



2017 / 18

ANNUAL REPORT



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The Shire of Denmark acknowledges the Noongar people who are the traditional custodians of this land and pay our respects to Elders, past, present and emerging. We acknowledge and respect their continuing culture and the contribution they make to this region.

Electronic copies of the Annual Report are available for download from the Shire of Denmark website www.denmark.wa.gov.au

Alternative formats are also available upon request, including large print, electronic format (disk or emailed), audio or Braille.

Community Profile

The Shire of Denmark has an estimated resident population of approximately 6,128 and is located on the south coast of Western Australia, bordered by the Southern Ocean and approximately 400kms south of Perth. The Shire has an area of 1,860sq kms and is home to a passionate, diverse community who reside across the four town sites of Denmark, Peaceful Bay, Bow Bridge and Nornalup.



Local Attractions and Activities

Wilderness Ocean Walk; William Bay National Park; Greens Pool; Madfish Bay; Waterfall Beach; Lights Beach; Ocean Beach; Peaceful Bay; Mt. Lindesay Wildflowers; Frankland River; National Parks; Valley of the Giants Tree Top Walk; Bibbulmun Track; Munda Biddi Trail; Cycle and Four Wheel Drive Trails; Boutique Breweries and Wineries; Art Galleries and Studios; Surfing; Canoeing and Boating; Recreational Fishing; Restaurants and Cafés; Animal and Exotic Bird Farms; Nature Based Adventure Park; Historical Museum; Locally Made Produce Stalls.

Freeman of the Shire of Denmark

Mr. Percy Berridge (Dec) (17/11/1973)

Mrs. Eileen Lunan (10/02/2006)



Local Industries

Tourism; Viticulture; Hospitality; Artisans and Crafts; Cottage Industries; Agriculture; Organics; Aquaculture; Fishing; Environmental Research and Sustainability; Education; Health Services; Healing and Wellbeing Services; Building and Trades; Mechanical Services; Earthmoving and Construction.



Major Local Events

Denmark Arts Markets - December, January and Easter; Dreams of the Bay Art Exhibition Peaceful Bay - January; Denmark Village Theatre Pantomime - January; Australia Day Breakfast Featuring Citizenship Awards Presentations and Naturalisation Ceremony; Annual Excellence in Woodcraft Exhibition - March; Taste Great Southern - March; Southern Ocean Classic Mile - Easter; Denmark Festival of Voice - June; Great Southern Art and Craft Trail - September; Brave New Works - November; Community Christmas Parade – December.

Message from the Shire President

I am pleased to present the Shire of Denmark's Annual Report for 2017/18.

The Annual Report provides an overview of the Shire's achievements during the year and aligns these achievements to the aspirations in the Shire's Strategic Community Plan, Denmark 2027. This year's Annual Report also incorporates the community satisfaction measures gained during the Shire's first MARKYT Community Scorecard. The results will be reported each year in the Annual Report to help track our performance over time.

The year has been a busy one for Council and Shire of Denmark employees, with a number of key projects underway and improvements made across the organisation.

2017/18 saw the continuation of work on the new Industrial Area, which has created larger lots to suit the needs of existing businesses and create new opportunities for businesses to establish themselves in Denmark.

The Amazing South Coast Marketing Campaign launched during the year, which featured a television program showcasing our region as a premier tourism destination. The campaign is part of the Great Southern Economic Alliance's Tourism Development Strategy to attract 3 million visitor nights in the region by 2021.

Sustainability was an important focus during 2017/18, with a working group formed to guide the development of an overarching Sustainability Strategy. Events and workshops were held during the year, including the Shire's annual Garage Sale Trail and a number of sessions that formed part of the Shire's Mitigation of Dieback on Priority Reserves project.

The Shire also undertook a Coastal Hazard Risk Management and Adaptation Plan (CHRMAP) for Ocean Beach and Peaceful Bay. The CHRMAP was completed in conjunction with foreshore concept plans for both sites and with the assistance of the Ocean Beach and Peaceful Bay Foreshore Concept Plan Working Group.

The Sport and Recreation Masterplan was prepared during 2017/18, with the plan providing Council with the information necessary to consider sport and recreation decisions over the long-term.

Asset Management continued to have a strong focus during 2017/18, with the formation of the Asset Management Working Group. A draft Asset Management Plan was prepared during the year in conjunction with a major asset condition inspection and valuation program to inform the draft plan.

The Shire was successful in attracting \$320,000 funding from the Department of Sport and Recreation during the year, ensuring the Recreation Services team is able to progress the McLean Oval Redevelopment project during 2018/19.

Community Services had a renewed focus during 2017/18 with the launch and refresh of a number of community events and programs. The Shire's inaugural 4Youth Fest was held during National Youth Week in April and the Breath Film Festival provided a wonderful opportunity for the community to come together and celebrate our home making it to the big screen.

Shire employees made significant progress during the year to improve a number of business processes and strategic planning activities. These changes will support our organisation in achieving our Denmark 2027 aspiration to be recognised as a transparent, well governed and effectively managed Local Government.

In closing I would like to acknowledge the Shire's Councillors, past and present, and employees who work very hard each year to provide services and facilities for our community. I would also like to acknowledge the wonderful volunteers in our community that help make Denmark the special place it is.



Cr Ceinwen Gearon
Shire President

Elected Members

Town Ward



Cr Ceinwen Gearon
Shire President
Term Expires
October 2019



Cr Ian Osborne
Term Expires
October 2021



Cr Rob Whooley
Term Expires
October 2019



Cr David Morrell
Shire President
Term Expired
October 2017

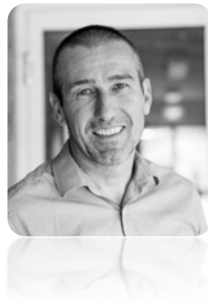
Scotsdale/Shadforth Ward



Cr Jan Lewis
Term Expires
October 2019



Cr Mark Allen
Term Expires
October 2021



Cr Peter Caron
Deputy Shire
President
Term Expires
October 2021



Cr Kingsley Gibson
Term Expires
October 2019



Cr Yasmin Bartlett
Term Expired
October 2017

Kent/Nornalup Ward



Cr Janine Phillips
Term Expires
October 2019



Cr Roger Seeney
Term Expires
October 2021



Cr Clem Wright
Term Expired
October 2017

Our Vision
A happy, healthy and eclectic community that embraces creativity, celebrates the natural environment and is invested in a strong local economy.

Council Meeting Attendance

Ordinary Council meetings are held every third Tuesday, commencing at 4.00pm. Members of the public are welcome to attend.

In addition to the Council and Electors Meetings scheduled each month, Councillors are required to attend Concept Forums on the 2nd Tuesday of each month and Strategic Briefings on the 3rd Tuesday of each month.

Prior to adopting the Annual Budget, Councillors also attend 2 - 3 extensive budget workshops.

Elected Members	Ordinary Council	Special Council	Electors AGM	Special Electors
<i>No. of meetings held</i>	[11]	[1]	[1]	[1]
Cr Ceinwen Gearon	10	1	1	1
Cr Peter Caron	10	1	1	1
Cr Jan Lewis	11	1	1	1
Cr Mark Allen	9	1	1	1
Cr Rob Whooley	10	1	1	1
Cr Ian Osborne (from October 2017)	7	1	1	1
Cr Roger Seeney (from October 2017)	7	1	1	1
Cr Kingsley Gibson (from October 2017)	7	1	1	1
Cr Janine Phillips	8	1	0	1
Cr David Morrell (until October 2017)	4	0	0	0
Cr Yasmin Bartlett (until October 2017)	3	0	0	0
Cr Clem Wright (until October 2017)	4	0	0	0

Council Meeting Statistics

Meeting Type and Date	Agenda Published	Minutes Published	Length of Meeting (minutes)	No. Persons addressing Council at PQT	No. Questions Taken on Notice	No. Items (Ex. Admin. Items)	No. Items Closed to the Public
Ordinary Council							
18-Jul-17	12-Jul-17	26-Jul-17	180	15	4	5	-
15-Aug-17	08-Aug-17	21-Aug-17	74	10	5	3	-
19-Sep-17	12-Sep-17	22-Sep-17	115	8	-	7	1
17-Oct-17	10-Oct-17	19-Oct-17	115	5	-	7	-
21-Nov-17	15-Nov-17	28-Nov-17	274	16	1	12	2
19-Dec-17	13-Dec-17	21-Dec-17	131	5	-	11	2
20-Feb-18	14-Feb-18	26-Feb-18	182	13	7	12	2
20-Mar-18	14-Mar-18	22-Mar-18	108	7	2	7	-
17-Apr-18	11-Apr-18	24-Apr-18	187	7	4	9	-
15-May-18	08-May-18	21-May-18	144	13	12	5	-
19-Jun-18	13-Jun-18	25-Jun-18	126	9	3	7	-
Special Council							
24-Oct-17	20-Oct-17	25-Oct-17	29	2	-	2	-
Electors AGM							
20-Mar-18	7-Mar-18	22-Mar-18	26	-	-	4	-
Special Electors							
19-Feb-18	15-Feb-18	23-Feb-18	63	18	-	4	-

100%

of Ordinary Council Meeting Agendas were published within 72 hours prior the meeting
of Ordinary Council Meeting Minutes were published within 10 days after the meeting
of Special Meeting Agendas were published prior to the meeting
of Special Electors Meeting Agendas were published prior to the meeting
of Special Electors Meeting Minutes were published prior to the Council meeting where the decisions made were considered by Council
of Electors General Meeting Agendas were published prior to the meeting
of Electors General Meeting Minutes were published prior to the Council meeting where the decisions made were considered by Council

Council Committees

Council has a number of Advisory Committees which guide and provide recommendations to the Council on particular matters, pursuant to their Terms of Reference. The table below shows who the Councillor member was for each Committee.

Following the October 2017 Election, some of the delegates to Committees were amended and some of the Committees were disbanded.

Committee	Councillor Members					Term Commenced October 2017				Term Expired October 2017		
	Cr Gearon	Cr Caron	Cr Phillips	Cr Whooley	Cr Lewis	Cr Allen	Cr Gibson	Cr Seenev	Cr Osborne	Cr Morrell	Cr Bartlett	Cr Wright
Audit Advisory Committee	✓	✓	✓	✓			✓		✓	✓	✓	✓
Bush Fire Advisory Committee						✓		✓				✓
Cemetery Advisory Committee			✓					✓				
Disability Advisory Committee						✓						
Local Emergency Management Committee	✓							✓		✓		✓
Municipal Heritage Inventory Committee						<i>disbanded following October 2017 Election</i>				✓		✓
Roadwise Advisory Committee							✓	✓		✓		
Paths & Trails Advisory Committee					✓	<i>disbanded following October 2017 Election</i>					✓	
Seniors Advisory Committee						<i>disbanded following October 2017 Election</i>					✓	
Sustainability Advisory Committee	✓	✓			✓	<i>disbanded following October 2017 Election</i>						
Waste Management Advisory Committee		✓	✓		✓		✓					

✓ indicates current member as at 30 June 2018

✓ indicates current deputy member as at 30 June 2018

Council Working Groups

Council has a number of Working Groups which are tasked with a specific project or objective. Meetings are held as and when required and the Working Groups exists until the project or task is completed. The Working Groups listed below were established following the October 2017 Election.

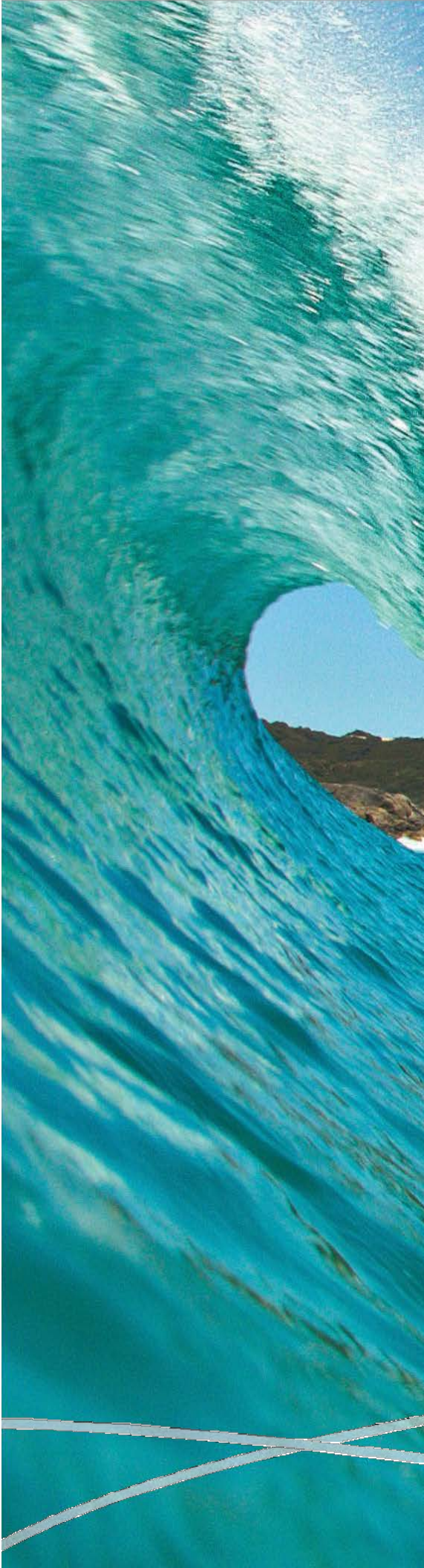
The table below shows who the Councillor member was for each Working Group.

Working Group	Cr Gearon	Cr Caron	Cr Osborne	Cr Whooley	Cr Lewis	Cr Allen	Cr Gibson	Cr Phillips	Cr Seeneey
Heritage Precinct Building Proposal Working Group				●					●
Lights Beach Concept Plan Working Group				●	●				
McLean Park User Group (no elected member required)									
McLean Park Overflow Camping Group Working Group			●						
Paths and Trails Development Plan Working Group					●	●	●		
Rivermouth Precinct Development Concept Plan Working Group	●	●							
Sport and Recreation Plan Working Group					●	●		●	
Sustainability Strategy Working Group	●				●		●		

Council Delegates

Council Members represent Council or provide a conduit on a number of external organisations.

Organisation, Agency or Organisation	Councillor Delegate
Amazing South Coast Inc. Board	Cr Gearon
Denmark Chamber of Commerce Inc.	Cr Gibson
Denmark High School Oval Management Committee	Cr Lewis
Denmark Tourism Inc. Board	Cr Allen
Great Southern Regional Road Group	Cr Whooley
	Cr Seeney (Deputy)
Lower Great Southern Economic Alliance	Cr Gearon
	Cr Lewis
	Cr Caron
	Cr Whooley (Deputy)
Southern Joint Development Assessment Panel	Cr Phillips (Member)
	Cr Whooley (Member)
	Cr Gearon (Alternate Member)
	Cr Osborne (Alternate Member)
South Coast Management Group	Cr Caron
	Cr Phillips (Deputy)
WA Local Government Association (WALGA) – Great Southern Zone	Cr Gearon
	Cr Phillips
Denmark Aquatic Centre Committee Inc.	Cr Gibson
	Cr Whooley
Denmark Arts Inc.	Cr Caron
Denmark Community Resource Centre Inc. Committee	Cr Whooley
Denmark Historical Society Inc.	Cr Caron
Denmark Residents and Ratepayers Association	Cr Gibson
Denmark Tidy Towns Committee Inc.	Cr Osborne
Great Southern Recreation Advisory Group	Cr Whooley
Lake Muir/Denbarker Community Feral Pig Eradication Group	Cr Allen
Nornalup Ratepayers and Residents Association Inc. (NRRRA)	Cr Seeney
	Cr Phillips (Deputy)
Parry's Beach Voluntary Management Group Inc.	Cr Lewis
Peaceful Bay Progress Association Inc. (PBPA)	Cr Phillips
	Cr Lewis (Deputy)
WA Agricultural College – Denmark Agricultural Advisory Committee	Cr Osborne
WA Agricultural College – Denmark Decision Making Committee	Cr Osborne
Walpole Work Camp Committee (Department of Corrective Services)	Cr Seeney
Wilson Inlet Catchment Committee Inc. (WICC)	Cr Caron



Message from the Chief Executive Officer

The 2017/18 financial year has been a very successful year for the Shire of Denmark.

In addition to completing numerous projects throughout the year, the Shire's continual improvement in Integrated Planning and Reporting (IPR) is evidenced through this year's Annual Report. The setting of clear community objectives in Denmark 2027 has allowed the Shire to focus its resources in the areas that our community values.

Perhaps the most rewarding outcome during 2017/18 was the development of the Community Services team, which has delivered an expansion in the programs offered in the community space and a number of new initiatives in emergency services.

The 2017/18 financial year provides a solid benchmark for the Shire of Denmark. The Shire's performance will be determined by the 2018/19 community survey, with Shire services and facilities being informed and shaped by community feedback.

I would like to thank the staff and Councillors for their dedication and hard work over the last twelve months and for their ongoing support.

In 2018/19 we will welcome David King and his family to Denmark as he commences as the Director of Assets and Sustainable Development.

I am excited to see what 2018/19 will bring as we continue to make improvements within the organisation and align our services to support our community's aspirations.



Bill Parker

Chief Executive Officer

Executive Team



Bill Parker commenced in the role of Chief Executive Officer with the Shire of Denmark in August 2016 and brings a passion for strategic planning to the position. Bill understands the power of teamwork, investing in people and building strong relationships with stakeholders.

He has held various positions in local government and more recently spent two years in the private sector as a licensed valuer.

In addition to holding formal qualifications in Project Management, Bill has a Bachelor of Business (Marketing) and Masters of Business (Property). Bill has also recently been involved as a mentor in the Local Government CEO Mentor Program (a mentoring program for new CEOs in local government).



Cary Green commenced with the Shire as Director Corporate and Community Services in February 2017, having a previous background in local and state government.

Cary holds a Bachelor of Business (Accountancy), and other qualifications in Management and Local Government. His previous roles include Director of Corporate and Community Services at the Shire of Augusta Margaret River and Regional Manager, with the Department of Sport and Recreation.

The Shire of Denmark will welcome David King as Director Assets and Sustainable Development in 2018/19. David will oversee the engineering, development and sustainability functions, with the Shire having recently combined the Infrastructure and Assets and Sustainable Development directorates. The restructure is the result of a comprehensive review driven by the Strategic Community Plan.

The Shire of Denmark would like to thank former Director Infrastructure and Assets, Gilbert Arlandoo and Director Sustainable Development, Annette Harbron, for their service and contribution during 2017/18.

Our Mission

We will protect and improve the quality of life for our community by:

- Providing quality services and infrastructure that meet community needs;
- Carefully managing our natural environment;
- Empowering our community to make positive change;
- Embracing innovation and opportunities.

Our Values

Consistency
Sustainability
Honesty
Integrity
Teamwork
Transparency
Respect

Our Economy

We are an attractive location to live, invest, study, visit and work

Industrial Area

Work continued on the new Industrial Area during 2017/18, with the Shire undertaking significant road works on East River Road and McIntosh Road to provide restricted vehicle access to the new industrial estate.

The new Industrial Area seeks to rectify the issues related to the Shire's current supply of industrial land which is heavily constrained and unable to meet demand.

The delivery of a new Industrial Area for Denmark will help existing businesses unlock their potential for expansion by offering a purpose built Industrial Area with larger sites that match demand. The Shire of Denmark will also be in a stronger position upon completion of the project to attract new businesses and the jobs they bring to the local community.

Add Amazing to your Adventure

The Amazing South Coast Marketing Campaign launched during 2017/18, featuring a 30-minute TV program showcasing Denmark and the region as a tourism destination. The campaign also involved the launch of a new Amazing South Coast website, the rollout of large billboards and advertising on bus shelters, radio and TV advertising and a number of digital platforms across Perth.

The Add Amazing to your Adventure marketing campaign is part of a broader Tourism Development Strategy commissioned by the Lower Great Southern Economic Alliance that aims to strengthen and diversify the economic base of the region.

The campaign seeks to attract 3 million visitor nights in the region by 2021 and is funded by the Alliance's three member Councils – the Shire of Denmark, City of Albany and the Shire

of Plantagenet. The Alliance has received \$1m in funding from Tourism Western Australia.

Local Procurement Workshop

The Shire of Denmark hosted a Procurement Workshop for local business owners in the Shire to encourage local businesses to apply for a place on Shire of Denmark's panel of pre-qualified suppliers. The panel was assembled to meet procurement requirements under the Local Government Act which states that a local government must invite tenders before it enters into a contract that meets certain limits with an external supplier.

The Shire worked closely with the Denmark Chamber of Commerce and WALGA to run the workshop, where local business owners were given information on procurement and tender requirements.



Photo: Local business owners attending the Procurement Workshop

Business After Hours

The Shire co-hosted Business After Hours during 2017/18, with Shire of Denmark staff and local business owners discussing ways for the Shire to increase opportunities for services to be delivered by local providers. Spending money locally where ever possible is a key goal of the Shire to help stimulate the local economy.

Key Statistics

- ✓ The Shire of Denmark's Gross Regional Product was \$290m as of the 30th June 2018, up from \$256m in 2016
- ✓ There were 2,442 jobs located in the Shire of Denmark in the year ending June 2018, up from 2,166 in 2016

- ✓ In the 2018 June quarter, the unemployment rate in the Shire of Denmark was 3.06%, down from 5.97% in the 2017 June quarter
- ✓ In the Shire of Denmark, there were 2,846 residents employed in the year ending June 2018, up from 2,669 in 2016
- \$ \$2.06m was spent by the Shire using local Denmark providers, representing approx. 21% of total spend

Community satisfaction with Our Economy

Performance Measure	Index Score	Average Score	High Score	Overall Average	Overall Average
The Shire of Denmark as a place to live	82	79	95	52	55
The Shire of Denmark as a place to visit	83	NA	NA		
Agricultural development - what the Shire is doing to grow and develop agriculture and protect prime agricultural land	39	NA	NA		
Economic development - what the Shire is doing to attract investors, attract and retain businesses, grow tourism and create more job opportunities	37	45	63		
Tourism attractions and marketing	51	NA	NA		
How Denmark town centre is being developed	43	51	69		
Access to goods and services in the local area	51	51	61		
Access to education, training and personal development opportunities	48	49	63		

Note: Performance measures in grey are unique to the Shire of Denmark and are not included in overall averages

Our Natural Environment

Our natural environment is highly valued and carefully managed to meet the needs of our community, now and in the future

Sustainability Strategy

Work commenced on the strategy with the formation of a Sustainability Strategy Working Group, with the first meeting held on 22 June 2018. The Working Group includes 7 community members and 3 Councillors and will utilise the international 'One Planet' framework to emphasis collaboration between multiple stakeholders. It uses ten guiding principles of sustainability to transform the Shire and aims to support the organisation in becoming a leader in sustainability.

Waterwise Council

The Shire of Denmark officially received its Waterwise Council endorsement at the Water Corporation's Waterwise Business Recognition event on 1 May 2018 in Perth.



L to R: Mike Rowe, Department of Water and Environmental Regulation Director General; Mike Hollett, Water Corporation Chairman; Cr. Peter Caron, Deputy Shire President; and the Honourable Dave Kelly MLA, Minister for Water.

Garage Sale Trail

The Shire of Denmark hosted the annual Garage Sale Trail on 21 and 22 October 2017.

The Shire is one of 150+ councils that hosts the multi award winning sustainability and community campaign each year. Garage Sale Trail estimates show that the event saves Councils across Australia between \$2,500-\$20,000 in costs for landfilling useable items and operating collection services each year. The Shire hosted 26 sales, with an estimated 2,100 people participating in the event as a shopper or seller. An estimated 1,500 items were sold totalling approx. \$15,000, also generating approximately 1,900 new community interactions.



Garage Sale Trail participants Jennie Partington (left) and Rae Brokensha (right).

Plastic Free July

The Shire continued to promote Plastic Free July in 2017. The promotion encourages people to give up single use plastics during July in order to increase awareness of the use of plastics. Shire events were held as part of Plastic Free July, including a free community screening of the movie 'Bag It', which was attended by 28 people. The award winning movie was a fun look at the serious impact of plastic on our lives. The event also featured presentations from

Shire staff, the Plastic Reduction Denmark WA group and the Denmark Environment Centre.

Responsible Cafes

The Shire continued to promote local businesses that are part of the Responsible Cafes program. The program encourages cafes to offer a discount to patrons that supply their own cup when purchasing take away drinks, in an effort to reduce waste. 6 local businesses were participating in 2017/18.

Ocean Beach and Peaceful Bay Coastal Hazard Risk Management and Adaptation Plan and Concept Plans

Funding was received from the Western Australian Planning Commission's Coastal Management Plan Assistance Program to undertake a Coastal Hazard Risk Management and Adaptation Plan (CHRMAP) for Ocean Beach and Peaceful Bay.

The CHRMAP includes the identification and assessment of coastal hazards, establishing the context of coastal asset values and community expectations, risk assessment of the potential impact of coastal hazards upon coastal assets and adaptation planning for both short-term and long-term planning horizons.

The CHRMAP was completed in conjunction with the ten-year foreshore concept plans for both sites, which ensured that coastal hazards are adequately accommodated when planning for new assets and the retention of existing assets. The CHRMAP and concept plans were completed with the assistance of the Ocean Beach and Peaceful Bay Foreshore Concept Plan Working Group.

Clearing of Native Vegetation

Eight investigations were conducted into alleged unauthorised clearing of native vegetation on private property and Shire-managed land. This resulted in one incident of alleged unauthorised clearing referred to the Department of Water and Environmental Regulation for further investigation and

enforcement, and one infringement issued for clearing vegetation without authorisation on a Shire road reserve.

Mitigation of Dieback on Priority Reserves project

The Shire undertook a number of actions in relation to the Mitigation of Dieback on Priority Reserves project, including:

Looking After Your Patch – Managing Phytophthora Dieback on Private Property Workshop - held on 2 December and attended by 15 people.



Green Card Phytophthora Dieback Hygiene training for contractors - held on 24 July 2017 and attended by 8 local contractors and 4 Shire Infrastructure and Assets Directorate staff.

Biodiversity and Fire: Resilience and Recovery Workshop - held on 26 May, in conjunction with the Torbay Catchment Group and Oyster Harbour Catchment Group. The workshop was delivered by Chris Ferreira from the 'Forever Project' and attended by 41 people.

\$10,000 in funding support was provided by the State NRM Program's 2016 Community Action Grants to support these actions.

Weed control on Shire Reserves

Weeds were controlled on 19 reserves and 37 road reserves during the year, with the Denmark Weed Action Group contracted to undertake manual removal of weeds on 19 Shire reserves.

The Shire is jointly working with Main Roads WA and the Department of Primary Industries and Regional Development to ensure control.

Weeds targeted during 2017/18 included: Blackberry (*Rubus anglocandicans*), African Love Grass (*Eragrostis curvula*), Taylorina (*Psoralea pinnata*), Asparagus Fern (*Asparagus scandens*), Dolichos Pea (*Dipogon lignosus*), Arum Lilly (*Zantedeschia aethiopica*) and *Watsonia* species.

Spanish Heath (*Erica lusitanica*) and Creeping Buttercup (*Ranunculus repens*) (declared pests in Western Australia carrying the C1 exclusion status) were identified at two Shire reserves.

Wilson Inlet Catchment Committee

\$6,000 in funding was provided by the Shire to the Wilson Inlet Catchment Committee to support the implementation of the Wilson Inlet Management Strategy. The funding was used to support strategy recommendations relating to weed control and revegetation.

Shorebirds

Support was given to the Denmark Bird Group to install temporary fencing and signage for Red-Capped Plovers breeding on Prawn Rock Island. The works were an attempt to keep dogs and people away from the nests. The birds nest in the open and are therefore highly vulnerable to disturbance or direct destruction of eggs.

South Coast Natural Resource Management

The works team undertook maintenance of revegetation sites at Ocean Beach and Back Beach.

South Coast Management Group

The Shire continued their representation on the South Coast Management Group, which is a regional representative body of coastal planners, land managers and community delegates along the South Coast.

Sustainability Services attended meetings in Bremer Bay, Denmark, Hopetoun and Albany, with the Sustainability Officer elected as the group's treasurer.

Waste Management Advisory Committee

The committee developed an engagement plan during 2017/18 for recycling education following issues with contamination of Denmark's recycling. The engagement plan will help communicate information to residents and businesses about recycling correctly, with the aim of reducing the overall contamination level of recycling being collected from the Denmark area.

Biodegradable Bag Trial

Rangers have researched and trialed environmentally sustainable, biodegradable, compostable dog waste bags. The trial found that the bags were both user friendly and fit for purpose. Allocation has been made for the upcoming 2018/19 budget to change over all bags in the Shire. The Shire of Denmark provides dog waste bags at 13 locations with the community using approximately 65,000 bags per year.

Review of the Strategic Waste Plan of the Lower Great Southern Waste Alliance

The Lower Great Southern Waste Alliance formed with members from the City of Albany, Shire of Plantagenet and Shire of Denmark. The alliance aims to apply regional solutions to local problems, develop and improve systems for the collection and recording of waste management data, improve the management of landfill facilities and support greater education within each community.

Lake Muir-Denbarker Feral Pig Eradication Project

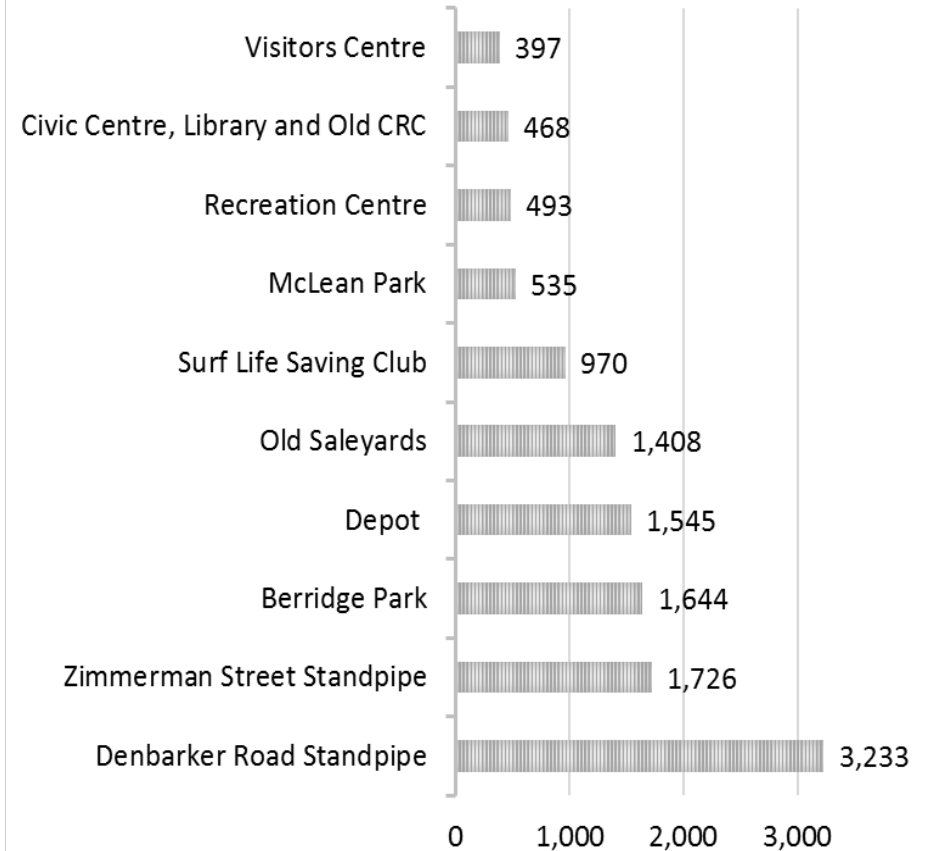
\$2,000 in funding was provided to support the Lake Muir-Denbarker Feral Pig Eradication Project.

Key statistics

Electricity Performance Top 10 Shire Assets 2017/18			
Asset Name	Electricity Usage (kWh)	Electricity Cost (\$)	Electricity Cost per kWh (\$)
Recreation Centre	44,301	\$13,852	\$0.31
McLean Park	44,234	\$13,804	\$0.31
Shire Administration Centre	38,420	\$9,214	\$0.24
Civic Centre, Library and Old CRC	27,888	\$8,723	\$0.31
Depot	20,071	\$5,890	\$0.29
Denmark High School Oval Bore	15,129	\$3,239	\$0.21
Surf Life Saving Club	13,266	\$4,221	\$0.32
CEO's House	13,137	\$3,709	\$0.28
Denmark No. 3 Railway Station	7,842	\$2,473	\$0.32
Water Supply Pump Peaceful Bay	6,891	\$2,310	\$0.34

\$81,380 spent over the 2017/18 FY, with 264,664 kWh consumption. Represents a 2% increase in consumption and a 7% increase in costs compared with last FY.

WATER PERFORMANCE TOP 10 SHIRE ASSETS 2017-18 (KL)



\$28,430 spent over the 2017/18 FY, with 16,458 kL total consumption. Represents 6% increase in costs and a 3% increase in consumption compared to last FY.

Community satisfaction with Our Natural Environment



Performance Measure	Index Score	Average Score	High Score	Overall Average	Overall Average
Conservation and environmental management	54	58	76	51	59
Managing responsible growth and development	43	NA	NA		
Promoting and adopting sustainable practices	49	57	75		
Efforts to adapt to climate change	47	NA	NA		
Efforts to reduce waste	53	NA	NA		
Efforts to promote and use renewable energy	54	NA	NA		
Efforts to maintain and enhance local rivers and inlets	43	56	76		
Management of local beaches and coastline	51	56	66		
Management of bushland and forests	55	NA	NA		
Waste collection services	56	72	85		
Animal and pest control	54	56	69		

Note: Performance measures in grey are unique to the Shire of Denmark and are not included in overall averages.

Our Built Environment

We have a functional built environment that reflects our rural and village character and supports a connected, creative and active community

Development & Subdivision Applications

During 2017/18, Planning Services determined a total of 163 development applications, with a total value of \$24,665,054. Of the 163 development applications, 157 (representing approximately 96%) were determined under delegated authority by Planning Services. No development applications were considered by the Southern Joint Development Assessment Panel in 2017/18.

In relation to subdivision proposals, Planning Services provided recommendations (approval or refusal) on 16 subdivision applications (freehold and strata subdivisions) to the Western Australian Planning Commission (being the determination body for subdivisions). Of the 16 subdivision applications, a total of 64 new lots were proposed – 27 residential lots, 13 commercial/industrial lots, 7 rural lots, 15 special residential lots, 1 rural/conservation lot and 1 tourist lot.

Building Permits

150 Building Permits were issued in 2017/18, totalling \$17,442,163 of approved work. The number and value of building permits have decreased in comparison to 2016/17, where 181 permits were issued, totalling \$28,991,884 of approved work.

Town Planning Scheme Amendments

During 2017/18, the number of Scheme Amendments progressed were:

- 2 x Scheme Amendments were initiated by Council for advertising purposes;

- 2 x Scheme Amendments were adopted by Council for final approval and were awaiting consideration by the Minister for Planning; and
- 3 x Scheme Amendments were approved by the Minister for Planning and gazetted accordingly.

Sport and Recreation Masterplan

The Sport and Recreation Masterplan was prepared during 2017/18, with the plan researching and documenting current and proposed sport and recreation opportunities within the Shire of Denmark. The Masterplan offers an assessment of current infrastructure to identify where facilities may be improved, rationalised or consolidated, with the view to make recreational infrastructure more suitable to the emerging needs of existing and future residents of the Shire. The development of the plan provides Council with an adopted Sport and Recreation Masterplan; an implementation strategy for Sport and Recreation facility development; and specific information relative to the McLean Park Precinct and High School Ovals to guide future development at these two facilities. This strategic document provides Council with the tools to consider sport and recreation decisions for the long-term future.

Asset Management Working Group

The Shire formed an Asset Management Working Group during 2017/18 and began work on the Asset Management Plan for the Shire's transport, recreation, property and plant and equipment asset portfolios. The draft Asset Management Plan considers asset values, condition, confidence levels in asset management data, improvement actions and

linkages to service levels, community demand and strategic aspirations.

The Asset Management Working Group investigated a number of software options to store and manage asset data moving forward and undertook a major asset condition inspection and valuation program to inform the draft plans.

McLean Oval Redevelopment

The development of a detailed funding submission to the Department of Sport and Recreation was researched, written and developed in 2017/18. The Shire was successful in attracting \$320,000 funding from the department, ensuring the Recreation Services team is able to progress the project which will commence construction during 2018/19.

The redevelopment includes the repair of the oval, fencing around the perimeter, relocation of the cricket nets and athletics jumps area, upgrades to sport lighting infrastructure and carpark modifications.

Rivermouth Foreshore Development Concept Plan

Council adopted the Rivermouth Foreshore Development Concept Plan to guide the future usage and development of the Caravan Park and the Rivermouth Precinct.

Sports Court Lighting

The Shire substantially progressed the upgrade to the Sports Court lighting at the Recreation Centre, with approximately 85% complete. The existing metal halide lights have been replaced with LED lamps and will support a reduction in power costs, increase longevity, reduce drop off in output and improve light distribution.

Works Program

The Shire's Infrastructure and Assets directorate undertook a number of capital work projects during 2017/18 to improve local infrastructure. The following major works occurred:

- Road Renewal works, including reseals of Churchill Rd \$200,000; Mt Lindesay Rd \$125,000; and William Bay Rd \$150,000.
- Bridge construction at Scotsdale Rd; and
- Improvements at the McIntosh Road Transfer Station including fencing \$25,000 and skip bin covers \$30,000.

Work within the Shire's property asset portfolio included:

- Kitchen refurbishment at the Shire's Beveridge St property \$23,624;
- Solar inverter upgrade and automation system installation at the Administration Building \$ 14,494;
- Installation of an eco-toilet, water tank and landscaping at the Cemetery \$4,957;
- New BBQ's and a shelter at Norm Thornton park \$29,245;
- New firefighting infrastructure including services, pumps and mapping at Parry campground \$7,900; Front ablution block renovation \$1,756; renewal of solar bore pump and system \$7,480; renewal of caretakers' solar power and battery bank \$3,350; and installation of caretaker's cottage gas hot water system \$2,250;
- Administration building office renovation and reconfiguration \$21,153;
- War Memorial repair diagnostic \$756;
- Laing Park (dog park) fencing \$4,113;
- Repaint of the Lions Club House (Station Masters House) \$10,216;
- Closeout of CRC & Denmark Arts building (including roof leak rectification and rectification of all defects post-handover) \$50,000;
- Decking replacement at the Denmark Arts building \$26,970;
- Recreation Centre function room and crèche repaint \$4,920;
- Airport maintenance shed installation and fit-out \$13,258;
- Installation of magnetic wall maps in the Emergency Control Room \$1,203; and
- CCTV rollout \$4,579.

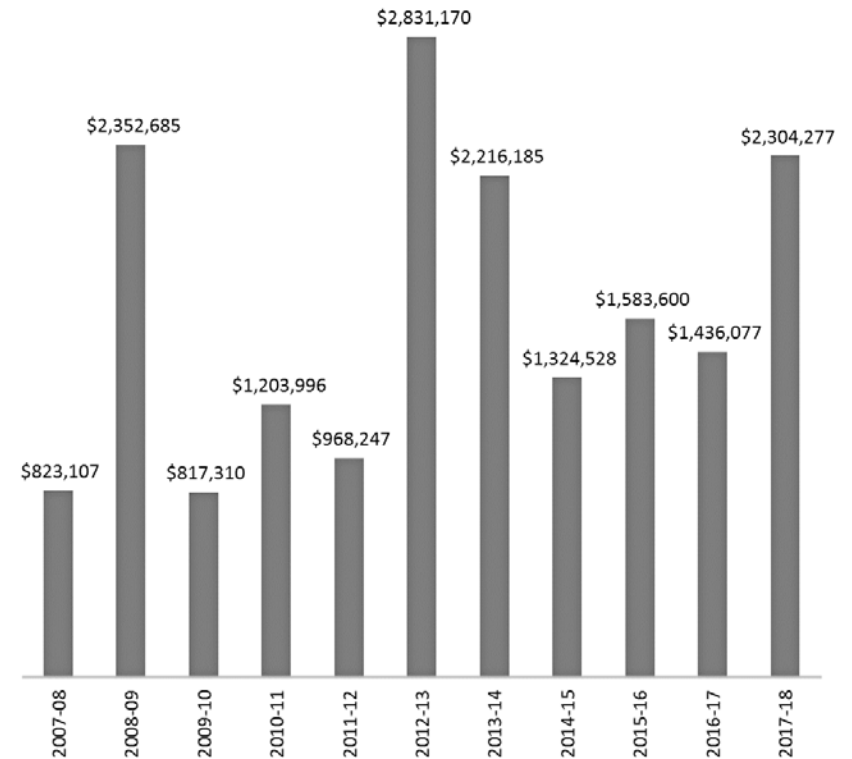
Key statistics

2017/18 Planning Applications		
Type	Number of Applications	Cost of Development
Single House	34	\$11,455,520
Single House	31	\$1,989,750
Grouped Dwellings	1 (1 dwelling)	\$180,000
Second House	4	\$650,500
Modification to Building	-	-
Holiday Home (Standard)	6	\$0
Holiday Home (Large)	1	\$0
Holiday Accommodation	3	\$760,000
Outbuilding	22	\$601,101
Change of Use	5	\$49,300
Home Occupation	2	\$6000
Signage	1	\$5000
Aquaculture	-	-
Use Not Listed	-	-
Commercial and Industrial	12	\$1,357,003
Rainwater Tank	5	\$27,000
Dam	1	\$45,000
Development Approval	26	\$0
Amendments to Development Approvals	9	\$7,533,880
TOTAL	163	\$24,660,054

Building Statistics Summary 2017/18

Type	Number of Permits Issued	Total Value of Approved Work
Single Houses	46	\$12,161,767
Additions to Single Houses	38	\$2,006,700
Outbuildings (Not Rural)	51	\$1,468,146
Rural Outbuildings	9	\$260,050
Commercial and Industrial	6	\$1,545,500
TOTAL	150	\$17,442,163

INFRASTRUCTURE GRANT FUNDING



Community satisfaction with Our Built Environment



Performance Measure	Index Score	Average Score	High Score	Overall Average	Overall Average
The area's character and identity	59	61	85	55	57
Planning and building approvals	39	46	65		
Access to housing that meets your needs	54	60	68		
Community buildings, halls and toilets	61	58	77		
Sport and recreation facilities and services	61	65	77		
Playgrounds, parks and reserves	63	68	85		
Storm water drainage	48	53	79		
Building and maintaining local roads	46	55	80		
Traffic management and control on local roads	51	54	67		
Footpaths, cycle ways and trails	59	54	71		
Streetscapes	60	56	83		
Lighting of streets and public places	57	55	65		

Our Community

We live in a happy, healthy, diverse and safe community with services that support a vibrant lifestyle and foster community spirit

4 Youth Festival

The Shire's inaugural 4Youth Fest was held during National Youth Week in April 2018.

4Youth Fest was a celebration of young people, with a youth music concert, art, craft, dance, a silent disco, skateboarding, and amusements offered as part of the festival. Eight youth bands and over 30 young musicians participated in the youth concert which provided an opportunity for young artists to gain performing experience. Youth support and information stalls were also provided at the event through partnerships with youth service organisations including Headspace, Palmerston and Denmark LDAG.



Funding of \$12,000 was obtained through Healthway, the Department of Local Government, Sport and Cultural Industries and Denmark Local Drug Action Group (LDAG) to conduct the 4Youth Fest, with the event attracting the Denmark CRC, Denmark Arts, Denmark LDAG, Denmark Senior High School and Albany Youth Support Association as partners.

4Youth Fest aimed to provide opportunities for young people to develop leadership skills, promote volunteering and offer opportunities to participate in the community. Through the event planning group, youth were actively

engaged in the development of the event from concept stages through to delivery, allowing for a connection to be formed between the local youth and the Shire of Denmark. The working group consisted of 18 Denmark Senior High School students who committed to a weekly planning session over 9 weeks to plan and deliver the event.

Participation numbers were approximately 250.



Photo: The Youth Planning Group

Breath Film Festival

To celebrate the release of Simon Baker's feature film *Breath*, the Shire of Denmark and the Great Southern Development Commission presented the *Breath* Film Festival during 2017/18.

Filed in and around Denmark, the feature film made its premiere at Toronto Film Festival 2017 and also at Zurich Film Festival 2017.

The *Breath* Film Festival offered five free public screenings with one additional screening for Shire volunteers, senior citizens and people with disability. The screenings were held at the Denmark Civic Centre and featured some of the behind the scenes local stories including an

opportunity to view some of the unique surfboards featured in the film.

The public response to the festival was overwhelmingly positive with tickets to the screenings booking out in hours.



Photo: Full house at the first free screening of Breath at the Denmark Civic Centre.

Community Health Forum

In partnership with the WA Country Health Service the Shire of Denmark presented a forum and information session on Seniors Health Care in Denmark. The forum was organised in response to community concerns regarding eminent changes to healthcare providers in the town. The program included information on the Great Southern Seniors Health Plan, Community Rehabilitation Programs, Commonwealth Aged Care Reforms and information on the transition from HACC to CHSP.

Stay on Your Feet

The Shire was successful in attracting *Stay on Your Feet* funding to deliver a pilot program for senior men over 65 years. The program provides free group exercise sessions and falls prevention education conducted by the WA Health Country Service Denmark. The program delivers an opportunity for the Shire's ageing population to age well and stay well in the town, benefiting the community as a whole and aligning with our aspirations of being an Age Friendly Community.

Disability Services Advisory Committee

The Disability Services Advisory Committee was reactivated in June 2018. The committee oversees all matters relating to access and inclusion for people with disability.

One of the major tasks for the committee is the review of the Shire of Denmark Disability Access and inclusion Plan 2003-2018 (DAIP). The DAIP aims to the remove or reduce barriers to ensure that Shire of Denmark services and facilities are accessible to people with disability. The review commenced following the reactivation of the committee and will be adopted by Council in 2018/19.

The committee will also actively participate in community awareness events such as International Day of People with Disability.



Photo: Disability Services Advisory Committee members with Cr Mark Allen.

New Recreation Centre System

The Recreation Centre has successfully installed the Centaman point of sale computer system during 2017/18. The new system is designed to improve the flow of traffic at the front counter, improve gym membership retention through better follow up procedures and communication, streamline the bookings system for the Centre and Council's sporting fields and improve staff productivity. The Recreation Centre also began the phasing out of the kiosk.

Centre staff reviewed the kiosk operations during the year and through consultation with user groups concluded the sale of lollies and potato chips did not align with the values of a sport and recreation facility. This decision has been well supported by the user groups and individual participants.

Bushfire Advisory Committee

The Bushfire Advisory Committee continues to meet quarterly and discuss all matters on preventing, controlling and extinguishing bush fires. The committee is made up of staff, Councillors and volunteer Fire Control Officers. The Committee has undergone a significant change of members this year with the inclusion of new Fire Control Officers within the Shire. This has generated fresh ideas and lots of positive discussion in ensuring an efficient and responsive fire service, which has been reflected in the recommendations made to Council. The Committee has also focused on providing ongoing education and information to the community in relation to the dangers of fire.

Library Management System SPYDUS

The Library team have loaded, trained and adopted SPYDUS, a new online library management system, during 2017/18. Members are now able to access the Denmark Library catalogue online, from not only the library but now also externally from home or abroad. With the new online system, Library members can manage their own accounts to update details and renew, request or reserve items.

Local Emergency Management Committee

The Local Emergency Management Committee met bi-monthly during 2017/18 and is made up of members from all emergency services providers and relevant stakeholders within the Shire and its surrounds. Key achievements of the Committee this year have been updating the Local Emergency Management Arrangements and completing the Risk Register

for the Shire. Moving forward the Committee will be focusing on the significant role of Recovery during and after an incident and the establishment of a Vulnerable Persons Working group, with the goal of establishing a Vulnerable Persons Register and Action plan.

Outward Bound Leadership Camp

The Shire of Denmark offered twelve Year 9 Denmark Senior High School students the unique opportunity to attend a fully Shire funded Leadership Camp during May-June.

The wilderness based leadership program was designed to inspire leadership, self-worth, responsibility and team work.



Photo: Y9 Denmark Leadership Camp students enjoy rafting activities.

The students who attended the camp were selected on merit by the Leadership Team at Denmark Senior High School. The selection criteria nominated by the Shire of Denmark included qualities such as resourcefulness, strong community values, community involvement, good communication skills and leadership ability.

As part of the program requirements the students attended a Council briefing session in June and delivered a report on their experiences to the Council.

Queen's Baton Relay

In February 2018, the Shire of Denmark hosted a route for the Queen's Baton Relay which travelled through the streets of Denmark and

concluded with a community celebration in Berridge Park.

The 14 Baton Bearers unique to Denmark included Karen Andersson, Jack Batchelor, Damian Boyle, Murray Brooker, Joseph Burton, Maureen Cowdell, Craig Gibson, Stephen Junk, Oliver Pluckhahn, Claire Roocke, Katy Rutter, Annette Simper and Christine Venkatachalam.



Pictured: Katy Rutter, Rory and Charlie Pierce

All Baton Bearers were selected via a rigorous external selection process.

The event would not have been possible without the members of the Working Group, who planned the event for 12 months; the Gold Coast 2018 Commonwealth Games organisers, who selected Denmark as a host community; and all of the volunteers who assisted on the day.

Community Development Networks

Community Services liaised with the major community development organisations in Denmark including Denmark Arts, Denmark CRC and the Denmark Chamber of Commerce, to create a Community Development Network.

The Network aims to improve communication and partnership opportunities to delivery improved community wide outcomes. The group meets bi-monthly to share news and

relevant information and to foster open communication.

The Shire of Denmark also joined the Regional Community Development Officers Network in 2017/18, which is formed by members from the City of Albany, and the Shires of Plantagenet, Cranbrook, Katanning, Gnowangerup and Broomehill-Tambellup.

The aim of the network is to provide a forum for discussion, collaboration and information sharing between the Shires.

Summer Holiday Program

A new holiday program was offered over December 2017 and January 2018. The activities on offer catered for three separate age groups, including 6-8 years, 9-11 years and 12-15 years.

The program included a range of new activities provided by local community facilitators such as origami, drawing and cooking.

Popular activities from past programs were also offered. The program activities focused on inclusion, creativity and skill development.

BushFire Ready Program

Volunteers and staff have made significant progress in this area dedicating weeknights and weekends to ensuring that the community is supported in bushfire preparedness.

The Shire has supported community members that are driving the BushFire Ready program and that are being proactive in forming Bushfire plans. BushFire Ready Facilitators hosted Street Meet events within the Shire, which were attended by approximately 6-10 volunteers and staff who are actively involved in providing content and answering questions.

Denmark Surf Club Transformation Project

Work commenced on the Denmark Surf Club Transformation Project during the year, with the project forming a partnership between the

Denmark Surf Life Saving Club, Shire of Denmark and Federal and State funding sources. The project is at the proposal stage and seeks to transform the current DSLSC into a modern and fit-for-purpose facility that services the needs of members, the Denmark community and visitors to Ocean Beach, whilst also facilitating club growth and enhancing economic opportunities within the Shire of Denmark and wider Great Southern region (the Transformation Project). Importantly, new facilities will also provide a resolution of current significant safety issues regarding beach access and emergency response time.

Incident Support Group (ISG) project

Following the Peaceful Bay fires, the Shire commenced an ISG project to redesign existing emergency protocols within the Shire and implement significant changes to the performance and resourcing available to support Incident Management Teams in the field.

The development of documents and controls have been peer reviewed and tested against the function to deliver (in consultation with the Local Emergency Management Committee and the Bush Fire Advisory Committee) benefits to all emergency service functions within the Shire of Denmark.

Award Finalist

Recreation Centre staff member, Helen Powley, was a Living Longer Living Stronger State Finalist for Best Regional Instructor, with the Recreation Centre nominated for Best Regional Centre.

Youth Outreach Services

The Denmark Youth Outreach (DYO) support service continued during 2017/18 which is a free service for young people 12 to 18 years of age. The service is accessible for young people who reside in the Shire of Denmark.

The service provides early intervention support to young people to prevent and address crisis

and those experiencing a difficult transition through adolescence and needing additional support.

Young people can be assisted with mentoring, relationships and information to assist in managing their health and wellbeing. DYO provides advocacy, referrals and support to access specialist services, including AYSA homelessness services.

This service is funded by the Shire of Denmark and managed by Albany Youth Support Association (AYSA).

Library Business Plan Review

The Library's Business Plan and approach to benchmarking has been updated to reflect the recent restructure of the West Australian State Library system. This has included the revision of key performance indicators, service structure, future resource requirements and analysis of objectives in line with contemporary Library servicing. During 2018/19 the Library team will consult with stakeholders and the community to cross reference its business charter and improvement areas against community expectations.

Youth Facebook and Instagram Pages



Community Services have developed youth specific branding - 4Youth Denmark and maintain a 4Youth Facebook and a 4Youth Instagram page.

Social media presence is essential to create a connection with the local youth and disseminate information about local events, activities and programs on offer in Denmark.

Social media has been proven as a great conduit to connect with the local youth, with the pages continuing to grow. The pages currently have an audience of over 300 followers combined and are managed according to Shire of Denmark social media policies.

Exercise Praetorian

The Shire commenced detailed planning of a State-wide desk top emergency involving a simulated bush fire impacting the town of Denmark.

The major exercise, led by DFES, requires the Shire of Denmark to plan and assist DFES whilst communicating with a number of external agencies, including WA Police, Local Emergency Management Committee members, the Bush Fire Advisory Committee and Brigades, Shire staff, Denmark State Emergency Services, private contractors and numerous utilities like Telstra and Water Corporation.

Community Champions for Mental Health

In Partnership with Anglicare WA, the Shire of Denmark hosted a free Community Champions for Mental Health workshop during 2017/18.

The course provided by Anglicare WA assisted members of the community gain confidence by offering practical skills and providing community support networks to build stronger communities.

The topics covered in the workshop included mental health issues and diagnosis, mental health and substance use interaction, de-escalation techniques, boundaries for personal safety and health, crisis management and referrals onto local organisations.

Event application process

Due to the number of diverse applications made to the Shire each year, regarding not for profit community and commercial events, staff have designed, consulted and led a process for event application and approval within the Shire.

This now sees all event applications processed, with input from each Directorate, in a consistent and uncomplicated manner whilst addressing risk mitigation strategies.

Emergency SMS Project

An alert warning system project brief was developed during 2017/18 and communicated across the Shire. Whilst the SMS project is principally designed to support emergency services there is the ability to offer other business units within the Shire a service to enhance their performance, using SMS notifications to interact directly with community members. The second phase of this project will see the full implementation of the service during 2018/19.

RoadWise Committee

The RoadWise Committee *Sober Super Hero* program was created during the year to promote sober drivers amongst younger drivers. Within the 6 months that the project ran, zero P-platers were picked up who had been drinking.



Pictured: The RoadWise Committee promoting the Sober Super Hero program

In 2017/18 we recognised the following community members at the Australia Day Breakfast:

2018 Citizen of the Year Award: Diane Harwood | 2018 Senior Citizen of the Year: Reg Copeman | 2018 Youth Citizen of the Year: Samuel Marsh | 2018 Community Group (or Event) of the Year Award: Denmark Historical Society | 2017 Senior Sportsperson of the Year: Erica Mercer | 2017 Junior Sportsperson of the Year: Elsie Edmonds | 2017 Service to Sport Award: Leanne James | National Services Medals: Bronnie Wallace, Simon Coppock, Ivars Sulcs, Graham Boyce, Wim Amesz and Colin Anning

Key statistics

Rangers Statistics 2017/18

Type	Education	Warning	Infringement
Fire Management Notice	1,153	280	30
Dog Act 1976 Compliance	609	94	23
Parking Local Laws	155	91	33
TOTAL	1,917	465	86

Library Statistics 2017/18

Type	Number	Increase or decrease on 2016/17
Total issues of library items	50,148	↓
Total issues of e resources	8,887	↑
Visitor count	44,234	↑
Programs run at the library for adults	123	↑
Number of adult participants	803	↑
Programs run at the library for children	127	↑
Number of children participants	2,582	↑
Enquiries	13,455	↑

Recreation Centre Attendance 2017/18

Type	Number	Increase or decrease on 2016/17
Total attendance	40,856	↑
Gym and fitness attendance	20,606	↑

Public Health Statistics 2017/18

Type	Number
Onsite conventional septic system approvals	26
Aerobic Treatment Units approvals	14
Water samples	255
Food samples	2
Carcass and surface samples	3
Airflow dust monitoring samples	5
Asbestos fibre identification samples	4
Food premises assessments	297
Stall holder's licenses	39
Selling food on private land permit	1
Section 39 certificates	2
Alfresco and dining licensing	1
Childcare and family daycare inspections	2
Trading in thoroughfares and public places permits	2
Home holiday accommodation inspections	9
Peaceful Bay Leasehold properties inspections	5
Temporary accommodation approval	3
Lodging houses inspections	2
Home inspections regarding, noise, mosquitos, mould and smoke	36
Public building inspections	18
Meat inspections	121



The Shire of Denmark's SEIFA Index of Disadvantage is 1,003 with the average being 1,000 across Australian Local Governments

Community satisfaction with Our Community



Performance Measure	Index Score	Average Score	High Score	Overall Average	Overall Average
Services and facilities for families	54	60	74	55	59
Services and facilities for youth	38	50	68		
Facilities, services and care available for seniors	48	57	67		
Access to services and facilities for people with a disability	43	55	66		
Access to health and community services	57	56	69		
Library and information services	74	72	89		
Festivals, events, art and cultural activities	69	65	83		
How Aboriginal history and heritage is recognised and respected	54	NA	NA		
How local history and heritage is preserved and promoted	54	62	79		
Safety and security	66	55	75		
Management of food, health, noise and pollution issues	55	58	74		
Natural disaster education, prevention and relief (for bushfires, flooding, etc.)	51	54	63		

Note: Performance measures in grey are unique to the Shire of Denmark and are not included in overall averages.

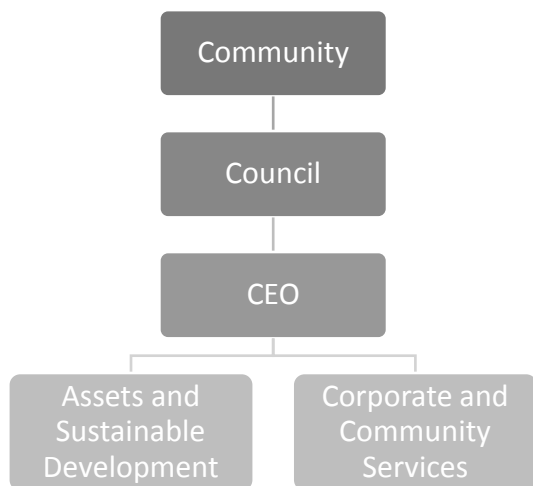
Our Local Government

The Shire of Denmark is recognised as a transparent, well governed and effectively managed Local Government

Organisational Restructure

Council endorsed a proposal to change the organisational structure during 2017/18 to create efficiencies within the business, remove areas of duplication, create better integration and support the delivery of the aspirations and objectives of the Shire's Strategic Community Plan, Denmark 2027. Key changes included reducing the number of positions at the Director level and increasing the number of positions at the Management level.

The Shire's new structure is outlined below:



Records and Archives

The Shire undertook a significant records management project during 2017/18 to recover, archive and securely store 280 Shire records boxes that were housed across multiple Shire locations. Current records are now kept onsite at the Shire Administration Office and all other records requiring storage are housed at Albany Records Management.

New Website

In June 2018, the Shire launched a new website. Work commenced on the redevelopment in late 2017 in conjunction with the Shire's website

developer and is based on analysis of user statistics. The new website has a number of new features including improved accessibility, a dedicated community consultation section, the ability to receive online applications for job applications, an integrated google map for works requests, improved look for events and news feeds and customised front-page content feeds.

Department of Transport Compliance

The Shire of Denmark Customer Service staff were recognised by the Department of Transport in 2017/18 for achieving a compliance rate in excess of 95% for department transactions.

Workforce Plan

A draft Workforce Plan and People Strategy was prepared in 2017/18. The draft plan looks at org-wide staffing requirements, workplace culture, organisational drivers and employment trends, risks and opportunities. Once finalised the Workforce Plan will be used to inform the Long Term Financial Plan and drive organisational changes that support a high-performance workplace culture.

Community Perception Survey

The Shire conducted their first MARKYT Community Scorecard in 2017/18, a professional community satisfaction and perception survey that aligns to the Strategic Community Plan. The scorecard is undertaken by a third-party provider, Catalyse, who have extensive experience providing community perception surveys for over 40 Local Governments across Western Australia.

The scorecard provides the Shire with the opportunity to benchmark the results of the survey each year, as well as measuring the

results of the survey against the results of other regional and metropolitan Councils. These external benchmarks enable the Shire to compare their results to both industry benchmarks and industry high scores. The Shire will use the results of the MARKYT Community Scorecard to inform future strategic planning decisions and to measure the success of the Shire's IPR framework.

Work has also commenced on negotiating a regional pricing discount and in-depth Great Southern regional analysis for 2018/19.

Great Southern Peer Support Program

The Shire of Denmark continued to take a leading role as co-facilitator of the Great Southern Peer Support Program. The Program is the first of its kind in WA (and possibly Australia), comprising all eleven Local Governments in the Great Southern. The program seeks to support local governments in the region to improve their long-term planning through collaboration and resource sharing.

The program delivers a number of benefits to participating local governments, including cost-shared regional professional development opportunities, corporate planning templates that provide a consistent, yet flexible approach to integrated planning across the region, and a peer review process that provides an annual performance benchmark for each participant along with an action plan to improve.

The Shire of Denmark was recognised for their involvement, along with the City of Albany, by the Minister for Local Government during a parliamentary address in March 2018.

Team Planning

The Shire implemented a team planning process to set four-year work priorities that align to the aspirations of the Strategic Community Plan.

As part of the Shire's membership of the Great Southern Peer Support Program, the Shire was selected as a pilot site to implement a new team planning tool and methodology, receiving the services of a business planning consultant fully

subsidised by the Great Southern Peer Support Program.

Teams within the Shire undertook individual position analysis to gain a better understanding of capacity and resourcing requirements across the business. Each staff member aligned the tasks they undertake to the aspirations of the Strategic Community Plan and identified tasks that were unnecessary due to duplication across the business or produced little outcome for effort.

Each team plan within the organisation now outlines the key services and tasks to be delivered over the four years, new initiatives and projects, a detailed SWOT analysis and key performance indicators to measure success.

The team plans within the organisation will be reviewed annually and will be used to measure employee performance. They will also inform the Annual Budget, Corporate Business Plan, Long Term Financial Plan, Workforce Plan, and Asset Management Plan.

Project/Service/Asset Evaluation Model

The Shire implemented a Project/Service/Asset Evaluation Model that ensures any new actions that require additional funding above normal operating costs are prioritised using an evaluation methodology. The methodology considers strategic fit to the objectives of Denmark 2027, initial project and start-up costs and any ongoing annual operating costs. The decision-making criteria ensures that the projects that are selected are able to demonstrate alignment to the community's aspirations and objectives as well as demonstrating value for money. All new staff and Council identified projects are evaluated using this methodology.

Corporate Business Plan

The Shire prepared a draft Corporate Business Plan in 2017/18, to be adopted in 2018/19.

The Corporate Business Plan is structured around the themes, aspirations and objectives

prioritised by the community during the major review of the Strategic Community Plan.

The Corporate Business Plan schedules costed actions over the four-year period, with projects drawn from community feedback, items from the Shire's existing strategies, policies, plans and reports and staff identified improvement actions.

The majority of actions listed within the draft CBP are 'no additional cost' initiatives that Shire employees have prioritised to undertake over the four-year period. These initiatives will be undertaken using existing salary and wages budget and administrative overheads.

For new projects that require additional funding above normal operating costs, Councillors and employees have prioritised these projects using the Project/ Service/Asset Evaluation Model.

Culture Survey

The of Denmark conducted their first Culture Survey within the organisation during 2017/18 to help inform the development of the Shire's draft Workforce Plan and People Strategy and understand employee priorities. The survey will be undertaken by the Shire each year to provide HR benchmarks and drive improvements across the organisation.

Long Term Financial Plan

During 2017/18 the Shire prepared a comprehensive draft 15 Year Long Term Financial Plan which was presented to Council over a series of briefing sessions. During 2018/19 Council will prioritise major transformational projects for incorporation into the plan.

Position Profiles and Recruitment

A review of the Shire's approach to marketing and describing employment opportunities was undertaken in 2017/18, with the Shire moving away from standard job descriptions and implementing position profiles. The profiles focus on key outcomes that employees are required to achieve in the position rather than

documenting required levels of experience and qualifications.

Changes have been made to the recruitment process to enable the Shire to better assess applicants' abilities to achieve key outcomes through the design and establishment of a Recruitment Report. The Report will be used to guide the recruitment of all employee appointments for the Shire.

Debt Collection

A number of changes have been made internally to improve the Shire's debt collection procedures. These changes have resulted in the recoup of a \$25,000 long overdue debt from one debtor and have also had a positive environmental and financial effect with a new paperless system saving on printing, paper, storage, waste, and officer time.

Annual Budget

The Annual Budget process was reviewed in 2017/18 with further changes anticipated in 2018/19 to better align to the Shire's team planning process, Project/Service/Asset Evaluation Model and ensure greater linkage to the Corporate Business Plan and Long Term Financial Plan.

Office Layout Redesign

A redesign of the layout of the office administration building was undertaken to meet a number of organisational changes. The redesign has improved organisational efficiency and created better connection between directorates, with office spaces comprising cross-directorate seating plans.

Key statistics

✓	The Shire's Financial Health Indicator for 2017/18 is 61, up from 47 in 2016/17
\$	4,117 properties were rated within the Shire during 2017/18 generating revenue of \$6.1m
\$	1,067 invoices were raised during 2017/18, generating revenue of \$2.1m

Community satisfaction with Our Local Government



Performance Measure	Index Score	Average Score	High Score	Overall Average	Overall Average
The Shire of Denmark as the organisation that governs the local area	48	57	74	47	52
Value for money from Council rates	43	47	64		
Council's leadership within the community	42	51	74		
Advocacy and lobbying on behalf of the community to influence decisions, support local causes, etc.	43	50	68		
The Shire's efforts to work with regional partners	50	NA	NA		
How open and transparent Council processes are	38	45	70		
How the Shire embraces change, innovation and new technology	45	NA	NA		
How the community is consulted about local issues	43	47	64		
How the community is informed about what's happening in the local area (including local issues, events, services and facilities)	48	52	68		
Shire's website	54	60	69		
Customer service	68	61	79		
	% Agree				
The Shire has developed and communicated a clear vision for the area	23	40	70	27	35
Elected Members (the Councillors) have a good understanding of community needs	23	34	60		
Staff have a good understanding of community needs	40	38	62		
The Shire listens to and respects residents' views	27	34	39		
The Shire clearly explains the reasons for its decisions and how residents' views have been taken into account	23	31	62		

Note: Performance measures in grey are unique to the Shire of Denmark and are not included in overall average

Compliance

Register of Complaints

A local government is required to keep a register of complaints which have resulted in a breach, which is to be dealt with by public censure, apologising publicly or undertaking training.

During 2017/18 there were no complaints recorded in the Register.

Compliance Audit Return (CAR)

Each year a local government is required to carry out a compliance audit return for the period 1 January to 31 December.

In the period 1 January 2017 to 31 December 2018, the Shire achieved 92.56% compliance. A copy of the CAR is available on Council's website at www.denmark.wa.gov.au/governance-documents-and-forms.aspx

Financial Returns

All Elected Members, Designated Employees and employees who have delegated authority under the Local Government Act 1995 and section 2014(2), (3) or (5) of the Planning and Development Act 2005 must complete a Primary Return within 3 months of commencing a relevant position. An Annual Return must be completed prior to 31 August each year.

All required Financial Returns were submitted on time in the 2017/18 Financial Year.

Delegations of Authority

Delegations provide Council employees with the power to carry out certain functions and duties and make determinations which would ordinarily be required to be determined by a formal Council decision. The Council can delegate to the CEO the exercise of any of its powers or duties under various Acts, apart from those specified in section 5.43 of the Local Government Act 1995.

The CEO may sub-delegate to any employee any of those powers or duties, other than the power of delegation, subject to any conditions imposed by the Council.

The Act requires the CEO to keep a register of Delegations and for those delegations to be reviewed once annually. A copy of the Register can be found on the Shire's website.

Gift and Travel Declarations

Council Members and Designated Employees are required to declare notifiable gifts and travel contributions with 10 days of their acceptance.

In 2017/18 there were two declarations of notifiable gifts made. All declarations made are recorded in a public register which is available at the Shire Office or on the Shire's website.

Freedom of Information

As a public authority, the Shire has an obligation to provide certain information under the provisions of the Freedom of Information Act 1992 (FOI). During the 2017/18 year, 3 requests were received for information under FOI.

Public Interest Disclosures

As a public authority, the Shire has an obligation to provide information under the Public Interest Disclosure Act 2003. No public interest disclosures were received during 2017/18.

Citizenship Ceremonies

Australian Citizenship Ceremonies are important events. Whilst fulfilling the requirements under Australian citizenship law, they also offer Local Government's an opportunity to welcome new citizens as full members of the Australian community.

Local Governments have delegated authority from the Federal Government to officiate

Citizenship Ceremonies with the Shire President, Deputy Shire President or the CEO able to preside at the service.

In 2017/18 the Shire President officiated four ceremonies, welcoming four new Citizens to our community.

2017 Local Government Election

The Shire of Denmark Council consists of 9 Councillors, one of whom the Council elects as the Shire President.

The Shire is divided into 3 wards: Town, Scotsdale/Shadforth and Kent/Nornalup. The 9 Elected Members represent all residents and ratepayers of the Shire, not specific ward areas.

The Shire of Denmark's October 2017 Election was conducted by the WA Electoral Commission and had a 54.36% voter turnout, 19.86% higher than the State average.

Wards and Successful Candidates	Term Expires
<u>Kent/Nornalup Ward</u> (1 Vacancy)	
Cr Roger Seeney	2021
<u>Scotsdale/Shadforth Ward</u> (3 Vacancies)	
Cr Kingsley Gibson	2019
Cr Peter Caron	2021
Cr Mark Allen	2021
<u>Town Ward</u> (1 Vacancy)	
Cr Ian Osborne	2021

Employee Remuneration

In accordance with Section 5.53(2) (g) of the Local Government Act 1995 and Section 19B of the Local Government (Administration) Regulations 1996, the following information is provided with respect to employees' annual salary entitlements.

Set out below, in bands of \$10,000, is the number of employees of the Shire remunerated

with an annual salary of \$100,000 or more. The figures below represent a cash base salary but do not include vehicle allowances, non-monetary benefits such as professional memberships or superannuation of up to 14.5%

2017/18 Employee Remuneration	
Salary Range \$	Number of Employees
100,000 - 109,999	1
110,000 - 119,999	3
120,000 - 129,999	3
130,000 - 139,999	-
140,000 - 149,999	-
150,000 - 159,999	-
160,000 - 169,999	-
170,000 - 179,999	-
180,000 - 189,999	1

Local Laws

During 2017/18 Council did not adopt any new local laws.

Strategic Community Plan

No changes were made to the Strategic Community Plan, Denmark 2027. The Shire will undertake a minor review in 2019.

Risk Management

Risk management is a critical element of good decision making, with the role of Council to make informed decisions. Staff are required to provide Council with advice based on the best available information and assessment of risk.

The Shire has scheduled a review of the current Risk Management Framework for 2018/19 to ensure the requirements under Regulation 17 of the Local Government (Audit) Regulations 1996 are met and ensuring the framework meets industry best practice.

2017/18 Financial Summary

The following is a summary of the financial position of the Shire of Denmark as at 30 June 2018. The summary provides comment on the financial information contained within the Annual Financial Report in order to assist Electors interpret this information.

Overall Financial Position

The Shire of Denmark's net result, according to the Statement of Comprehensive Income, was a deficit of (\$772,905). This variance to the adopted budget estimate of \$745,212 is made up of a number of factors including:

- Higher than budgeted revenue from operating grants, subsidies and contributions totalling \$754,623. The main contributor to this was the pre-release of 50% of the 2018-19 annual funding allocation entitlement from the WALGGC of \$554,962 in addition to other less significant revenue gains in various contributions received.
- Non-Cash Depreciation expense being \$1M lower than budgeted due to a review of the Infrastructure Asset class total valuation and the depreciation principals and assumptions related to it.
- A budgeted non-operating grant of \$2.5M in relation to the development of the Denmark East LIA and the matching capital expenditure tied to it not being funded through the Shire of Denmark as identified in the 2017-18 mid-year budget review.
- Other non-operating grant revenue not being received to the amount estimated in the adopted budget totalling approximately \$565,000. This is matched to savings in capital expenditure and incomplete projects, such as the Plane Tree Precinct, have been re-budgeted for completion in 2018-19 with applicable grant funding.

Total revenue received for 2017/18 was \$11,673,498, with the majority of the Shire's

revenue being raised through rates and fees and charges.

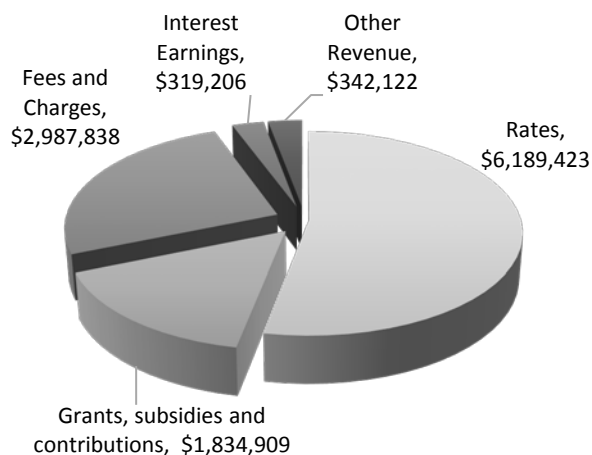
The Shire has adequate financial reserves and a relatively low loan borrowing position (excluding self-supporting loans), which provides a good indication of the Shire's capacity to fund future projects and ongoing financial commitments.

Summary of Income and Expenditure

Council's various income and expenditure streams are classified into certain types as specified by the Local Government (Financial Management) Regulations 1996. These classifications are based on either Program (Governance, Recreation and Culture etc.) or Nature and Type (employee costs, rates, insurance etc.).

The following chart illustrates where the main sources of revenue for the Shire are derived from and where it is spent:

2017/18 Operating Income by Nature and Type (\$)



Rates

The number of properties that comprise the rates base of the Shire has increased by 130. Growth is an important indicator for the Shire, as growth in the number of rate-able properties allows costs to be borne by an increased number of owners, which in turn reduces the

pressure on Council to increase rates on existing owners when determining the annual budget.

The average rates (excluding all service charges) paid by the owner of a four bedroom and two-bathroom residence was \$1,566 up from \$1,518 in the previous year.

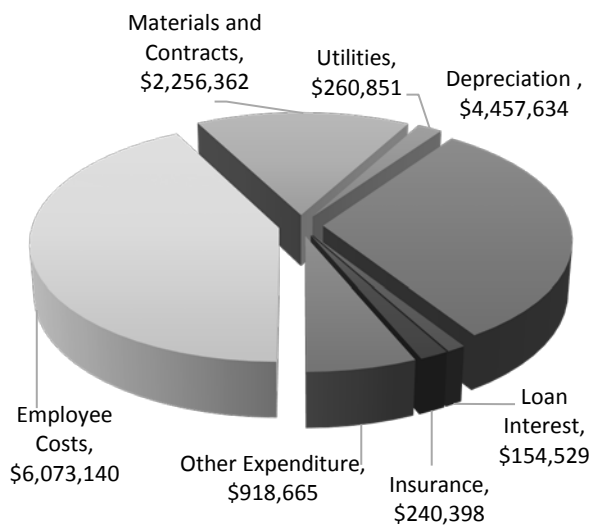
Summary of Rates Base History for Shire of Denmark Total Asset Expenditure

Year	No. of Rate-able Properties	Total Rates Levied	Ave Residential Rate
17/18	4,117	\$6,138,845	\$1,566
16/17	3,987	\$5,873,245	\$1,518
15/16	3,958	\$5,656,209	\$1,467
14/15	3,883	\$5,293,412	\$1,374
13/14	3,861	\$4,952,366	\$1,308
12/13	3,837	\$4,682,290	\$1,124
11/12	3,811	\$4,242,245	\$1,038
10/11	3,772	\$3,919,755	\$908
09/10	3,656	\$3,700,382	\$856
08/09	3,636	\$3,404,550	\$820

Expenditure

Total operating expenditure for 2017/18 was \$14,361,579 as shown in the graph below.

2017/18 Operating Expenditure by Nature and Type (\$)



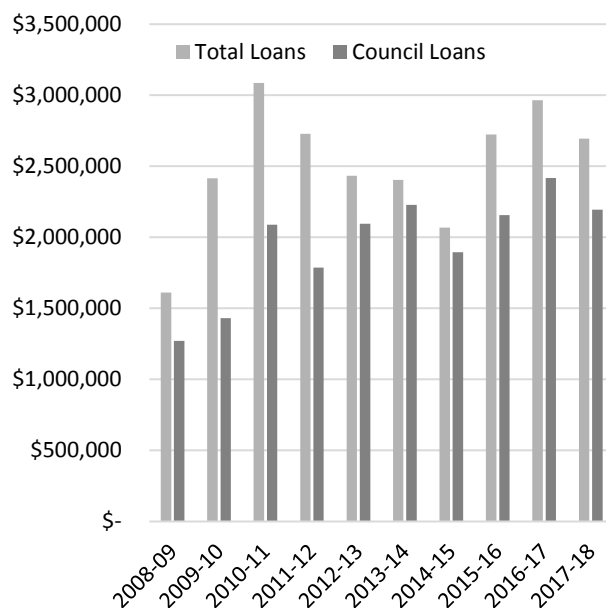
Loans

After principal repayments were made on existing loans, the Shire's total debt position was \$2,694,190. This amount includes self-supporting loans totalling \$499,647 which are payable by various community organisations (to whom the funds have been lent) to Council.

All Council loans, including self-supporting loans, are undertaken with the Western Australian Treasury Corporation, a lending arm of State Government Treasury, in order to access lower interest rates that are available to Government organisations.

A summary of total debt outstanding for the past ten years is as follows:

Summary of Total Debt Outstanding (\$)

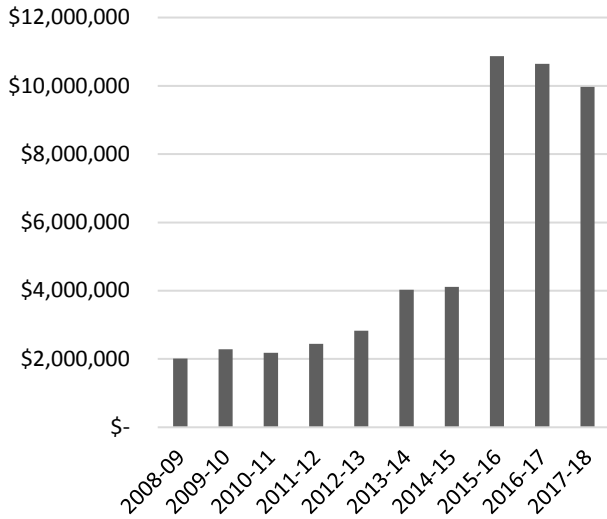


Reserves

The Shire of Denmark's total cash-backed Reserve Funds for 2017/18 was \$9,966,184 which includes the interest earned during the past year and the Denmark East Development Precinct Project grant.

A summary of Reserve Fund balances for the past ten years is as follows:

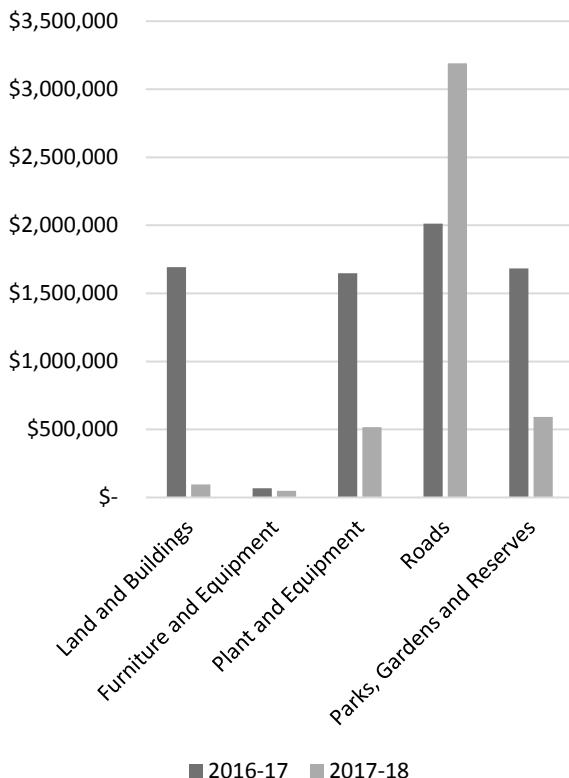
Summary of Total Reserve Funds (\$)



Capital Expenditure

Expenditure on capital works and purchases for 2017/18 is as follows for the following classes of assets, with a comparison to the previous financial year:

Summary of Total Asset Expenditure (\$)



Key Financial Indicators (Financial Ratios)

Changes to the Local Government (Financial Management) Regulations 1996, Section 50 (1), introduced a new set of Financial Ratios for all Western Australian Local Governments to report on, with these ratios detailed below:

FINANCIAL RATIOS	2018	2017	2016
Current (Industry standard is greater than 1.00)	0.93	1.05	1.15
Asset Consumption (Industry standard is greater than 0.50)	0.97	N/A	N/A
Asset Sustainability (Industry standard is above 0.90)	0.98	0.40	0.39
Debt Service Cover (Industry standard is greater than 2.00)	4.53	4.93	3.21
Operating Surplus (Industry standard is between 0.01 - 0.15)	(0.28)	(0.39)	(0.41)
Own Source Revenue Coverage (Industry standard is between 0.4 - 0.6)	0.67	0.60	0.64

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 Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$
-----------------------------------	---

Notes - Three of the 2018 ratios disclosed above were distorted by the early receipt of Financial Assistance Grants (FAGs). The current year Operating Surplus ratio is (0.28) after the prepayment of the FAGs, is adjusted as outlined in the Financial Statements.

The above table shows the Operating Surplus ratio has been below the required standard for the past 3 years. One of the factors affecting the calculation of this ratio is the capital grants for FESA vehicles, which are not included in the calculation for the ratio, but the depreciation expense for these vehicles is. If the depreciation expense was excluded from the calculation, the ratio would be improved further.

Through the introduction of a Long Term Financial Plan (LTFP) the Shire will be introducing financial management measures to improve this ratio gradually over the life of the plan. A gradual improvement in the performance of this ratio is realistic, however rapid improvement is very difficult for a Shire the size of Denmark, which is a growth regional council.

The above table shows improvement from the previous financial year in the following ratios:

- Asset Sustainability Ratio
- Operating Surplus Ratio
- Own Source Revenue Coverage Ratio
- Asset Consumption Ratio

With substantial work being undertaken in respect to the Shire's Asset Management Plan and LTFP, as well as improved budgeting processes, it is expected the ratios will continue to improve over time. The Auditor has not

expressed any significant concerns in relation to these results or the Shire's broader financial position.

Summary

The Shires financial performance for the year is detailed in the Audited Financial Report. The report includes the major financial statements and the 3-year comparisons of financial ratios.

The following is an extract from the management letter and summarises the findings identified during the final audit;

1. General Journal Review

Finding: It was noted supporting documentation for accounting journal entries was not maintained at all times and there was no evidence of an independent review /approval of journals.

Management Response: An Accounting Procedure - General Journals has been implemented by management as an internal administrative process improvement to suit the Shire of Denmark's organisational structure and operational requirements. This procedure documents the use, authorisation and control over journal entries.

2. Financial Ratios

Finding: The auditor noted the asset renewal funding ratio for the year ended 30 June 2018 and the preceding years has not been included in the financial report. The auditor also noted that there are no comparatives for the asset consumption ratio.

Management Comment: During 2017/18 a significant amount of work was done in respect to the preparation of the LTFP and review of the Shire's Asset register content and accuracy and work on this will continue in 2018/19. The Shire currently has a draft LTFP which has been workshopped with Council, and includes all the information required to calculate this ratio, however it is not yet adopted. Once the LTFP is adopted this ratio will be calculated to comply with the regulations.

Appendix A
2017/18 Annual Financial Report



Our Ref: 7929

Mr Bill Parker
Chief Executive Officer
Shire of Denmark
PO Box 183
DENMARK WA 6333

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600
Email: info@audit.wa.gov.au

Dear Mr Parker

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Office has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the *Local Government Amendment (Auditing) Act 2017*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of the Shire and the Minister for Local Government and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7536 if you would like to discuss any matters concerning the audit.

Yours faithfully

EFTHALIA SAMARAS
DIRECTOR FINANCIAL AUDIT
18 December 2018

Attach



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Denmark

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Denmark which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Denmark:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years.
The financial ratios are reported in Note 28 of the financial report.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. The Shire has not reported the Asset Renewal Funding Ratio for 2018, 2017 and 2016 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively;

- b. The Shire has not reported the Asset Consumption Ratio for 2017 and 2016 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as current replacement cost of depreciable assets was not estimated in previous years;
 - c. Accounting journal entries were posted by one employee, without being reviewed by a senior staff member independent of preparation. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be appropriately reviewed and approved.
- (iii) All required information and explanations were obtained by me.
 - (iv) All audit procedures were satisfactorily completed.
 - (v) In my opinion, the asset consumption ratio for 2018 included in the annual financial report was supported by verifiable information and reasonable assumptions.

Other Matter

The financial report for the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 28 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Denmark for the year ended 30 June 2018 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



SANDRA LABUSCHAGNE
ACTING DEPUTY AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
18 December 2018

SHIRE OF DENMARK
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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Principal place of business:
952 South Coast Highway, Denmark WA

**SHIRE OF DENMARK
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Denmark for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Denmark at 30 June 2018 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 18 day of December 2018



Bill Parker - Chief Executive Officer



SHIRE OF DENMARK
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	21(a)	6,189,423	6,187,580	5,873,245
Operating grants, subsidies and contributions	2	1,834,909	1,080,286	2,337,006
Fees and charges	2	2,987,838	3,182,754	2,529,502
Interest earnings	2(a)	319,206	289,336	306,623
Other revenue	2(a)	342,122	326,515	404,867
		<u>11,673,498</u>	<u>11,066,471</u>	<u>11,451,243</u>
Expenses				
Employee costs		(6,073,140)	(5,772,183)	(5,745,325)
Materials and contracts		(2,256,362)	(2,410,456)	(1,961,532)
Utility charges		(260,851)	(238,404)	(229,967)
Depreciation on non-current assets	10(b)	(4,457,634)	(5,471,763)	(5,397,320)
Interest expenses	2(a)	(154,529)	(151,723)	(166,736)
Insurance expenses		(240,398)	(236,509)	(233,172)
Other expenditure		(918,665)	(933,900)	(828,019)
		<u>(14,361,579)</u>	<u>(15,214,938)</u>	<u>(14,562,071)</u>
		(2,688,081)	(4,148,467)	(3,110,828)
Non-operating grants, subsidies and contributions	2	1,915,176	4,980,325	3,713,637
(Loss) on asset disposals	10(a)	0	(86,646)	(396,593)
Net Result		(772,905)	745,212	206,216
Other Comprehensive Income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(206,944,552)	0	(402,026)
Write Back of Deferred Liability		0	0	106,700
Total Other Comprehensive Income		(206,944,552)	0	(295,326)
Total Comprehensive Income		(207,717,457)	745,212	(89,110)

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



SHIRE OF DENMARK
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
	2(a)			
Governance		18,412	23,204	40,833
General purpose funding		7,501,747	6,955,658	7,774,155
Law, order, public safety		471,408	257,775	303,806
Health		43,029	42,305	42,766
Education and welfare		42,309	42,609	23,743
Housing		6,012	6,304	8,004
Community amenities		1,490,914	1,534,789	1,519,051
Recreation and culture		399,295	418,899	403,570
Transport		323,867	336,178	387,934
Economic services		1,126,434	1,286,781	740,212
Other property and services		250,071	161,969	207,169
		<u>11,673,498</u>	<u>11,066,471</u>	<u>11,451,243</u>
Expenses				
	2(a)			
Governance		(713,644)	(684,573)	(594,166)
General purpose funding		(459,018)	(472,320)	(453,437)
Law, order, public safety		(1,677,161)	(1,491,449)	(1,454,163)
Health		(291,888)	(298,462)	(263,093)
Education and welfare		(241,661)	(234,738)	(281,018)
Housing		(23,511)	(41,726)	(61,526)
Community amenities		(2,408,205)	(2,427,103)	(2,322,504)
Recreation and culture		(2,619,375)	(2,677,391)	(2,528,017)
Transport		(4,382,691)	(5,384,543)	(5,379,939)
Economic services		(1,056,276)	(1,169,126)	(900,220)
Other property and services		(333,620)	(181,784)	(207,365)
		<u>(14,207,050)</u>	<u>(15,063,215)</u>	<u>(14,445,448)</u>
Finance Costs				
	2(a)			
Governance		(1,632)	(1,783)	(2,228)
Housing		(39,567)	(40,214)	(43,416)
Community amenities		(8,337)	(8,914)	(10,409)
Recreation and culture		(67,074)	(62,432)	(19,396)
Transport		(3,648)	(3,706)	(3,999)
Economic services		(34,271)	(34,674)	(37,176)
		<u>(154,529)</u>	<u>(151,723)</u>	<u>(116,624)</u>
		<u>(2,688,081)</u>	<u>(4,148,467)</u>	<u>(3,110,829)</u>
Non-operating grants, subsidies and contributions	2	1,915,176	4,980,325	3,713,637
(Loss) on disposal of assets	10(a)	0	(86,646)	(396,593)
		<u>1,915,176</u>	<u>4,893,679</u>	<u>3,317,045</u>
Net result		(772,905)	745,212	206,216
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(206,944,552)	0	(402,026)
		0	0	106,700
Total other comprehensive income		(206,944,552)	0	(295,326)
Total comprehensive income		(207,717,457)	745,212	(89,110)

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



**SHIRE OF DENMARK
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	12,165,665	12,353,732
Trade and other receivables	6	770,068	706,746
Inventories	7	62,990	167,776
TOTAL CURRENT ASSETS		<u>12,998,723</u>	<u>13,228,254</u>
NON-CURRENT ASSETS			
Other receivables	6	629,268	676,160
Investments	4	46,500	131,326
Property, plant and equipment	8	32,341,035	33,581,309
Infrastructure	9	57,991,148	263,621,115
TOTAL NON-CURRENT ASSETS		<u>91,007,951</u>	<u>298,009,910</u>
TOTAL ASSETS		<u>104,006,674</u>	<u>311,238,168</u>
CURRENT LIABILITIES			
Trade and other payables	12	2,004,683	1,229,400
Current portion of long term borrowings	13(a)	284,185	270,579
Provisions	14	1,072,341	972,601
TOTAL CURRENT LIABILITIES		<u>3,361,209</u>	<u>2,472,580</u>
NON-CURRENT LIABILITIES			
Long term borrowings	13(a)	2,410,005	2,694,191
Provisions	14	75,203	193,671
TOTAL NON-CURRENT LIABILITIES		<u>2,485,208</u>	<u>2,887,862</u>
TOTAL LIABILITIES		<u>5,846,417</u>	<u>5,360,442</u>
NET ASSETS		<u>98,160,259</u>	<u>305,877,716</u>
EQUITY			
Retained surplus		22,890,850	22,984,160
Reserves - cash backed	5	9,966,164	10,645,758
Revaluation surplus	11	65,303,245	272,247,797
TOTAL EQUITY		<u>98,160,259</u>	<u>305,877,716</u>

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

SHIRE OF DENMARK
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED SURPLUS	CASH/INVESTMENT BACKED	REVALUATION SURPLUS	
		\$	\$	\$	\$
Balance as at 1 July 2016		22,444,008	10,872,994	272,649,823	305,966,825
Comprehensive income					
Net result		206,216	0	0	206,216
Write Back of Deferred Liability		106,700	0	0	106,700
Changes on revaluation of assets	11	0	0	(402,026)	(402,026)
Total comprehensive income		312,916	0	(402,026)	(89,110)
Transfers from/(to) reserves		227,236	(227,236)	0	0
Balance as at 30 June 2017		22,984,160	10,645,758	272,247,797	305,877,716
Comprehensive income					
Net result		(772,905)	0	0	(772,905)
Changes on revaluation of assets	11	0	0	(206,944,552)	(206,944,552)
Total comprehensive income		(772,905)	0	(206,944,552)	(207,717,457)
Transfers from/(to) reserves		679,594	(679,594)	0	0
Balance as at 30 June 2018		22,890,850	9,966,164	65,303,245	98,160,259

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

SHIRE OF DENMARK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		6,058,082	6,187,580	5,832,524
Operating grants, subsidies and contributions		1,996,106	1,080,286	2,761,397
Fees and charges		2,987,838	3,415,795	2,529,502
Interest earnings		319,206	289,336	306,623
Other revenue		342,122	326,515	404,868
		<u>11,703,354</u>	<u>11,299,512</u>	<u>11,834,914</u>
Payments				
Employee costs		(6,044,897)	(5,772,182)	(5,720,672)
Materials and contracts		(1,430,001)	(2,333,884)	(3,292,456)
Utility charges		(260,851)	(238,404)	(229,967)
Interest expenses		(147,792)	(236,509)	(162,756)
Insurance expenses		(240,398)	(151,723)	(233,172)
Goods and services tax		(96,870)	0	(99,663)
Other expenditure		(918,665)	(933,900)	(828,257)
		<u>(9,139,474)</u>	<u>(9,666,602)</u>	<u>(10,566,943)</u>
Net cash provided by (used in) operating activities	15	<u>2,563,880</u>	<u>1,632,910</u>	<u>1,267,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(663,449)	(861,260)	(3,409,606)
Payments for construction of infrastructure		(3,783,671)	(7,340,918)	(3,696,200)
Non-operating grants, subsidies and contributions		1,915,176	4,980,325	3,713,637
Proceeds from sale of fixed assets		0	40,000	122,727
Net cash provided by (used in) investment activities		<u>(2,531,944)</u>	<u>(3,181,853)</u>	<u>(3,269,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(270,579)	(270,579)	(248,906)
Proceeds from self supporting loans		50,584	47,721	(405,141)
Proceeds from new long term borrowings		0	0	490,852
Net cash provided by (used in) financing activities		<u>(219,995)</u>	<u>(222,858)</u>	<u>(163,195)</u>
Net increase (decrease) in cash held		<u>(188,067)</u>	<u>(1,771,801)</u>	<u>(2,164,666)</u>
Cash at beginning of year		12,353,732	12,591,833	14,518,398
Cash and cash equivalents at the end of the year	15	<u><u>12,165,665</u></u>	<u><u>10,820,032</u></u>	<u><u>12,353,732</u></u>

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

SHIRE OF DENMARK
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		834,612	692,931	940,402
		834,612	692,931	940,402
Revenue from operating activities (excluding rates)				
Governance		18,412	23,204	40,833
General purpose funding		1,312,324	768,079	1,947,402
Law, order, public safety		471,408	257,775	303,806
Health		43,029	42,305	42,766
Education and welfare		42,309	42,609	23,743
Housing		6,012	6,304	8,004
Community amenities		1,490,914	1,534,789	1,519,051
Recreation and culture		399,295	418,899	403,570
Transport		323,867	336,178	387,934
Economic services		1,126,434	1,286,781	740,212
Other property and services		250,071	161,969	207,169
		5,484,075	4,878,892	5,624,490
Expenditure from operating activities				
Governance		(715,276)	(686,356)	(596,394)
General purpose funding		(459,018)	(472,320)	(453,437)
Law, order, public safety		(1,677,161)	(1,491,449)	(1,937,502)
Health		(291,888)	(298,462)	(263,093)
Education and welfare		(241,661)	(234,738)	(281,018)
Housing		(63,078)	(81,940)	(104,942)
Community amenities		(2,416,542)	(2,436,017)	(2,332,913)
Recreation and culture		(2,686,449)	(2,739,823)	(2,616,922)
Transport		(4,386,339)	(5,474,895)	(5,479,878)
Economic services		(1,090,547)	(1,203,800)	(974,572)
Other property and services		(333,620)	(181,784)	(207,365)
		(14,361,579)	(15,301,584)	(15,248,037)
Operating activities excluded				
(Profit) on disposal of assets	10(a)	0	0	0
Loss on disposal of assets	10(a)	0	86,646	396,593
Loss on revaluation of fixed assets	9(b)	0	0	0
(Reversal) of prior year loss on revaluation of fixed assets		0	0	0
Movement in deferred pensioner rates (non-current)		(5,014)	0	6,017
Movement in employee benefit provisions		(18,728)	0	47,210
Movement in Restricted Cash		140,284	0	0
Movement in accrued income		0	16,343	5,020
Movement in accrued expenses		0	0	78,477
Depreciation and amortisation on assets	10(b)	4,457,634	5,471,763	5,397,320
Amount attributable to operating activities		(3,468,716)	(4,155,009)	(2,752,508)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,915,176	4,980,325	3,713,637
Proceeds from disposal of assets	10(a)	0	40,000	122,727
Purchase of property, plant and equipment	8(b)	(663,449)	(861,260)	(3,409,606)
Purchase and construction of infrastructure	9(b)	(3,783,671)	(7,340,918)	(3,696,200)
Amount attributable to investing activities		(2,531,944)	(3,181,853)	(3,269,442)
FINANCING ACTIVITIES				
Repayment of long term borrowings	13(a)	(270,579)	(270,579)	(248,906)
Proceeds from new long term borrowings	13(b)	0	0	490,852
Proceeds from self supporting loans	13(a)	50,584	47,721	44,952
Transfers to reserves (restricted assets)	5	(1,029,712)	(1,002,216)	(1,124,312)
Transfers from reserves (restricted assets)	5	1,709,307	1,905,173	1,351,548
Transfer back Grants Unspent		164,445	469,183	469,183
Amount attributable to financing activities		624,045	1,149,282	983,317
Surplus(deficiency) before general rates		(5,376,615)	(6,187,580)	(5,038,633)
Total amount raised from general rates	21	6,189,423	6,187,580	5,873,245
Net current assets at June 30 c/fwd - surplus/(deficit)	22	812,808	0	834,612

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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 Australian Accounting Standards Board, and the Local Government Act 1995 and accompanying regulations.

The Local Government (Financial Management) Regulations 1996 takes 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 any other sporting 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.

CRITICAL ACCOUNTING ESTIMATES (Continued)

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 24 to these financial statements.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Other revenue		
Reimbursements and recoveries	185,064	217,076
Other	157,058	187,791
	342,122	404,867
Fees and Charges		
Governance	29,911	38,959
Law, order, public safety	39,327	41,306
Health	39,997	37,688
Education and welfare	10,500	10,500
Community amenities	1,414,405	1,434,480
Recreation and culture	322,211	234,305
Transport	29,357	19,117
Economic services	1,076,515	687,746
Other property and services	25,615	25,401
	2,987,838	2,529,502

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	29,000	56,398
General purpose funding	1,044,155	1,619,016
Law, order, public safety	399,355	231,024
Education and welfare	29,131	8,250
Community amenities	16,284	40,170
Recreation and culture	34,391	108,236
Transport	71,857	114,393
Economic services	42,000	30,870
Other property and services	168,736	128,649
	<u>1,834,909</u>	<u>2,337,006</u>
Non-operating grants, subsidies and contributions		
General purpose funding	0	30,000
Law, order, public safety	502,115	783,811
Recreation and culture	164,445	1,453,537
Transport	1,248,616	1,422,289
Economic services	0	24,000
	<u>1,915,176</u>	<u>3,713,637</u>
Total grants, subsidies and contributions	<u>3,750,085</u>	<u>6,050,643</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20.

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 period.

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Loans receivable - clubs/institutions	24,675	0	25,551
- Reserve funds	185,463	157,966	182,866
- Other funds	41,995	99,170	57,113
Other interest revenue (refer note 21(e))	67,073	32,200	41,093
	<u>319,206</u>	<u>289,336</u>	<u>306,623</u>

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2018	2017
	\$	\$
Auditors remuneration		
- Audit of the Annual Financial Report	22,584	25,882
- Other Services	4,352	0
	<hr/> 26,936	<hr/> 25,882
Interest expenses (finance costs)		
Long term borrowings (refer Note 13(a))	154,529	116,624
	<hr/> 154,529	<hr/> 116,624
Rental charges		
- Operating leases	30,304	25,784
	<hr/> 30,304	<hr/> 25,784

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

3. CASH AND CASH EQUIVALENTS	NOTE	2018	2017
		\$	\$
Unrestricted		1,269,903	319,594
Restricted		10,895,762	12,034,138
		12,165,665	12,353,732
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlements Reserve	5	427,677	417,589
Plant Reserve	5	600,990	586,814
Parry Inlet Reserve	5	171,154	98,282
Cemetery Reserve	5	2,020	1,972
Lime Quarry Rehabilitation Reserve	5	270,233	166,217
Land and Buildings Reserve	5	889,111	379,933
Waste Services Reserve	5	574,128	531,293
Kwoorabup Community Park Reserve	5	75,333	73,556
Aquatic Facility Development Reserve	5	97,154	94,862
Lionsville Reserve	5	364,096	412,625
Peaceful Bay Water Supply Reserve	5	67,610	50,148
Rivermouth Caravan Park Reserve	5	72,429	51,192
Peaceful Bay Caravan Park Reserve	5	36,214	25,596
Recreation Centre Equipment Reserve	5	50,155	40,664
Denmark East Development Reserve	5	6,267,859	7,715,015
Unspent grants	20	164,445	469,183
Restricted Creditors	20	714,866	805,026
Income Received in Advance		50,287	114,171
		10,895,762	12,034,138

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

4. INVESTMENTS

	2018	2017
	\$	\$
Financial assets at fair value through profit and loss		
- LG House Trust	131,226	131,226
- Denamrk Co-op	100	100
Financial assets at fair value through profit and loss		
At the beginning of the year	0	0
Revaluation to income statement	(84,826)	0
	<u>0</u>	<u>0</u>
Disposals		
At the end of the year	<u>46,500</u>	<u>131,326</u>

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into 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.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, (if any), between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire no longer has any significant continual involvement in the risks and benefits associated with the asset.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

5. RESERVES - CASH BACKED

	2018		2018		2018		2018		2018		2017		2017		
	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance
Employee Entitlements Reserve	\$ 417,589	\$ 10,088	\$ 427,677	\$ 417,588	\$ 8,757	\$ 426,345	\$ 407,840	\$ 9,749	\$ 417,589	\$ 407,840	\$ 9,749	\$ 417,589	\$ 407,840	\$ 9,749	\$ 417,589
Plant Reserve	586,814	14,176	600,990	586,814	13,305	600,119	1,082,964	172,001	586,814	1,082,964	172,001	586,814	1,082,964	172,001	586,814
Parry Inlet Reserve	98,282	150,374	171,154	98,281	150,662	147,579	106,015	129,368	98,282	106,015	129,368	98,282	106,015	129,368	98,282
Cemetery Reserve	1,972	48	2,020	1,972	40	2,012	1,926	46	1,972	1,926	46	1,972	1,926	46	1,972
Lime Quarry Rehabilitation Reserve	166,217	104,016	270,233	166,217	104,442	270,659	211,535	14,682	166,217	211,535	14,682	166,217	211,535	14,682	166,217
Land and Buildings Reserve	379,933	509,178	889,111	379,933	507,967	887,900	371,063	8,870	379,933	371,063	8,870	379,933	371,063	8,870	379,933
Waste Services Reserve	531,293	42,835	574,128	531,293	41,723	573,016	623,683	14,110	531,293	623,683	14,110	531,293	623,683	14,110	531,293
Kwoorabup Community Park Reserve	73,556	1,777	75,333	73,555	1,542	75,107	91,508	2,038	73,556	91,508	2,038	73,556	91,508	2,038	73,556
Aquatic Facility Development Reserve	94,862	2,292	97,154	92,214	1,933	94,147	92,708	2,153	94,862	92,708	2,153	94,862	92,708	2,153	94,862
Lionsville Reserve	412,625	9,968	364,096	415,262	8,708	365,161	460,932	10,639	412,625	460,932	10,639	412,625	460,932	10,639	412,625
Peaceful Bay Water Supply Reserve	50,148	17,462	67,610	50,147	17,301	67,448	32,987	17,160	50,148	32,987	17,160	50,148	32,987	17,160	50,148
Rivermouth Caravan Park Reserve	51,192	21,237	72,429	51,192	21,036	72,228	30,317	20,875	51,192	30,317	20,875	51,192	30,317	20,875	51,192
Peaceful Bay Caravan Park Reserve	25,596	10,618	36,214	25,595	10,530	36,125	15,159	10,437	25,596	15,159	10,437	25,596	15,159	10,437	25,596
Recreation Centre Equipment Reserve	40,664	20,982	50,155	40,663	20,820	61,483	20,035	20,629	40,664	20,035	20,629	40,664	20,035	20,629	40,664
Denmark East Development Reserve	7,715,015	114,661	6,267,859	7,715,015	93,450	6,063,465	7,324,320	691,555	7,715,015	7,324,320	691,555	7,715,015	7,324,320	691,555	7,715,015
	10,645,758	1,029,712	9,966,164	10,645,753	1,002,216	9,742,796	10,872,992	1,124,312	10,645,758	10,872,992	1,124,312	10,645,758	10,872,992	1,124,312	10,645,758

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Employee Entitlements Reserve	Ongoing	- to be used to fund employee leave entitlements as required.
Plant Reserve	Ongoing	- to be used to fund major plant purchase requirements.
Parry Inlet Reserve	Ongoing	- to develop and maintain the Parry facility including Parryville Hall upgrades and maintenance and adjoining recreation reserves.
Cemetery Reserve	Ongoing	- to develop and maintain the Cemetery.
Lime Quarry Rehabilitation Reserve	Ongoing	- to maintain or rehabilitate the Lime Quarry.
Land and Buildings Reserve	Ongoing	- to be used for the purchase or construction of Land and Buildings.
Waste Services Reserve	Ongoing	- to be used for the purpose of providing for the proper performance of all or any of the waste services provided by Council.
Kwoorabup Community Park Reserve	Ongoing	- to be used for the development of the Community Park.
Aquatic Facility Development Reserve	Ongoing	- to be used for the development of aquatic facilities.
Lionsville Reserve	Ongoing	- to be used for the repayment of the Lionsville loan fund.
Peaceful Bay Water Supply Reserve	Ongoing	- to be used for future requirements as per asset plan.
Rivermouth Caravan Park Reserve	Ongoing	- to be used for future requirements with respect to site and end of lease conditions including adjoining recreation reserves.
Peaceful Bay Caravan Park Reserve	Ongoing	- to be used for future requirements with respect to site and end of lease conditions including adjoining recreation reserves.
Recreation Centre Equipment Reserve	Ongoing	- to be used for the renewal/upgrade of equipment located at the Denmark Recreation Facility.
Denmark East Development Reserve	2020	- to be used for the Denmark East Development Project.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

6. TRADE AND OTHER RECEIVABLES

Current

	2018	2017
	\$	\$
Rates outstanding	463,587	337,260
Sundry debtors	86,848	250,505
GST receivable	160,891	64,021
Loans receivable - clubs/institutions	50,623	49,301
Accrued Income	8,119	5,659
	<u>770,068</u>	<u>706,746</u>

Non-current

Rates outstanding - pensioners	45,543	40,529
Loans receivable - clubs/institutions	583,725	635,631
	<u>629,268</u>	<u>676,160</u>

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding

Includes:

Not past due and not impaired	463,587	337,260
- up to one month	0	0
- 1 to 3 months	5,782	4,218
- 3 months to one year	407,179	286,449
- 1 to 5 years	50,626	46,593
- more than 5 years	0	0

Sundry debtors

Includes:

Not past due and not impaired		
- up to one month	45,351	161,422
- 1 to 3 months	16,373	3,751
- 3 months to one year	25,124	85,332
- 1 to 5 years	0	0
- more than 5 years	0	0

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.

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.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful

debts is raised when there is objective evidence that they will not be collectible.

Classification and subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7. INVENTORIES

Current

Inventories - Fuel & Materials

	2018	2017
	\$	\$
	62,990	167,776
	<u>62,990</u>	<u>167,776</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8 (a). PROPERTY, PLANT AND EQUIPMENT

Land and buildings	2018	2017
	\$	\$
Land - freehold land at:		
- Independent valuation 2017 - level 2	3,244,309	3,244,309
	<u>3,244,309</u>	<u>3,244,309</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	1,470,320	1,470,320
	<u>1,470,320</u>	<u>1,470,320</u>
Total land	<u>4,714,629</u>	<u>4,714,629</u>
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	22,684,956	22,684,956
- Additions after Valuation - Cost	96,562	0
Buildings - non-specialised - Less: accumulated depreciation	(782,302)	(158,168)
	<u>21,999,216</u>	<u>22,526,788</u>
Total buildings	<u>21,999,216</u>	<u>22,526,788</u>
Total land and buildings	<u>26,713,845</u>	<u>27,241,417</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	140,116	140,116
- Additions after Valuation - Cost	116,062	66,984
Furniture and equipment - Less: accumulated depreciation	(121,042)	(62,668)
	<u>135,136</u>	<u>144,432</u>
Plant and equipment at:		
- Management valuation 2016 - level 2	5,591,096	5,591,096
- Additions after Valuation - Cost	2,166,707	1,648,898
Plant and equipment - Less: accumulated depreciation	(2,265,749)	(1,044,534)
	<u>5,492,054</u>	<u>6,195,460</u>
Total property, plant and equipment	<u>32,341,035</u>	<u>33,581,309</u>

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	3,214,472	1,470,320	4,684,792	21,919,847	0	21,919,847	26,604,639	140,116	6,060,301	32,805,056
Additions	29,837	0	29,837	1,663,886	0	1,663,886	1,693,723	66,984	1,648,899	3,409,606
(Disposals)	0	0	0	(50,113)	0	(50,113)	(50,113)	0	(469,206)	(519,319)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	(402,026)	0	(402,026)	(402,026)	0	0	(402,026)
Depreciation (expense)	0	0	0	(604,806)	0	(604,806)	(604,806)	(62,668)	(1,044,534)	(1,712,008)
Carrying amount at 30 June 2017	3,244,309	1,470,320	4,714,629	22,526,788	0	22,526,788	27,241,417	144,432	6,195,460	33,581,309
Additions	0	0	0	96,562	0	96,562	96,562	49,078	517,809	663,449
Depreciation (expense)	0	0	0	(624,134)	0	(624,134)	(624,134)	(58,374)	(1,221,215)	(1,903,723)
Carrying amount at 30 June 2018	3,244,309	1,470,320	4,714,629	21,999,216	0	21,999,216	26,713,845	135,136	5,492,054	32,341,035

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) 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	Management Valuation	June 2017	Using market value
Land - vested in and under the control of Council	3	Cost approach	Management Valuation	June 2017	Using market value
Buildings - non-specialised	2	Market	Hemsley Paterson Valuers	June 2017	Using market value and current condition, residual values and remaining useful life assessments
Buildings - specialised	3	Cost	Hemsley Paterson Valuers	June 2017	Using construction costs and current condition, residual values and remaining useful life assessments
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Priceper item
Plant and equipment					
- Management valuation 2016					
- Independent valuation 2016	2	Market approach using recent observable data for similar items or cost approach using depreciated replacement cost	Howson Management Pty Ltd	June 2016	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 DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads & Paths		
- Management valuation 2015 - level 3	0	246,229,001
- Independent valuation 2018 - level 3	47,104,068	0
- Additions after Valuation - Cost	0	2,013,046
Infrastructure - Roads & Paths - Less: accumulated depreciation	0	(3,354,696)
	<u>47,104,068</u>	<u>244,887,351</u>
Infrastructure - Parks & Reserves		
- Management valuation 2015 - level 3	0	9,028,264
- Independent valuation 2018 - level 3	2,855,651	0
- Additions after Valuation - Cost	0	849,202
Infrastructure - Parks & Reserves - Less: accumulated depreciation	0	(218,023)
	<u>2,855,651</u>	<u>9,659,443</u>
Infrastructure - Airstrip		
- Management valuation 2015 - level 3	0	750,250
- Independent valuation 2018 - level 3	766,936	0
- Additions after Valuation - Cost	0	138,375
Infrastructure - Airstrip - Less: accumulated depreciation	0	(19,750)
	<u>766,936</u>	<u>868,875</u>
Infrastructure - Bridges		
- Management valuation 2015 - level 3	0	7,602,712
- Independent valuation 2018 - level 3	7,264,493	0
- Additions after Valuation - Cost	0	695,577
Infrastructure - Bridges - Less: accumulated depreciation	0	(92,843)
	<u>7,264,493</u>	<u>8,205,446</u>
Total infrastructure	<u>57,991,148</u>	<u>263,621,115</u>

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. INFRASTRUCTURE (Continued)

(b) 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 & Paths	Infrastructure - Parks & Reserves	Infrastructure - Airstrip	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2016	246,229,001	9,028,264	750,250	7,602,712	263,610,227
Additions	2,013,046	849,202	138,375	695,577	3,696,200
Depreciation (expense)	(3,354,696)	(218,023)	(19,750)	(92,843)	(3,685,312)
Carrying amount at 30 June 2017	244,887,351	9,659,443	868,875	8,205,446	263,621,115
Additions	3,191,454	60,320	0	531,897	3,783,671
Revaluation increments/ (decrements) transferred to revaluation surplus	(198,777,262)	(6,668,212)	(83,788)	(1,330,466)	(206,859,728)
Depreciation (expense)	(2,197,475)	(195,900)	(18,151)	(142,384)	(2,553,910)
Carrying amount at 30 June 2018	47,104,068	2,855,651	766,936	7,264,493	57,991,148

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads & Paths	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Parks & Reserves	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Airstrip	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments

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

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

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and 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 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.

Land under control

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

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

10. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Transport								
Patching Truck DE 10864	0	0	0	0	48,206	10,000	0	(38,206)
UD Tip Truck DE 337	0	0	0	0	78,440	30,000	0	(48,440)
	0	0	0	0	126,646	40,000	0	(86,646)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	624,134	604,806
Furniture and equipment	58,374	62,668
Plant and equipment	1,221,215	1,044,534
Infrastructure - Roads & Paths	2,197,475	3,354,696
Infrastructure - Parks & Reserves	195,900	218,023
Infrastructure - Airstrip	18,151	19,750
Infrastructure - Bridges	142,384	92,843
	4,457,634	5,397,320

10. FIXED ASSETS (Continued)

(b) Depreciation (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.

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.

Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed Roads and Streets	
- clearing and earthworks	not depreciated
- construction/roadbase	50 years
Original Surfacing and Major Re-surfacing	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel Roads	
- formation	not depreciated
- pavement	50 years
- gravel sheet	12 years
Formed Roads (unsealed)	
- formation	not depreciated
- pavement	50 years
Footpaths - Slab	40 years
Sewerage Piping	100 years
Water Supply Piping & Drainage	75 years
Bridges	75 years

Depreciation (Continued)

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.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

11. REVALUATION SURPLUS

	2018				2017			
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	2018 Total Movement on Revaluation	Opening Balance	Revaluation Increment	Revaluation (Decrement)	2017 Total Movement on Revaluation
Revaluation Surplus - Land & Buildings	12,301,926	0	0	0	12,703,952	0	(402,026)	(402,026)
Revaluation surplus -Plant and equipment	2,572,847	0	0	0	2,572,847	0	0	0
Revaluation Surplus - Infrastructure	203,367,236	0	(203,367,236)	(203,367,236)	203,367,236	0	0	0
Revaluation Surplus - Other Infrastructure	53,879,201	0	(3,492,490)	(3,492,490)	53,879,201	0	0	0
Revaluation Surplus - Investments	126,587	0	(84,826)	(84,826)	126,587	0	0	0
	272,247,797	0	(206,944,552)	(206,944,552)	272,649,823	0	(402,026)	(402,026)

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

12. TRADE AND OTHER PAYABLES

Current

Bonds and Deposits	717,919	805,027
Sundry creditors	500,108	247,506
Accrued interest on long term borrowings	24,770	18,033
Accrued salaries and wages	135,238	88,267
Accrued Expenses	576,360	(43,604)
Income in Advance	50,288	114,171

	2018	2017
	\$	\$
Bonds and Deposits	717,919	805,027
Sundry creditors	500,108	247,506
Accrued interest on long term borrowings	24,770	18,033
Accrued salaries and wages	135,238	88,267
Accrued Expenses	576,360	(43,604)
Income in Advance	50,288	114,171
	2,004,683	1,229,400

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

13. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
153 Photovoltaic System	40,298		12,897	12,897	27,401	27,401	1,632	1,783
Housing								
142 Lionsville	461,772		24,312	24,312	437,460	437,460	34,185	34,497
Community amenities								
156 Rubbish Truck	207,904		49,153	49,153	158,752	158,751	8,337	8,914
Recreation and culture								
144 Recreation Centre Expansion	27,303		8,572	8,572	18,731	18,731	1,696	1,788
145 Tennis Club	23,116		7,258	7,258	15,858	15,859	1,436	1,514
147 Football Clubrooms	175,678		9,026	9,026	166,652	166,652	12,229	12,328
159 Riverside Club Stage 1	481,912		18,300	18,300	463,612	490,852	18,048	14,631
158 Purchase Lot 228 Res. 18587	446,699		44,478	44,478	402,222	402,223	14,686	13,964
Transport								
143 Airport	53,771		5,363	5,363	48,408	48,408	3,648	3,706
Economic services								
131 Visitors Centre	157,731		27,412	27,412	130,319	130,319	11,622	11,839
152 Purchase Reserve 27101	341,216		16,088	16,088	325,128	325,128	22,649	22,835
	2,417,400	0	222,858	222,858	2,194,543	2,221,783	130,168	127,799

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Self Supporting Loans								
Housing								
123 Lionsville Self Supporting	79,824	0	24,531	24,531	55,293	55,293	5,383	5,717
Recreation and culture								
129 Scouts Self Supporting	22,871	0	2,978	2,978	19,893	19,893	1,356	1,423
148 F/ball Clubrooms S/Sopport	10,921	0	3,429	3,429	7,492	7,492	678	715
157 Riverside Club S/Support	433,752	0	16,783	16,783	416,969	416,969	16,944	16,069
	547,368	0	47,721	47,721	499,647	499,647	24,361	23,924
	2,964,768	0	270,579	270,579	2,694,191	2,721,430	154,529	151,723

Self supporting loans are financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	284,185	270,579
Non-current	2,410,005	2,694,191
	2,694,190	2,964,770

13. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
		0						0		0

There were no new borrowings during 2017/18

(b) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 17	Borrowed During Year	Expended During Year	Unspent Balance 30 June 18
		\$	\$	\$	\$
		0	0	0	0

There were no unspent borrowings during 2017/18

(b) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	30,000	30,000
Credit card balance at balance date	(5,925)	(1,142)
Total amount of credit unused	24,075	28,858

Loan facilities

Loan facilities - current	284,185	270,579
Loan facilities - non-current	2,410,005	2,694,191
Total facilities in use at balance date	2,694,190	2,964,770

Unused loan facilities at balance date

NIL NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

14. PROVISIONS

	Provision for Annual Leave & RDO's	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	633,641	338,960	972,601
Non-current provisions	0	193,671	193,671
	<u>633,641</u>	<u>532,631</u>	<u>1,166,272</u>
Adjustment in provision	158,954	(177,682)	(18,728)
Balance at 30 June 2018	<u>497,914</u>	<u>649,630</u>	<u>1,147,544</u>
Comprises			
Current	664,816	407,525	1,072,341
Non-current	0	75,203	75,203
	<u>664,816</u>	<u>482,728</u>	<u>1,147,544</u>

Assessments indicate that actual settlement of the Annual Leave liabilities is expected to occur as follows:

	2018	2017
	\$	\$
Within 12 months of reporting date	433,179	578,946
More than 12 months after reporting date	64,735	54,695
Total	<u>497,914</u>	<u>633,641</u>

Assessments indicate that actual settlement of the Long Service Leave liabilities is expected to occur as follows:

	2018	2017
	\$	\$
Within 12 months of reporting date	59,423	48,762
More than 12 months after reporting date	590,207	483,869
Total	<u>649,630</u>	<u>532,631</u>

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 DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	12,165,665	10,820,032	12,353,732

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(772,905)	745,212	206,216
Non-cash flows in Net result:			
Depreciation	4,457,634	5,471,763	5,397,321
(Profit)/loss on sale of asset	0	86,646	396,593
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(67,014)	233,041	284,435
(Increase)/decrease in inventories	104,786	14,572	51,714
Increase/(decrease) in payables	775,283	62,000	(1,401,881)
Increase/(decrease) in provisions	(18,728)		47,210
Grants contributions for the development of assets	(1,915,176)	(4,980,325)	(3,713,637)
Net cash from operating activities	2,563,880	1,632,910	1,267,971

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	5,080,819	5,359,957
General purpose funding	509,130	337,260
Law, order, public safety	3,959,015	4,260,970
Health	0	0
Education and welfare	274,996	289,404
Housing	55,293	412,625
Community amenities	2,470,316	3,329,370
Recreation and culture	19,962,959	23,458,344
Transport	61,403,356	258,253,908
Economic services	2,367,498	2,600,214
Other property and services	3,487,072	12,936,116
Unallocated	4,436,220	0
	<u>104,006,674</u>	<u>311,238,168</u>

**17. CONTINGENT LIABILITIES AND EVENTS OCCURRING AFTER THE
END OF THE REPORTING DATE**

The Shire of Denmark has no current contingent liability claims.

The Statement of Comprehensive Income and Statement of Financial Position have been prepared on the basis of conditions existing at reporting date. There is no additional evidence of events or conditions occurring after balance date that may have an impact on the financial statements.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

18. LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but

Payable:

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

	2018	2017
	\$	\$
	30,304	25,784
	26,008	0
	0	0
	56,312	25,784

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2018 Actual	2018 Budget	2017 Actual
The following fees, expenses and allowances were paid to council members and/or the President.	\$	\$	\$
Meeting Fees	89,938	90,000	84,603
President's allowance	10,902	11,000	11,000
Deputy President's allowance	2,756	2,750	2,605
Travelling expenses	15,205	8,000	5,037
Telecommunications allowance	21,585	21,600	20,305
	<u>140,386</u>	<u>133,350</u>	<u>123,550</u>

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:	2018 \$	2017 \$
Short-term employee benefits	716,934	656,177
Post-employment benefits	67,427	68,872
Other long-term benefits	13,918	89,267
Termination benefits	<u>147,397</u>	<u>24,729</u>
	<u>945,676</u>	<u>839,045</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

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

The following transactions occurred with related parties:	2018 \$	2017 \$
Sale of goods and services	474,261	504,432
Purchase of goods and services	88,938	258,990

Joint venture entities:

Distributions received from joint venture entities	0	0
--	---	---

Amounts outstanding from related parties:

Trade and other receivables	0	0
Loans to associated entities	0	0
Loans to key management personnel	0	0

Amounts payable to related parties:

Trade and other payables	0	0
Loans from associated entities	0	0

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. *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 DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾		Received ⁽²⁾		Expended ⁽³⁾		Closing Balance ⁽¹⁾		Received ⁽²⁾		Expended ⁽³⁾		Closing Balance	
	1/07/16	2016/17	2016/17	2016/17	2016/17	2016/17	30/06/17	30/06/17	2017/18	2017/18	2017/18	2017/18	30/06/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance														
Youth Development Scholarship	0	9,750		(9,750)			0	0	0	0	0	0	0	0
General purpose funding														
Pensioner Deferred Rates Grant	0	688		(688)			0	838			(838)		0	0
Grants Commission	0	1,648,328		(1,648,328)			0	1,043,318			(1,043,318)		0	0
Law, order, public safety														
Thank a Volunteer	0	1,000		(1,000)			0	0			0		0	0
Lotterywest - Fire Command Vehicle	0	47,887		(47,887)			0	0			0		0	0
ESL Grants	0	892,834		(892,834)			0	698,955			(698,955)		0	0
Bushfire Risk Management	0	0		0			0	124,356			(124,356)		0	0
Education and welfare														
Council of the Ageing	0	750		(750)			0	0			0		0	0
Drug Aware DYS Streetball	20,830	0		(20,830)			0	0			0		0	0
Youth Scholarship	0	7,000		(7,000)			0	0			0		0	0
Community Crime Prevention	6,338	0		(6,338)			0	0			0		0	0
Community amenities														
Sustainable Projects - Works	0	15,000		(15,000)			0	15,000			(15,000)		0	0
Dieback Implementation	0	10,000		(10,000)			0	0			0		0	0

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

20 CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Recreation and culture							
Ocean Beach Alternate Launch Study	0	14,811	(14,811)	0	0	0	0
Recreation Plan	0	13,927	0	13,927	0	(13,927)	0
Stronger Communities Program	0	15,000	(15,000)	0	0	0	0
Sport 4 All - Kidsport Program	0	30,000	(30,000)	0	8,000	(8,000)	0
Lotterywest - Community Park	0	6,900	(6,900)	0	0	0	0
Riverside Club - Stage 1	0	1,168,110	(1,168,110)	0	0	0	0
WOW Walk & Ride Trail	200,000	150,909	(350,909)	0	0	0	0
Old Hospital Building Upgrade	0	112,618	(112,618)	0	0	0	0
Plane Street Precinct Upgrade	0	0	0	0	164,445	0	164,445
Youth Support Service - Recreation	4,076	29,764	(33,840)	0	29,130	(29,130)	0
Recreation Centre Project	0	0	0	0	2,000	(2,000)	0
Transport							
Main Roads Grants	123,224	470,359	(593,583)	0	589,045	(589,045)	0
Roadwise	0	1,591	(1,591)	0	273	(273)	0
Roads to Recovery	521,176	704,513	(770,433)	455,256	724,618	(1,179,874)	0
CSRF Timber Roads	0	125,000	(125,000)	0	0	0	0
Bridge Improvements	300,000	172,419	(472,419)	0	0	0	0
Economic services							
Airport Water Bomber Upgrade	0	58,800	(58,800)	0	0	0	0
Parry Beach Ablutions	0	24,000	(24,000)	0	0	0	0
CLGF Regional Grant	53,670	0	(53,670)	0	0	0	0
Total	1,229,314	5,731,958	(6,492,089)	469,183	3,399,978	(3,704,716)	164,445

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

20 CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

	Opening Balance ⁽¹⁾		2016/17		2017/18		Closing Balance ⁽¹⁾	
	1/07/16	2016/17	Expended ⁽³⁾	Received ⁽²⁾	2017/18	Received ⁽²⁾	Expended ⁽³⁾	30/06/18
	\$	\$	\$	\$	\$	\$	\$	\$
Restricted Creditors								
Fire Break Conditions Bonds	4,770	0	0	0	4,770	0	0	4,770
Developer Contributions	154,905	89,756	0	0	244,661	56,194	(12,471)	288,384
Tree Planting Bonds	11,308	29,949	(2,200)	0	39,057	916	(28,531)	11,442
Civic Centre Bonds	5,707	2,651	(2,644)	0	5,714	2,271	(1,817)	6,168
Recreation Centre Bonds	1,820	840	(1,340)	0	1,320	540	(540)	1,320
Bus Hire Bonds	5,260	3,900	(5,580)	0	3,580	5,400	(5,200)	3,780
Relocated Dwelling Deposits	28,000	5,000	(3,000)	0	30,000	5,000	(5,000)	30,000
Contributions in lieu of Parking	20,565	0	0	0	20,565	0	0	20,565
Contributions to Roadworks	244,948	4,281	0	0	249,229	3,280	(8,291)	244,218
Retention on Works	165,588	57,436	(29,854)	0	193,170	91,727	(193,638)	91,259
Riverbend House Bond	0	860	0	0	860	0	0	860
Extractive Industry Bonds	9,900	2,200	0	0	12,100	0	0	12,100
Outstanding Roadworks	0	0	0	0	0	3,053	0	3,053
Total	652,771	196,873	(44,618)	0	805,026	168,381	(255,488)	717,919

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 DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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21. RATING INFORMATION

(a) Rates

RATE TYPE	Number of Properties	Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue
Differential general rate / general rate		\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations										
1 Residential Developed	1,206	16,644,668	1,592,068	24,155	688	1,616,912	1,592,068	20,000	3,000	1,615,068
2 Business/Commercial Developed	136	4,892,199	514,894	0	0	514,894	514,894	0	0	514,894
3 Lifestyle Developed	545	6,645,760	653,836	0	0	653,836	653,836	0	0	653,836
4 Rural Developed	143	2,222,920	234,652	0	0	234,652	234,652	0	0	234,652
5 Holiday Use Developed	108	1,543,464	169,349	0	0	169,349	169,349	0	0	169,349
6 Residential Vacant	127	1,052,630	205,810	0	0	205,810	205,810	0	0	205,810
7 Business/Commercial Vacant	18	348,380	48,333	0	0	48,333	48,333	0	0	48,333
8 Rural Vacant	7	119,310	17,744	0	0	17,744	17,744	0	0	17,744
9 Lifestyle Vacant	230	1,923,230	356,028	0	0	356,028	356,028	0	0	356,028
Unimproved valuations										
10 UV Base	472	224,113,000	1,107,118	0	0	1,107,118	1,107,118	0	0	1,107,118
11 UV Additional Use 1	31	12,675,000	68,876	0	0	68,876	68,876	0	0	68,876
12 UV Additional Use 2	10	4,710,000	27,921	0	0	27,921	27,921	0	0	27,921
13 UV Additional Use 3	8	3,410,000	21,899	0	0	21,899	21,899	0	0	21,899
14 UV Additional Use 4	3	1,489,000	10,298	0	0	10,298	10,298	0	0	10,298
Sub-Total	3,044	281,789,561	5,028,826	24,155	688	5,053,669	5,028,826	20,000	3,000	5,051,826
Minimum payment										
1 Residential Developed	583	4,821,364	596,992	0	0	596,992	596,992	0	0	596,992
2 Business/Commercial Developed	125	791,553	142,375	0	0	142,375	142,375	0	0	142,375
3 Lifestyle Developed	57	496,482	59,850	0	0	59,850	59,850	0	0	59,850
4 Rural Developed	31	264,964	32,550	0	0	32,550	32,550	0	0	32,550
5 Holiday Use Developed	7	59,488	7,896	0	0	7,896	7,896	0	0	7,896
6 Residential Vacant	119	409,500	110,789	0	0	110,789	110,789	0	0	110,789
7 Business/Commercial Vacant	6	17,050	6,210	0	0	6,210	6,210	0	0	6,210
8 Rural Vacant	1	6,900	1,035	0	0	1,035	1,035	0	0	1,035
9 Lifestyle Vacant	15	74,070	14,280	0	0	14,280	14,280	0	0	14,280
Unimproved valuations										
UV Base	114	23,083,742	142,842	0	0	142,842	142,842	0	0	142,842
UV Additional Use 1	13	723,100	17,927	0	0	17,927	17,927	0	0	17,927
UV Additional Use 2	2	449,000	3,008	0	0	3,008	3,008	0	0	3,008
UV Additional Use 3	0	0	0	0	0	0	0	0	0	0
UV Additional Use 4	0	0	0	0	0	0	0	0	0	0
Sub-Total	1,073	31,197,213	1,135,754	0	0	1,135,754	1,135,754	0	0	1,135,754
Discounts/concessions (refer note 21(d))										
Total amount raised from general rate	4,117	312,986,774	6,164,580	24,155	688	6,189,423	6,164,580	20,000	3,000	6,187,580
Specified Area Rate (refer note 21(b))										
Totals										
						(47,353)				(48,735)
						6,142,070				6,138,845
						0				0
						6,142,070				6,138,845

Discounts/concessions (refer note 21(d))
Total amount raised from general rate
Specified Area Rate (refer note 21(b))
Totals

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 DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rate charge is applied to properties within the Shire of Denmark.

(c) Service Charges

No specified service charges are applied to properties within the Shire of Denmark.

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

The Shire of Denmark does not offer any discount or early payment incentives for rates paid prior to due date.

Where a small balance remains on a property assessment due to circumstances such as a delay in receipt of mail payments or monies from property settlements and additional daily interest has accumulated, amounts outstanding of \$5.00 and under have been waived, as it is not considered cost effective or equitable to recover. Estimated loss of revenue from this waiver is \$350.00.

The Shire of Denmark also administers the Rates and Charges (Rebates and Deferments) Act 1992 which enables State Government Rebates to be provided with respect to Annual Rate and Emergency Levy charges. Ratepayers who are the holders of a State Seniors Card, Pensioners Concession card or Commonwealth Senior Health card may be eligible for a rebate of up to 50%, dependant upon individual circumstances. Eligible ratepayers need to apply to register with the Shire to receive any rebate.

In accordance with Section 6.47 of the Local Government Act 1995, and Regulation 26 (1) (c) of the Local Government (Financial Management) Regulations 1996 and Council Policy P030101 the Council resolved to waive the local government rate charge for each of the following land parcels for the 2017/2018 financial year.

	Actual 2018 \$	Budget 2018 \$
Denmark Boating & Angling Club		
A5585 – Lease of Part Lots 304 and 307 Parry Road, Parryville - Boating and angling shed and land at Parry Beach	1,379	1,379
Denmark Boating & Angling Club, & Denmark Sea Rescue Group		
A5587 – 891B (Lease of Part Lot 556) Ocean Beach Road, Ocean Beach - Sea rescue, boating and angling hall and sheds	1,379	1,379
Denmark Clay Target Club		
A3565 – Lease of Whole Lot 7399, Sunny Glen Road, Hay - Clay target shooting range	1,379	1,379
Denmark Cottage Crafts Inc.		
A5584 – Lease of Part Lot 41 Mitchell Street, Denmark - Craft hall and Denmark Family Centre Church building	1,139	1,139
Denmark Country Club Inc.		
A3088 – 925 (Lease of Whole Lots 154, 155, 156, 157, 158, 159, 1072, and 1073) South Coast Highway, Hay - Golf Course, Tennis Courts and facilities	3,578	3,580
Denmark Environment Centre Incorporated		
A2622 – 1/35 (Strata Lot 1) Strickland Street, Denmark	1,139	1,139
A3747 – 4/35 (Strata Lot 4) Strickland Street, Denmark - Shop and administration centre	2,600	2,600

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21 RATING INFORMATION (Continued)

(d) Discounts, Incentives, Concessions, & Write-offs (Continued)

	Actual 2018 \$	Budget 2018 \$
Denmark Machinery Restoration Group Inc.		
A5599 – 2 (Lease of Part Lot 952) Inlet Drive, Denmark - Shed and displays	1,139	1,139
Denmark Occasional Day Care Centre Inc. and Denmark Playgroup		
A3179 – 81 (Lease of Whole Lot 500) South Coast Highway, Denmark - Day care and playgroup building	1,139	1,139
Denmark Pistol Club		
A3167 – 223 (Lease of Whole Lot 7441) Churchill Road, Scotsdale - Pistol shooting range	1,139	1,379
Denmark Equestrian Club Inc.		
A3189 – 73 (Lease of Whole Lot 1004) Beveridge Road, Denmark - Horse racing track and facilities	1,139	1,139
Denmark Riverside Club		
A5601 – Lease of Part Lot 1002 Bambrey Road, Denmark	1,139	1,139
A3069 – 3 (Lease of Whole Lot 1110) Morgan Road, Denmark - Bowling green, canoeing, kayaking and dragon boating launching site and facilities	2,210	2,211
Denmark Surf Lifesaving Club		
A5588 – 891A (Lease of Part Lot 556) Ocean Beach Road, Ocean Beach - Clubrooms and facilities	1,379	1,379
Denmark Tourism Incorporated		
A3186 – 73 (Lease of Lot 501) South Coast Hwy, Denmark - Denmark Visitor Centre	6,052	6,052
Green Skills Inc.		
A5590 – 46 (Lease of Part Lot 326) McIntosh Road, Hay - Recycling Centre and Tip Shop	1,379	1,379
Kentdale Community Hall Committee Inc.		
A5593 – 518 (Lease of Part Lot 300) Parker Road, Kentdale - Kentdale Hall	1,379	1,379
Lions Club of Denmark Inc.		
A5600 – 2 (Lease of Part Lot 952) Inlet Drive, Denmark - Clubroom	1,139	1,139
Nornalup Residents and Ratepayers Association		
A5591 – 3 (Lease of Part Lot 2368) Riverside Drive, Nornalup - Nornalup Community Hall	1,139	1,139
Parry's Beach Voluntary Management Group Inc.		
A5592 – 2830 (Lease of Part Lot 5393) South Coast Highway, William Bay - Parryville Hall	1,379	1,379
Peaceful Bay Progress Association Inc.		
A5615 – 30 (Lease of Whole Site 300) First Avenue, Peaceful Bay	1,139	1,139
A5616 – 3 (Lease of Whole Site 302) West Avenue, Peaceful Bay - Peaceful Bay Community Hall and Les Carpenter Fire Station	1,139	1,139
Peaceful Bay Returned Services League (RSL) Sub Branch		
A5596 – 28 (Lease of Whole Site 400) First Avenue, Peaceful Bay - Clubroom	1,139	1,139
Peaceful Bay Sea Rescue Group Inc.		
A5595 – Lease of Whole Lots 401 and 402 Old Peaceful Bay Road, Peaceful Bay - Sea rescue facilities	1,139	1,139

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21 RATING INFORMATION (Continued)

(d) Discounts, Incentives, Concessions, & Write-offs (Continued)

	Actual 2018 \$	Budget 2018 \$
Scout Association of Australia		
A5597 – 53 (Lease of Part Lot 1087) Brazier Street, Denmark - Scout Hall and facilities	1,139	1,139
The Returned & Services League of Australia WA Branch Inc		
A3097 – 54 (Lease of Whole Lot 40) Strickland Street, Denmark - RSL Hall	1,139	1,139
Tingledale Hall Committee Inc.		
A5594 – 976 (Lease of Part Lot 2381) Valley of the Giants Road, Tingledale - Tingledale Hall and Community Centre	1,379	1,379
Denmark Historical Society Inc.		
A3256 – 16 (Lease of Lot 1021) Mitchell Street Denmark	1,139	1,139
Trustees: Richard John Marshall and (Est. of the Late) Richard William Mumford and Eric Rose		
A3041 – 891 (Lot 583) Scotsdale Road, Scotsdale Scotsdale Hall and tennis courts	1,379	1,379
Denmark Community Resource Centre Inc.		
A5729 - Part Lot 228, 2 Strickland Street Denmark	1,139	1,139
Denmark Over 50's Association		
A5730 - Part Lot 228, 2 Strickland Street Denmark Morgan Richards Community Centre	1,139	1,139
Denmark Arts Council Inc.		
A5731 - Part Lot 228 and Part Lot 1093, 2 Strickland Street Denmark Morgan Richards Community Centre	0	1,139
Total	47,353	48,735

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	11-Sep-17			11.00%
Option Two				
First instalment	11-Sep-17			11.00%
Second instalment	13-Nov-17	12	5.50%	11.00%
Option Three				
First instalment	11-Sep-17			11.00%
Second instalment	13-Nov-17	4	5.50%	11.00%
Third instalment	15-Jan-18	4	5.50%	11.00%
Fourth instalment	19-Mar-18	4	5.50%	11.00%
				2018
				2018
				Budget
				\$
Interest on unpaid rates & debtors				67,073
Interest on instalment plan				19,505
Charges on instalment plan				24,582
				111,160
				83,200

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

22. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July brought forward	812,808	834,612	834,612
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,269,903	319,594	319,594
Restricted	10,895,762	12,034,138	12,034,138
Investments			
Financial assets at fair value through profit and loss	0	0	0
Investments	0	0	0
Receivables			
Rates outstanding	463,587	337,260	337,260
Sundry debtors	86,848	250,505	250,505
GST receivable	160,891	64,021	64,021
Loans receivable - clubs/institutions	50,623	49,301	49,301
Accrued Income	8,119	5,659	5,659
Inventories			
Inventories	62,990	167,776	167,776
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(503,161)	(247,507)	(247,507)
Accrued interest on long term borrowings	(24,770)	(18,033)	(18,033)
Accrued salaries and wages	(135,238)	(88,267)	(88,267)
ATO liabilities	0	0	0
Accrued Expenses	(576,360)	43,604	43,604
Income in Advance	(50,288)	(114,171)	(114,171)
Bonds & Deposits	(714,866)	(805,026)	(805,026)
Current portion of long term borrowings	(284,185)	(270,579)	(270,579)
Provisions			
Provision for annual leave	(574,427)	(633,641)	(633,641)
Provision for long service leave	(497,914)	(338,960)	(338,960)
Unadjusted net current assets	9,637,514	10,755,674	10,755,674
Adjustments			
Less: Reserves - restricted cash	(9,966,164)	(10,645,758)	(10,645,758)
Less: Land held for resale - cost			
Less: Cost of acquisition	0	0	0
Less: Development costs	0	0	0
Less: Loans receivable - clubs/institutions	(50,623)	(49,301)	(49,301)
Less: Restricted Grants	(164,445)	(469,183)	(469,183)
Less: Provision for Annual Leave	574,427	633,641	633,641
Less: Provision for Long Service Leave	497,914	338,960	338,960
Add: Current portion of long term borrowings	284,185	270,579	270,579
Adjusted net current assets - surplus/(deficit)	812,808	834,612	834,612

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

**SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

23. FINANCIAL RISK MANAGEMENT

The Shire's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Shire's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Shire.

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 Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	12,165,665	12,353,732	12,165,665	12,353,732
Receivables	1,399,336	1,382,906	1,399,336	1,382,906
	<u>13,565,001</u>	<u>13,736,638</u>	<u>13,565,001</u>	<u>13,736,638</u>
Financial liabilities				
Payables	2,004,683	1,229,400	2,004,683	1,229,400
Borrowings	2,694,190	2,964,770	2,236,647	2,449,198
	<u>4,698,873</u>	<u>4,194,170</u>	<u>4,241,330</u>	<u>3,678,598</u>

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

SHIRE OF DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

23. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio.

Council has an Investment Policy and the Policy is subject to review by Council.

An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Shire.

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Statement of Comprehensive Income	121,657	265,530

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible interest rate movements.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Shire's major receivables comprise rates and annual charges and user charges and fees. 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 makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Shire's credit risk at balance date was:

	<u>2018</u>	<u>2017</u>
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	54.67%	94.36%
- Overdue	45.33%	5.64%

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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.

The contractual undiscounted cash flows of the Shire's Payables and Borrowings are set out in the Liquidity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	2,004,683	0	0	2,004,683	2,004,683
Borrowings	408,497	1,279,728	1,836,024	3,524,249	2,694,190
	2,413,180	1,279,728	1,836,024	5,528,932	4,698,873
2017					
Payables	1,229,400	0	0	1,229,400	1,229,400
Borrowings	408,497	1,442,047	2,082,202	3,932,746	2,964,770
	1,637,897	1,442,047	2,082,202	5,162,146	4,194,170

Borrowings are also 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 following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	0	124,777	158,750	0	130,319	2,280,344	2,694,190	4.69%
Weighted average Effective interest rate	0.00%	6.48%	3.70%	0.00%	6.91%	4.54%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	0	0	181,463	207,904	0	2,575,403	2,964,770	4.72%
Weighted average Effective interest rate	0.00%	0.00%	6.47%	3.70%	0.00%	4.68%		

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

24. TRUST FUNDS

Funds held at balance date over which the Shire has no control and which are not included in the financial statements are as follows:

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
DPI Licensing	0	1,411,894	(1,411,894)	0
BCITF Training Fund	14,418	32,825	(34,281)	12,962
Building Levy	8,987	30,294	(31,504)	7,777
Bushfire Command Vehicle	6,600	4,192	(8,978)	1,814
Contrib. in Lieu of Open Space	179,025	4,322	0	183,347
Nomination Deposits	0	1,040	(1,040)	0
Denmark Parks & Trails	850	0	0	850
	<u>209,880</u>	<u>1,484,567</u>	<u>(1,487,697)</u>	<u>206,750</u>

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

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.

Management's assessment of the new and amended pronouncements that are relevant to the Shire, applicable to future reporting periods and which have not yet been adopted are set out as follows:

Title	Issued / Compiled	Applicable (1)	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

Adoption of New and Revised 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 associate with the amendment of existing standards, the only new standard with material application is as follows:

(i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
(ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017

26. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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 FOR THE YEAR ENDED 30TH JUNE 2018

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	ACTIVITIES
GOVERNANCE	Members of Council, general administration expenses including staff, office equipment maintenance and insurances.
GENERAL PURPOSE FUNDING	Rates, general purpose government grants, interest on invested funds and other financial matters.
LAW, ORDER, PUBLIC SAFETY	Supervision of various local laws, fire prevention including Community Fire Manager and Bushfire Brigades, animal control (Rangers) and State Emergency Services operations.
HEALTH	Water and food quality monitoring, effluent disposal and public health compliance control on business premises catering for the large tourism trade and domestic residences.
EDUCATION AND WELFARE	Assistance to early childhood education, provision of educational scholarships, youth services, aged and disability programs.
HOUSING	Lionsville aged accommodation self supporting loans.
COMMUNITY AMENITIES	Refuse collection services (including recycling), operation of landfill and recycling centres, administration of the Town Planning Scheme, provision of facilities including the cemetery and public conveniences, effluent disposal (septic tanks) and environmental programs.
RECREATION AND CULTURE	Provision, maintenance and operation of Halls, Civic Centre, Library, Recreation Centre, swimming areas & beaches and various parks and recreation reserves. TV re-broadcasting tower maintenance.
TRANSPORT	Construction and maintenance of roads including drainage, footpaths, parking facilities, regulatory signs, street cleaning and lighting. Maintenance of Works Depot and road plant purchases.
ECONOMIC SERVICES	The regulation and provision of tourism facilities including the Denmark Tourism Association and Parry Beach camping grounds, area promotion, building control, sale yard facilities, noxious weed control, pest control and operation of the lime sand quarry.
OTHER PROPERTY AND SERVICES	Public Works Overheads (Engineering and supervision staff, leave entitlements and insurances). Plant costs (repair wages, parts, fuel, insurances and licenses, stock and materials and salaries and wages allocations).

SHIRE OF DENMARK
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

28. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	0.93	1.05	1.15
Asset consumption ratio (1)	0.97	N/A	N/A
Asset renewal funding ratio (2)	N/A	N/A	N/A
Asset sustainability ratio	0.98	0.40	0.39
Debt service cover ratio	4.53	4.93	3.21
Operating surplus ratio	(0.28)	(0.39)	(0.41)
Own source revenue coverage ratio	0.67	0.60	0.64

(1) The Asset Consumption Ratio has been left blank in previous years as the current replacement cost of depreciable assets was not available in previous years.

(2) The asset renewal funding ratio has been left blank as the Shire does not have an adopted Long Term Financial Plan in place to enable this ratio to be calculated.

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	563,854	564,986	0
Amount of Financial Assistance Grant received in prior year relating to current year.	564,986	0	537,126

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	0.93	0.55	1.39
Debt service cover ratio	4.53	3.59	4.47
Operating surplus ratio	(0.28)	(0.46)	(0.36)

SHIRE OF DENMARK

PERIOD OF AUDIT: 1 JULY TO 30 JUNE 2018

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. General Journal Review	✓		
2. Financial Ratios	✓		

KEY TO RATINGS

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

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

SHIRE OF DENMARK

PERIOD OF AUDIT: 1 JULY TO 30 JUNE 2018

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. General Journal Review

Finding

It was noted supporting documentation for accounting journal entries was not maintained at all times and there was no evidence of an independent review/approval of journals.

Rating: Significant

Implication

Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be appropriately reviewed and approved. If journals are not independently reviewed there is an increased risk that unauthorised journals can be processed and funds could be misappropriated.

Recommendation

To help maintain the integrity of the accounting information supporting documentation should be maintained for all journals. In addition, someone more senior than the preparers should authorise all journal entries to be processed in the system, review the correctness of posting after being processed and evidence their approval and review.

Management Comment

Management confirms, there is currently no documented policy regarding the use, authorisation and control over journal entries.

A management policy is currently being drafted to suit the Shire of Denmark's organisational structure and operational requirements. It is expected that this policy will be adopted in early 2019.

Responsible Person: Chief Financial Officer
Completion Date: February 2019

SHIRE OF DENMARK

PERIOD OF AUDIT: 1 JULY TO 30 JUNE 2018

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Financial Ratios

Finding

We note the asset renewal funding ratio for the year ended 30 June 2018 and the preceding years has not been included in the financial report. We also noted that there are no comparatives for the asset consumption ratio.

Rating: Significant

Implication

By not reporting key financial ratios, the Shire is in non-compliance with section 50(1)(c) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend key ratios are calculated and included in the financial report for future years.

Management Comment

During the 2017/18 financial year a significant amount of work was done in respect to the preparation of a long term financial plan and review of the Shire's Asset register content and accuracy and work on this has continued in 2018/19.

The Shire currently has a "draft LTFP" which has been workshopped with Council, and includes all the information required to calculate this ratio, however it is not yet adopted. Once the LTFP is adopted this ratio will be calculated to comply with the regulations.

Responsible Person: Chief Financial Officer
Completion Date: 30 June 2019