217,917
Housing reserve	4	265,508	260,151
Office equipment reserve	4	74,735	101,474
Plant & Equipment reserve	4	126,838	110,155
Road and bridgework reserve	4	89,498	77,894
Refuse site reserve	4	627,553	477,717
Regional development reserve	4	73,600	91,711
Speedway reserve	4	147,601	144,623
Community bus replacement reserve	4	2,414	63,115
Septage pond reserve	4	267,085	191,911
Killara reserve	4	276,579	375,985
Stormwater drainage projects reserve	4	33,593	129,415
Rec and Community Facilities Res	4	584,377	1,813,462
Administration office reserve	4	685,802	692,795
Council building & amenities reserve	4	348,744	308,807
River town pool dredging reserve	4	360,240	303,982
Parking facilities reserve	4	216,138	211,778
Art collection reserve	4	23,205	22,737
Reticulation scheme reserve	4	80,662	69,237
Election reserve	4	15,165	162
Revaluation reserve	4	61,351	40,517
		5,015,888	6,124,711
Other restricted cash and cash equivalents			
Unspent grants/contributions	23	292,981	1,186,656
Customer bonds and deposits held	13	831,382	0
Total restricted cash and cash equivalents		6,140,251	7,311,367

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
(a) Leave Reserve	419,166	8,830	0	427,996	418,145	8,190	0	426,341	455,441	10,971	(47,248)	419,166
(b) Aged accommodation reserve	217,917	9,487	0	227,404	217,338	9,260	0	226,598	226,123	10,794	(19,000)	217,917
(c) Housing reserve	280,151	5,357	0	285,508	259,499	5,086	0	264,585	253,650	6,501	0	260,151
(d) Office equipment reserve	101,474	3,261	(30,000)	74,735	101,066	1,981	(72,276)	30,771	97,417	4,057	0	101,474
(e) Plant & Equipment reserve	110,155	16,663	0	126,838	109,878	332,154	(315,584)	126,448	285,082	4,638	(179,565)	110,155
(g) Road and bridgework reserve	77,894	11,604	0	89,498	77,723	11,523	0	89,246	66,196	11,668	0	77,894
(h) Refuse site reserve	477,717	149,836	0	627,553	476,794	189,945	0	666,739	363,969	123,748	0	477,717
(i) Regional development reserve	91,711	1,859	(20,000)	73,570	91,481	1,793	(80,000)	13,274	96,419	2,292	0	91,711
(j) Speedway reserve	144,823	2,973	0	147,801	144,251	2,328	0	147,069	141,009	3,814	0	144,823
(k) Community bus replacement reserve	63,115	1,299	(62,000)	2,414	63,105	1,433	(62,000)	2,538	52,594	10,581	0	63,115
(l) Septage pond reserve	191,911	75,174	0	267,085	191,430	74,975	0	266,405	312,287	6,124	(126,500)	191,911
(m) Killara reserve	375,985	11,741	(111,147)	276,579	375,484	11,300	(124,167)	262,617	236,719	139,266	0	375,985
(n) Stormwater drainage projects reserve	129,415	4,178	(100,000)	33,593	129,390	2,535	(100,000)	31,865	28,669	100,746	0	129,415
(o) Rec and Community Facilities Res	1,813,462	192,660	(1,421,775)	584,347	1,809,999	194,441	(1,886,228)	118,212	1,583,981	450,967	(221,516)	1,813,462
(p) Administration office reserve	662,795	13,007	(20,000)	655,802	661,211	13,548	(337,500)	327,259	677,002	15,793	0	662,795
(q) Council building & amenities reserve	308,807	61,937	(22,000)	348,744	308,750	61,631	(175,000)	195,381	8,778	342,044	(42,015)	308,807
(r) River town pool dredging reserve	303,862	56,258	0	360,240	303,220	55,645	0	358,865	290,385	7,567	0	303,862
(s) Parking facilities reserve	211,778	4,300	0	216,138	211,280	4,147	(65,000)	150,427	193,200	58,578	(40,000)	211,778
(t) Art collection reserve	22,737	468	0	23,205	22,880	445	0	23,125	22,169	568	0	22,737
(u) Reticulation scheme reserve	66,237	11,425	0	80,662	69,088	11,345	0	80,433	57,756	11,481	0	66,237
(v) Election reserve	162	15,003	0	15,165	163	15,003	0	15,166	15,001	161	(15,000)	162
(w) Revaluation reserve	40,517	20,834	0	61,351	40,463	20,793	0	61,256	20,002	20,515	0	40,517
	8,124,711	676,089	(1,766,622)	6,015,888	6,112,338	1,028,787	(3,217,755)	3,924,369	5,472,769	1,342,764	(660,842)	6,124,711

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

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

4 RESERVES CASH BACKED (CONTINUED)

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	For the provision for employees' future liability commitments i.e. Annual leave, long service requirements and negotiated gratuities and sickness payouts. Funds are not expected to be used in a set period as further transfers to the reserve account are expected as funds are utilised.
(b) Aged accommodation reserve	Ongoing	For the provision of future capital works requirements for aged units at Kuringal Village, Wundowie and other sites within the Shire of Northam. Funds not expected to be used in a set period as further transfers to the reserve account are expected.
(c) Housing reserve	Ongoing	This is a reserve established for future construction of Community Housing in Wundowie. Funds are not expected to be used in a set period of time.
(d) Office equipment reserve	Ongoing	For the acquisition and upgrading of Council offices, furniture, computers and general equipment.
(e) Plant & Equipment reserve	Ongoing	For the acquisition and upgrading of the Council works plant and general equipment in accordance with the plant replacement program. Funds are not expected to be used in a set period of time as further transfers to the reserve account are expected as funds are utilised.
(g) Road and bridgework reserve	Ongoing	For the provision of upgrading of road and bridge infrastructure within the Shire of Northam. Funds not expected to be used in a set period as further transfers to the reserve account are anticipated.
(h) Refuse site reserve	Ongoing	For the development of refuse sites and related expenditure on infrastructure and equipment, including the provision for a future replacement facility and for site. Funds are not expected to be used in a set period as transfers to the reserve account are anticipated.
(i) Regional development reserve	Ongoing	To provide for future projects whereby a broader range of development ideas may be required to be encouraged on a regional basis, in consultation with other stakeholders and/or Local Governments. Funds are not expected to be in a set period as future transfers to the reserve are anticipated.
(j) Speedway reserve	Ongoing	For the provision of funds for the possible future rehabilitation works required at the Northam Speedway site on Fox Road Northam. No date has been specified for the use of this reserve.
(k) Community bus replacement reserve	Ongoing	For the future replacement of the Shire of Northam Community Buses. Funds are not expected to be used in a set period as further transfers to the reserve account are anticipated.
(l) Septage pond reserve	Ongoing	For the future upgrades and maintenance to septage ponds and related infrastructure. Funds are not anticipated to be used in the set period as further transfers to the reserve account are anticipated.
(m) Killara reserve	Ongoing	To provide a reserve for surplus funds from Killara operations and restricted cash for any unspent Killara grants. No date has been specified for the use of this reserve.
(n) Stormwater drainage projects reserve	Ongoing	To provide funds for the stormwater drainage projects in the Shire. No date has been specified for the use of this reserve.
(o) Rec and Community Facilities Res	Ongoing	For Recreation and Public facilities. 2% of the net rates levied each year are set aside for the provision of recreation and sporting facilities.
(p) Administration office reserve	Ongoing	To provide funds for the expansion or relocation of the Shire of Northam Administration Centre. No date specified for the use of this reserve.
(q) Council building & amenities reserve	Ongoing	For the maintenance and upgrading of Council buildings and amenities. Funds are not expected to be used in a set period as further transfers to the reserve account are anticipated.
(r) River town pool dredging reserve	Ongoing	For the provision of dredging and maintenance of the River Town Pool. Funds are not expected to be used in a set period as further transfers are anticipated.
(s) Parking facilities reserve	Ongoing	For the provision of future car parking facilities. Funds are not expected to be used in a set period as further transfers to the reserve account are anticipated.
(t) Art collection reserve	Ongoing	Provision for the care and maintenance of the Shire of Northam's Art Collection, including the acquisition and disposal of artworks. Funds are not expected to be used in a set period as further transfers to the reserve account are anticipated.
(u) Reticulation scheme reserve	Ongoing	Provision for future replacement/upgrading of water reuse and reticulation infrastructure. Funds are not expected to be used in a set period as further transfers to the reserve account are expected as funds are utilised.
(v) Election reserve	Ongoing	Provision for the biannual Elections of Council.
(w) Revaluation reserve	Ongoing	Provision for the 4 yearly revaluation of the Shires GRV properties.

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

5. TRADE RECEIVABLES

Current

	2019	2018
	\$	\$
Rates receivable	2,281,144	1,991,506
Sundry receivables	912,852	1,458,764
Allowance for impairment of receivables	(73,942)	(54,954)
Allowance for impairment of rates	(83,673)	(82,470)
GST receivable	272,116	95,597
	3,308,497	3,408,443

Non-current

Pensioner's rates and ESL deferred	403,701	408,638
	403,701	408,638

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 26.

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

Classification and subsequent measurement

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

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

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

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

6. INVENTORIES

	2019	2018
	\$	\$
Current		
Fuel	0	1,224
	0	1,224
The following movements in inventories occurred during the year:		
Carrying amount at 1 July	1,224	1,224
Inventory expensed during the year	(1,224)	0
Carrying amount at 30 June	0	1,224

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

7. OTHER CURRENT ASSETS

	2019	2018
	\$	\$
Other current assets		
Accrued Revenue	1,933,962	71,474
	1,933,962	71,474

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

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

8. OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
(a) Current assets		
Other financial assets at amortised cost		
- Financial assets at amortised cost - self supporting loans	15,758	16,818
	15,758	16,818
(b) Non-current assets		
Other financial assets at amortised cost		
- Financial assets at amortised cost - self supporting loans	150,518	174,553
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	210,205	0
	360,723	174,553

The 2018/2019 financial year was the first year the investment in Local Government House Trust Units were recognised in the Shire's Financial Report.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 26

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 28 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

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

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Work in Progress BKB	Bushfire Equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	12,828,791	1,937,874	14,588,485	3,874,748	30,913,802	34,588,550	49,155,015	154,844	4,000,102	1,154,882	1,875,431	58,140,074
Additions	0	0	0	257,881	4,013,908	4,271,787	4,271,787	894,759	673,889	0	0	5,840,235
(Disposals)	(308,891)	0	(308,891)	0	0	0	(308,891)	0	(300,080)	0	0	(808,971)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	175,330	0	0	0	175,330
Depreciation (expense)	0	0	0	(80,478)	(812,092)	(892,570)	(892,570)	(38,359)	(324,403)	0	(141,978)	(1,197,310)
Transfers	0	0	0	0	1,154,882	1,154,882	1,154,882	8,250	0	(1,154,882)	0	8,250
Carrying amount at 30 June 2018	12,321,900	1,937,874	14,259,574	3,852,151	35,470,498	39,322,649	53,582,223	992,824	4,049,328	0	1,533,453	80,157,828
Comprises:												
Gross carrying amount at 30 June 2018	12,321,900	1,937,874	14,259,574	3,932,829	36,082,590	40,015,219	54,274,793	1,050,541	4,588,382	0	1,802,584	81,894,580
Accumulated depreciation at 30 June 2018	0	0	0	(80,478)	(812,092)	(892,570)	(892,570)	(57,917)	(517,054)	0	(269,411)	(1,538,952)
Accumulated impairment loss at 30 June 2018	0	0	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2018	12,321,900	1,937,874	14,259,574	3,852,151	35,470,498	39,322,649	53,582,223	992,824	4,049,328	0	1,533,453	80,157,828
Additions	0	0	0	18,981	420,403	439,384	439,384	357,429	1,178,932	0	0	1,975,725
(Disposals)	(80,500)	0	(80,500)	0	0	0	(80,500)	0	(378,878)	0	0	(457,378)
Written off under \$5000	(28,700)	0	(28,700)	0	(18,277)	(18,277)	(44,977)	(40,837)	(13,130)	0	0	(98,944)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation (expense)	0	0	0	(88,892)	(891,819)	(778,311)	(778,311)	(202,131)	(400,814)	0	(142,759)	(1,523,815)
Carrying amount at 30 June 2019	12,212,700	1,937,874	14,150,374	3,784,420	35,183,006	38,967,425	53,117,799	1,107,085	4,437,838	0	1,390,694	80,053,218
Comprises:												
Gross carrying amount at 30 June 2019	12,212,700	1,937,874	14,150,374	3,961,591	36,485,968	40,437,559	54,587,933	1,365,493	5,328,308	0	1,799,709	83,079,441
Accumulated depreciation at 30 June 2019	0	0	0	(167,171)	(1,302,963)	(1,470,134)	(1,470,134)	(258,408)	(888,868)	0	(409,015)	(3,026,225)
Carrying amount at 30 June 2019	12,212,700	1,937,874	14,150,374	3,784,420	35,183,006	38,967,425	53,117,799	1,107,085	4,437,838	0	1,390,694	80,053,218

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per hectare/ available market information
Land - freehold land	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2017	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - non-specialised	2	Improvements to buildings valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Market price per item
Buildings - non-specialised	3	Improvements to buildings valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	2	Improvements to buildings valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Price per square metre/ available market information
Buildings - specialised	3	Improvements to buildings valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment					
- Management valuation 20 16	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Management valuation 20 16	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
- Management valuation 20 16	2	Market approach using recent observable market data for similar assets	Management valuation	June 2016	Market price per item
Bushfire Equipment					
- Management valuation 20 16	2	Market approach using recent observable market data for similar assets	Management valuation	June 2016	Market price per item

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

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

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

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure Roads	Infrastructure Footpaths	Infrastructure Drainage	Infrastructure Playground Equipment	Infrastructure Other	Infrastructure Streetscape	Infrastructure Bridges and Culverts	Infrastructure Aerodrome	Infrastructure Work in Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	91,495,125	4,724,294	8,838,184	482,352	9,380,968	593,195	31,008,725	941,973	0	145,220,814
Additions	2,500,855	182,280	1,538,754	0	338,838	37,812	0	45,800	184,751	4,808,890
Revaluation increments / (decrements) transferred to revaluation surplus	(8,108,801)	19,848	1,998,977	40,772	(1,158,798)	(380,922)	(844,821)	84,102	0	(8,167,843)
Impairment (losses) / reversals	882,821	0	0	0	0	0	0	0	0	882,821
Depreciation (expense)	(1,819,270)	(155,781)	(79,113)	(84,224)	(597,808)	(28,435)	(423,804)	(80,575)	0	(3,048,588)
Transfers	0	0	0	0	0	(8,250)	0	0	0	(8,250)
Carrying amount at 30 June 2018	84,950,530	4,750,481	10,094,802	438,900	7,943,200	215,400	29,938,500	971,100	184,751	139,487,844
Comprises:										
Gross carrying amount at 30 June 2018	85,887,179	4,908,222	10,173,915	503,124	8,540,808	243,835	30,382,104	1,051,875	184,751	141,853,811
Accumulated depreciation at 30 June 2018	(1,819,270)	(155,781)	(79,113)	(84,224)	(597,808)	(28,435)	(423,804)	(80,575)	0	(3,048,588)
Accumulated impairment loss at 30 June 2018	882,821	0	0	0	0	0	0	0	0	882,821
Carrying amount at 30 June 2018	84,950,530	4,750,481	10,094,802	438,900	7,943,200	215,400	29,938,500	971,100	184,751	139,487,844
Additions	2,959,309	303,729	1,405,288	0	808,002	181,235	12,800,000	52,198	5,387,218	23,894,955
(Disposals)	0	0	0	0	0	0	0	0	0	0
Written off under \$5,000	0	0	0	(7,200)	(18,000)	(34,000)	0	(3,800)	0	(80,800)
Depreciation (expense)	(1,380,912)	(148,214)	(118,109)	(48,099)	(443,719)	(1,417)	(453,054)	(84,818)	0	(2,858,341)
Carrying amount at 30 June 2019	88,528,927	4,905,978	11,381,959	385,801	8,089,483	381,218	42,285,448	854,880	5,571,969	180,485,459
Comprises:										
Gross carrying amount at 30 June 2019	87,909,839	5,054,190	11,500,088	431,700	8,533,203	382,835	42,738,500	1,019,898	5,571,969	183,121,800
Accumulated depreciation at 30 June 2019	(1,380,912)	(148,214)	(118,109)	(48,099)	(443,720)	(1,417)	(453,054)	(84,818)	0	(2,858,341)
Carrying amount at 30 June 2019	88,528,927	4,905,978	11,381,959	385,801	8,089,483	381,218	42,285,448	854,880	5,571,969	180,485,459

SHIRE OF NORTHAM
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Playground Equipment	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Other	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Streetscape	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Bridges and Culverts	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Aerodrome	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF NORTHAM
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

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

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

(a) Disposal of Assets

	2019				2018				2018			
	Actual Net Book Value	Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	Budget Net Book Value	Budget Sale Proceeds	2018 Budget Profit	2018 Budget Loss	Actual Net Book Value	Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
Land - freehold land	109,200	80,500	0	(28,700)	0	0	0	0	306,891	390,000	43,109	0
Buildings - specialised	16,277	0	0	(16,277)	0	0	0	0	0	0	0	0
Furniture and equipment	40,837	0	0	(40,837)	0	0	0	0	0	0	0	0
Plant and equipment	390,008	209,674	33,146	(213,480)	525,961	430,113	84,234	(160,082)	300,060	164,634	0	(135,426)
Infrastructure Playground Equipment	7,200	0	0	(7,200)	0	0	0	0	0	0	0	0
Infrastructure Other	16,000	0	0	(16,000)	0	0	0	0	0	0	0	0
Infrastructure Streetscape	34,000	0	0	(34,000)	0	0	0	0	0	0	0	0
Infrastructure Aerodrome	3,600	0	0	(3,600)	0	0	0	0	0	0	0	0
	617,122	290,174	33,146	(360,094)	525,961	430,113	84,234	(160,082)	606,951	514,634	43,109	(135,426)

The following assets were disposed of during the year.

	2019		2019	
	Actual Net Book Value	Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Education and welfare				
Kilara Commuter Bus	26,508	13,636	0	(12,872)
Kilara Wheelchair Bus	27,400	60,546	33,146	0
Transport				
Mitsubishi Fuso PN1218	43,000	33,634	0	(9,366)
Volvo Backhoe Loader PN0908	97,100	15,864	0	(81,236)
4T Truck PN1221	99,621	28,636	0	(30,985)
Hino Tipper Truck PN1222	41,436	26,427	0	(15,009)
Vermeer Wood Chipper PN2240	29,165	11,780	0	(17,385)
Husqvarna Ride on Mower	1,652	303	0	(1,349)
Economic services				
Toyota Coaster Bus PN009	30,997	18,848	0	(32,149)
	376,879	209,674	33,146	(200,351)
Other Property and Services				
Land under \$3000 purchase price work	28,700	0	0	(28,700)
Recreation and culture				
239 Yilgarn Avenue	80,300	80,500	0	0
	109,200	80,500	0	(28,700)
Program				
Assets under \$3000 Work	131,043	0	0	(131,043)
	131,043	0	0	(131,043)
	617,122	290,174	33,146	(360,094)

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

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

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	86,692	80,478	80,478
Buildings - specialised	691,619	630,963	612,092
Furniture and equipment	202,131	39,404	38,359
Plant and equipment	400,614	333,242	324,403
Bushfire Equipment	142,759	145,846	141,978
Infrastructure Roads	1,380,912	1,663,392	1,619,270
Infrastructure Footpaths	148,214	160,006	155,761
Infrastructure Drainage	118,109	81,269	79,113
Infrastructure Playground Equipment	46,099	65,974	64,224
Infrastructure Other	443,719	615,689	597,606
Infrastructure Streetscape	1,417	29,209	28,435
Infrastructure Bridges and Culverts	453,054	435,145	423,604
Infrastructure Aerodrome	64,816	82,770	80,575
	4,180,155	4,363,387	4,245,898

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

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

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life		
Buildings	20 to 55 years	Playground Equipment	5 to 15 years
Furniture & Equipment	4 to 10 years	Bridges & Culverts	75 to 100 years
Plant & Equipment (Bush fire)	3 to 15 years	Parks, Reserves and other infrastructure	4 to 55 years
Sealed Roads & Streets		Infrastructure-Aerodrome	5 to 50 years
Formation	Not depreciated	Footpaths	
Pavement	80 years	In situ concrete & slabs	32 years
Seal		Drainage	85 years
bituminous seals	23 to 30 years		
asphalt surfaces	23 to 30 years		
Streetscape	15 to 55 years		
Gravel Roads			
Formation	Not depreciated		
Pavement	80 years		
Gravel Sheet	33 years		

Depreciation (Continued)

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

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

SHIRE OF NORTHAM
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12. REVALUATION SURPLUS

	2019 Opening Balance	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	12,364,848	12,364,848	12,364,848	0	0	0	12,364,848
Revaluation surplus - Buildings	13,445,586	13,445,586	13,445,586	0	0	0	13,445,586
Revaluation surplus - Furniture and equipment	175,330	175,330	0	175,330	0	175,330	175,330
Revaluation surplus - Plant and equipment	368,708	368,708	368,708	0	0	0	368,708
Revaluation surplus - Bushfire Equipment	1,074,141	1,074,141	1,074,141	0	0	0	1,074,141
Revaluation surplus - Infrastructure Roads	53,504,060	53,504,060	60,930,240	€82,621	(8,108,801)	(7,426,180)	53,504,060
Revaluation surplus - Infrastructure Playground Equipment	631,572	631,572	590,800	40,772	0	40,772	631,572
Revaluation surplus - Infrastructure Other	5,917,610	5,917,610	4,991,681	2,082,727	(1,156,798)	925,929	5,917,610
Revaluation surplus - Infrastructure Streetscape	(91,084)	(91,084)	289,838	0	(380,922)	(380,922)	(91,084)
Revaluation surplus - Infrastructure Bridges and Culverts	26,588,240	26,588,240	27,232,861	0	(644,621)	(644,621)	26,588,240
	113,979,011	113,979,011	121,288,703	2,981,450	(10,291,142)	(7,309,692)	113,979,011

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. Revaluation surplus- Infrastructure other includes bridges and the airport.
Revaluation surplus- Roads includes footpaths and drainage.

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

13. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Current		
Sundry creditors	2,887,363	1,447,159
Accrued salaries and wages	72,392	57,702
Customer bonds and deposits	610,335	0
ATO Liabilities	0	(7,542)
Interest on debentures	28,890	31,275
ESL Payable	0	3,131
Accrued Expenditure	59,178	166,462
	3,658,158	1,698,187
Non Current		
Customer bonds and deposits	221,047	0
	221,047	0
Customer bonds and deposits (see note 3)		
Current liability	610,335	0
Non Current liability	221,047	0
	831,382	0

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

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

14. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	279,965	224,381
Non-current	2,000,696	1,783,681
	2,280,661	2,008,062

(b) Repayments - Borrowings

Particulars	Interest Rate	30 June 2019					30 June 2018					30 June 2017				
		Actual Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2018	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2017	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	
Recreation and culture																
Loan 223 Recreation Facilities	6.06%	232,363	0	122,313	12,002	130,030	232,362	0	122,513	15,099	130,049	367,976	115,413	20,002	232,363	
Loan 224 Recreation Facilities	6.48%	860,271	0	43,876	60,294	816,395	860,271	0	43,876	60,775	816,395	901,436	41,165	63,288	860,271	
Loan 228 Northam Aquatic Centre	1.88%	0	0	0	0	0	0	2,400,000	0	0	2,400,000	0	0	0	0	
Loan 227 New Northam Youth Space Transport	2.25%	0	500,000	0	2,458	500,000	0	500,000	0	0	500,000	0	0	0	0	
Loan 221 Alnstrip	6.22%	0	0	0	0	0	0	0	0	0	13,280	13,280	673	0		
Economic services																
Loan 225 Victoria Oval	6.30%	703,858	0	35,898	49,332	667,960	703,858	0	35,898	49,726	667,960	737,538	33,680	51,781	703,858	
		1,816,692	500,000	202,287	124,086	2,114,405	1,816,691	2,900,000	202,287	125,600	4,514,404	2,020,230	203,538	135,744	1,816,692	
Self Supporting Loans																
Recreation and culture																
Loan 208 Northam Country Club	7.36%	9,363	0	6,128	324	3,235	9,365	0	6,128	624	3,237	15,038	5,695	999	9,363	
Loan 219A Northam Bowling Club	3.18%	182,007	0	18,967	6,827	163,041	182,007	0	18,967	6,870	163,040	200,385	18,378	7,549	182,007	
		191,370	0	25,095	7,351	166,276	191,371	0	25,095	7,494	166,277	215,443	24,073	8,548	191,370	
		2,008,062	500,000	227,382	131,437	2,280,681	2,008,062	2,900,000	227,382	133,094	4,680,681	2,235,673	227,610	144,292	2,008,062	

Self supporting loans are financed by payments from third parties. These are shown in Note 8 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

SHIRE OF NORTHAM
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FOR THE YEAR ENDED 30TH JUNE 2019

14. INFORMATION ON BORROWINGS (Continued)

(e) New Borrowings - 2018/19

Particulars/Purpose	Institution	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
				2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Loan 227 Northam Youth Space	WATC	10	2.28%	\$500,000	\$	\$500,000	0	0	0
				\$500,000	0	\$500,000	0	0	0

	2019	2018
(d) Undrawn Borrowing Facilities	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Credit card limit	15,000	15,000
Credit card balance at balance date	(4,887)	(537)
Total amount of credit unused	110,113	114,463
Loan facilities		
Loan facilities - current	279,985	224,381
Loan facilities - non-current	2,000,698	1,783,881
Total facilities in use at balance date	2,280,683	2,008,262

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 28.

SHIRE OF NORTHAM
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15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	605,891	458,405	1,064,296
Non-current provisions	0	271,813	271,813
	605,891	730,218	1,336,109
Additional provision	(13,187)	107,313	94,126
Balance at 30 June 2019	592,704	837,531	1,430,235
Comprises			
Current	592,704	614,721	1,207,425
Non-current	0	222,810	222,810
	592,704	837,531	1,430,235

Amounts are expected to be settled on the following basis:

	2019	2018
	\$	\$
Less than 12 months after the reporting date	59,161	0
More than 12 months from reporting date	1,282,763	1,268,368
Expected reimbursements from other WA local governments	88,311	67,741
	1,430,235	1,336,109

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	8,123,774	4,124,399	9,699,752

**Reconciliation of Net Cash Provided By
Operating Activities to Net Result**

Net result	18,691,153	6,020,180	4,693,712
Non-cash flows in Net result:			
Fair value adjustments to financial assets at fair value through profit and loss	(210,205)	0	0
Depreciation	4,180,155	4,363,387	4,245,898
Gifted bridge from main roads	(12,800,000)	0	0
(Profit)/loss on sale of asset	326,948	75,848	92,317
Changes in assets and liabilities:			
(Increase)/decrease in receivables	104,883	1,713,307	(1,115,277)
(Increase)/decrease in other assets	(1,862,488)	0	0
(Increase)/decrease in inventories	1,224	1,000	(593)
Increase/(decrease) in payables	2,181,018	321,677	181,650
Increase/(decrease) in provisions	94,126	20,000	37,325
Grants contributions for the development of assets	(5,019,568)	(7,223,845)	(4,534,499)
Net cash from operating activities	5,687,246	5,291,554	3,600,533

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

17. CONTINGENT LIABILITIES

The Shire did not have any contingent liabilities as at 30 June 2019.

18. SUBSEQUESNT EVENTS

The Shire did not have any known subsequent events at the reporting date.

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	0	408,638
General purpose funding	14,627,125	15,275,542
Law, order, public safety	3,741,916	3,369,314
Health	119,351	124,332
Education and welfare	4,171,189	4,112,237
Housing	1,276,078	1,303,119
Community amenities	2,028,248	1,904,496
Recreation and culture	38,795,600	32,919,712
Transport	152,693,132	137,064,905
Economic services	8,743,057	8,886,475
Other property and services	352,300	352,300
Unallocated	8,117,094	7,705,104
	234,665,090	213,426,174

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

20. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

2019	2018
\$	\$
6,579,846	228,427
6,579,846	228,427

Payable:

- not later than one year

2019	2018
\$	\$
13,008	11,420
11,395	22,841
24,403	34,261

The commitment as at 30 June 2019 relates to the tendered contracts for Northam Aquatic Centre construction.

The commitment as at 30 June 2018 relates to the tendered contracts for the Bilya Koot Boodja Centre interpretation implementation.

(b) Operating Lease Commitments

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

Payable:

- not later than one year

- later than one year but not later than five years

2019	2018
\$	\$
13,008	11,420
11,395	22,841
24,403	34,261

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

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

21. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting fees	201,600	201,350	201,350
President's allowance	45,000	45,000	45,000
Deputy President's allowance	11,250	11,250	11,250
Travelling/other expenses	14,794	22,000	13,035
Telecommunications allowance	34,427	35,000	41,435
	307,071	314,600	312,070

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	880,287	865,853
Post-employment benefits	90,419	83,762
Other long-term benefits	20,303	19,875
	991,009	969,490

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

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

21. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual \$	2018 Actual \$
Sale of goods and services	260	420
Purchase of goods and services	1,471	1,898

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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

22. JOINT ARRANGEMENTS

(a) Carrying amount of investment in joint operations

The Shire together with the Department of Housing and Works have a joint venture housing arrangement for the provision eight aged care accommodation units at Lot 410 Kurringal Road Wundowie. The joint venture has been established since 1996.

Share of joint operations

	2019 \$	2018 \$
Land and buildings fair value 30 June 2017	1,062,175	1,062,175
Other infrastructure fair value 30 June 2018	8,800	8,800
Additions at cost	20,285	20,285
Less : accumulated depreciation	(43,549)	(21,249)
Total assets	1,047,711	1,070,011
Statement of comprehensive income		
Other revenue	43,819	48,041
Other expenditure	(55,482)	(69,115)
Net result for the period	(11,663)	(21,074)
Total comprehensive income for the period	(11,663)	(21,074)

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

23. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
FESA BFB	37,639	44,440	(37,639)	44,440	51,056	(44,440)	51,056
FESA SES	10,477	8,895	(10,447)	8,925	22,160	(8,925)	22,160
DFES Fire Mitigation Report	28,000	0	(28,000)	0	0	0	0
WAPOL	0	0	0	0	118,686	(116,809)	1,877
Health							
NRM Biodiversity Grant	50,000	0	(50,000)	0	0	0	0
Education and welfare							
RFR Fluffy Ducks	232,954	0	(232,954)	0	0	0	0
Recreation and culture							
CLGF 2012-2013 Shire of Dowerin	50,000	0	(50,000)	0	0	0	0
Kidsport, Silversport	13,478	0	(13,478)	0	7,368	(7,368)	0
Town Hall Remedial Works	98,423	0	(98,423)	0	58,450	(55,264)	3,186
WAPOL Night Hoops	0	0	0	0	19,290	0	19,290
Transport							
Main Roads WA	55,870	0	(55,870)	0	0	0	0
Main Roads Blackspot Funding GEHG	0	437,291	0	437,291	127,676	(539,236)	25,731
DRD Royalties for Regions	824,040	0	(824,040)	0	0	0	0
WDC Age Friendly Footpaths	40,000	0	(40,000)	0	0	0	0
RTR Roads to Recovery Grant	282,453	526,319	(282,453)	526,319	0	(526,319)	0
Economic services							
Water Corporation - Treatment Plant	201,181	0	(31,500)	169,681	0	0	169,681
Total	1,924,515	1,016,945	(1,754,804)	1,186,656	404,686	(1,298,361)	292,981

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF NORTHAM
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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24. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Gross rental valuations												
00 Non Rateable Value	0	720	3,973,088	0	0	0	0	0	0	0	0	0
01 GRV Townsite Residential	9.7975	4,017	56,875,019	5,885,276	2,361	2,867	5,890,504	5,846,660	155,943	600	6,003,203	5,850,553
02 GRV Northam Commercial/Industrial	10.7376	258	13,520,247	1,171,610	166,993	110,129	1,478,732	1,451,750	1,000	100	1,452,850	1,402,737
Unimproved valuations												
05 Agricultural Local	0.6072	375	135,735,013	822,446	0	0	822,446	824,183	5,000	100	829,283	822,081
06 Agricultural Regional	0.5099	170	114,282,997	582,729	2,759	48	585,536	582,729	5,000	100	587,829	563,774
07 Rural Small Holding	0.7558	87	15,689,997	118,585	209		118,794	118,585	3,000	100	121,685	114,275
Sub-Total		5,627	339,876,361	8,580,646	202,322	113,044	8,896,012	8,823,907	169,943	1,000	8,994,850	8,753,420
Minimum payment												
Gross rental valuations												
01 GRV Townsite Residential	923	903	3,455,437	827,244	0	0	827,244	833,469	0	0	833,469	601,825
02 GRV Northam Commercial/Industrial	923	51	206,185	46,168	0	0	46,168	47,073	0	0	47,073	48,870
Unimproved valuations												
05 Agricultural Local	923	71	6,907,016	65,533	0	0	65,533	65,533	0	0	65,533	60,635
06 Agricultural Regional	923	161	21,994,603	148,603	0	0	148,603	148,603	0	0	148,603	149,325
07 Rural Small Holding	923	7	848,003	6,461	0	0	6,461	6,461	0	0	6,461	6,335
Sub-Total		1,193	33,411,244	1,094,009	0	0	1,094,009	1,101,139	0	0	1,101,139	866,990
Less Rates Written Off												(18,172)
		6,820	373,287,605	9,674,655	202,322	113,044	9,990,021	9,925,046	169,943	1,000	10,095,989	9,602,238
Discounts/concessions (refer Note 24(b))							0				(1,000)	0
Total amount raised from general rate							9,990,021				10,094,989	9,602,238
Ex-gratia rates							14,483				14,625	14,130
Rates paid in advance							280,140				0	0
Totals							10,284,644				10,109,614	9,616,368

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

SHIRE OF NORTHAM
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24 RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates Interest
		Admin Charge	Interest Rate	Rate
		\$	%	%
Option One	19.09.2018			11.00%
Option Two	19.09.2018	0	5.50%	11.00%
	19.11.2018	10.00	5.50%	11.00%
Option Three	19.09.2018	0	5.50%	11.00%
	19.11.2018	10.00	5.50%	11.00%
	21.01.2019	10.00	5.50%	11.00%
	21.03.2019	10.00	5.50%	11.00%
		2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
Interest on unpaid rates		211,697	140,000	147,254
Interest on instalment plan		36,249	32,500	32,572
		247,946	172,500	179,826
Charges on instalment plan		38,150	38,000	37,630
		286,096	210,500	217,456

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

25. RATE SETTING STATEMENT INFORMATION

Note	2018/19	2018/19	2018/19
	(30 June 2019 Carried Forward)	Budget (30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	11(a)	(33,146)	(84,234)
Fair value adjustments to financial assets, at fair value through profit and loss	8(b)	(210,205)	0
Movement in pensioner deferred rates (non-current)		4,937	0
Movement in employee benefit provisions (non-current)		(49,003)	0
Movement in other provisions (non-current)		8,630	0
Add: Loss on disposal of assets	11(a)	360,094	160,082
Add: Change in customer deposits and bonds		221,047	0
Add: Depreciation on assets	11(b)	4,180,155	4,363,387
Non cash amounts excluded from operating activities		4,482,509	4,439,235
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - restricted cash	3	(5,015,888)	(3,924,399)
Less: Loans receivable - clubs/institutions		(15,758)	0
Add: Borrowings	14(a)	279,985	227,381
Less Leave Reserve Cash Backed		427,796	426,341
Budget Leave cash backed		250,000	250,000
Total adjustments to net current assets		(4,073,865)	(3,020,677)
Net current assets used in the Rate Setting Statement			
Total current assets		13,381,991	6,295,715
Less: Total current liabilities		(5,145,568)	(3,275,038)
Less: Total adjustments to net current assets		(4,073,865)	(3,020,677)
Net current assets used in the Rate Setting Statement		4,162,558	0

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

26. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2019					
Cash and cash equivalents	1.10%	8,123,774	0	8,120,344	3,430
2018					
Cash and cash equivalents	1.60%	9,699,752	0	9,696,522	3,230

Sensitivity

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

	2019	2018
Impact of a 1% movement in interest rates on profit and loss and equity*	\$ 81,238	\$ 96,998

* 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 14(b).

SHIRE OF NORTHAM
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26. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.64%	0.88%	1.29%	9.30%	
Gross carrying amount	720,098	501,541	298,426	761,079	2,281,144
Loss allowance	4,622	4,403	3,861	70,787	83,673

01 July 2018

Rates receivable					
Expected credit loss	0.71%	0.98%	1.42%	10.59%	
Gross carrying amount	658,542	428,717	241,389	662,858	1,991,506
Loss allowance	4,681	4,183	3,421	70,185	82,470

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	1.09%	8.40%	10.35%	58.38%	
Gross carrying amount	766,807	10,287	30,283	105,475	912,852
Loss allowance	8,366	864	3,135	61,577	73,942

01 July 2018

Sundry Receivables					
Expected credit loss	0.76%	6.82%	8.74%	53.69%	
Gross carrying amount	1,309,043	56,413	20,001	73,307	1,458,764
Loss allowance	10,003	3,847	1,748	39,356	54,954

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26. 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 14(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	3,879,205	0	0	3,879,205	3,879,205
Borrowings	399,952	1,042,427	1,601,235	3,043,614	2,280,681
	4,279,157	1,042,427	1,601,235	6,922,819	6,159,886
2018					
Payables	1,698,187	0	0	1,698,187	1,698,187
Borrowings	347,159	957,198	1,524,981	2,829,338	2,008,062
	2,045,346	957,198	1,524,981	4,527,525	3,706,249

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27. TRUST FUNDS

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

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to restricted cash	30 June 2019
	\$	\$	\$	\$	\$
Town Hall Bond	1,000	1,009	(1,000)	(1,009)	0
Lesser Hall Bond	500	1,000	(1,100)	(400)	0
Public Open Space	263,778	5,716	(40,000)	0	229,494
Bonds Building	25,500	48,631	0	(74,131)	0
Crossovers Bond	63,892	1,450	0	(65,342)	0
Recreation Centre Bond	400	1,200	(2,100)	500	0
Facilities Bond	19,715	1,863	(1,100)	(20,478)	0
Footpath/Kerbing Bond	90,500	48,021	(60,917)	(77,604)	0
Retentions	94,072	48,705	(34,744)	(108,033)	0
Sundry Trust	24,860	411	0	(25,271)	0
Standpipe Key	7,800	1,050	(450)	(8,400)	0
Resited Dwelling	21,834	452	(5,000)	(17,286)	0
Deposits Extractive Industries	242,599	5,751	0	(248,350)	0
Other	12,479	2,888	0	(15,367)	0
BCTIF	409	34,724	(33,476)	(1,657)	0
BRB	847	42,258	(39,966)	(3,139)	0
Animal Traps	330	100	(430)	0	0
Storm Damage	175	0	0	(175)	0
AROC	139,323	36,667	(10,750)	(165,240)	0
	1,010,013	281,896	(231,033)	(831,382)	229,494

In previous years, customer bonds and deposits were held as trust monies. They are now included in restricted cash at Note 3 and shown as a liability at Note 13.

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28. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies however there were no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

There was no effect of adopting AASB 9 as at 1 July 2018 for the following reasons:-

- No additional remeasurement needed to be done for the expected credit losses under AASB 9 (see note 26(b)).
- The Shire does not hold any available for sale financial assets.

(a) Classification and measurement

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

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

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28. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:
- Trade receivables and Loans and advances classified as loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

	AASB 139 value	AASB 9 category financial assets at amortised cost	Financial assets at fair value through OCI	Financial assets at fair value through P/L
	\$	\$	\$	\$
Financial Assets				
Trade receivables (note 5)	3,721,484	3,721,484	0	0
Loans and advances (note 8)	191,371	191,371	0	0
	3,912,855	3,912,855	0	0

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

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

	Impairment under AASB 139 as at		ECL under AASB 9 as at
	30 June 2018	Remeasurement	01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	137,424	0	137,424
	137,424	0	137,424

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

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

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

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

(b) Leases

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

On adoption of AASB 16, the Shire will not recognise a right-of-use asset in relation to lease liabilities which previously were classified as an operating lease applying AASB 117.

On adoption of AASB 16 *Leases* (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the net impact on retained earnings on 1 July 2019 will not be significant.

The Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

(c) Income For Not-For-Profit Entities

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

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

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

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30. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

Cashflows 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 cashflows.

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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31. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of Council and the administrative support available to the Council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services	Rates, general purpose government grants and interest revenue
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services
HEALTH	To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, pest control, immunisation services, noise control and health inspections
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Assistance with playgroup centres, senior citizen hall and respite care centre. Provision of home and community care programs and youth services
HOUSING	To provide and maintain elderly residents housing	Provision and maintenance of rental housing, including elderly residents housing
COMMUNITY AMENITIES	To provide services required by the community	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure	Maintenance of public halls, civic centres, aquatic centres, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities
TRANSPORT	To provide safe, effective and efficient transport services to the community	Construction and maintenance of roads, streets, bridges, drainage works, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc. Licensing transactions under contract with the WA Government
ECONOMIC SERVICES	To help promote the Shire and its economic wellbeing	The regulation and provision of tourism, area promotion and building control. Provision of rural services including weed control, vermin control and standpipes
OTHER PROPERTY AND SERVICES	To monitor and control Shire's overheads operating accounts	Private works operation, plant repair and operation costs and engineering operation costs

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32. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.76	2.29	2.89
Asset consumption ratio	0.53	0.56	0.58
Asset renewal funding ratio	0.98	1.08	0.98
Asset sustainability ratio	1.31	0.98	1.10
Debt service cover ratio	14.45	12.23	16.90
Operating surplus ratio	0.06	0.01	0.16
Own source revenue coverage ratio	0.74	0.71	0.72

The above ratios are calculated as follows:

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

7. DISCUSSION WITH AUDITOR GENERAL

8. URGENT BUSINESS APPROVED BY PERSON PRESIDING OR BY DECISION

Nil.

9. DATE OF NEXT MEETING

To be confirmed.

10. DECLARATION OF CLOSURE