

ATTACHMENT NO. 1

TOWN OF BASSENDEAN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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COMMUNITY VISION

"A connected community, developing a vibrant and sustainable future, that is built upon the foundations of our past".

Principal place of business:
48 Old Perth Road
BASSENDEAN WA 6054

**TOWN OF BASSENDEAN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the [redacted] day of [redacted] 2019

Chief Executive Officer

[redacted]

Peta Mabbs

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

		2019	2019	2018
	NOTE	Actual	Budget	Actual
		\$	\$	\$
Revenue				
Rates	22(a)	13,125,890	13,173,005	13,184,183
Operating grants, subsidies and contributions	2(a)	2,934,732	2,776,326	3,063,580
Fees and charges	2(a)	6,220,530	5,968,203	5,892,776
Interest earnings	2(a)	519,008	459,345	507,169
Other revenue	2(a)	524,212	370,556	771,438
		23,324,372	22,747,435	23,419,146
Expenses				
Employee costs		(12,723,399)	(11,882,476)	(11,865,527)
Materials and contracts		(7,197,066)	(8,337,538)	(7,089,841)
Utility charges		(660,898)	(736,314)	(655,370)
Depreciation on non-current assets	10(b)	(3,507,677)	(3,316,368)	(3,284,278)
Interest expenses	2(b)	(48,563)	(49,688)	(57,423)
Insurance expenses		(464,998)	(439,889)	(435,443)
Other expenditure		(1,137,827)	(1,280,853)	(1,021,510)
		(25,740,428)	(26,043,126)	(24,409,392)
		(2,416,056)	(3,295,691)	(990,246)
Non-operating grants, subsidies and contributions	2(a)	1,477,679	2,382,964	661,225
Profit on asset disposals	10(a)	-	70,852	3,773
(Loss) on asset disposals	10(a)	(5,227)	(59,586)	(59,590)
Investment in Local Government House Trust	7	14,352	-	(64)
Net Share of Interest in Associate-EMRC	20	432,583	-	430,004
		1,919,387	2,394,230	1,035,348
Net result for the period		(496,669)	(901,461)	45,102
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	-	-	4,332,072
Share of changes in asset revaluation surplus of associate	11,20	(1,339)	-	(13,511)
Total other comprehensive income/(loss) for the period		(1,339)	-	4,318,562
Total comprehensive income/(loss) for the period		(498,008)	(901,461)	4,363,664

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

TOWN OF BASSENDEAN
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		16,268	17,200	17,489
General purpose funding		14,388,772	14,084,228	14,410,752
Law, order, public safety		113,284	112,700	129,066
Health		2,739,940	2,760,665	2,677,209
Education and welfare		5,278,623	5,051,412	5,312,972
Community amenities		164,470	148,000	142,099
Recreation and culture		334,498	236,560	444,157
Transport		60,126	154,000	74,697
Economic services		98,594	100,350	105,471
Other property and services		129,797	82,320	105,234
		23,324,372	22,747,435	23,419,146
Expenses				
	2(b)			
Governance		(985,993)	(1,181,968)	(946,022)
General purpose funding		(782,116)	(761,419)	(798,180)
Law, order, public safety		(680,183)	(676,252)	(653,579)
Health		(3,056,737)	(3,189,115)	(2,903,767)
Education and welfare		(5,983,421)	(5,550,607)	(5,456,370)
Community amenities		(1,365,337)	(1,300,057)	(1,247,647)
Recreation and culture		(6,342,751)	(6,559,803)	(6,112,060)
Transport		(5,790,298)	(6,050,683)	(5,557,989)
Economic services		(557,430)	(545,985)	(551,530)
Other property and services		(147,599)	(177,549)	(124,825)
		(25,691,865)	(25,993,438)	(24,351,969)
Finance Costs				
	2(b)			
General purpose funding		(15,895)	(16,003)	(17,255)
Recreation and culture		(32,668)	(33,685)	(40,168)
		(48,563)	(49,688)	(57,423)
		(2,416,056)	(3,295,691)	(990,246)
Non-operating grants, subsidies and contributions	2(a)	1,477,679	2,382,964	661,225
Profit on disposal of assets	10(a)	-	70,852	3,773
(Loss) on disposal of assets	10(a)	(5,227)	(59,586)	(59,590)
Investment in Local Government House Trust	7	14,352	-	(64)
Net Share of Interest in Associate-EMRC	20	432,583	-	430,004
		1,919,387	2,394,230	1,035,348
Net result for the period		(496,669)	(901,461)	45,102
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	-	-	4,332,072
Share of changes in asset revaluation surplus of associate	11,20	(1,339)	-	(13,511)
Total other comprehensive income/(loss) for the period		(1,339)	-	4,318,562
Total comprehensive income/(loss) for the period		(498,008)	(901,461)	4,363,664

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

TOWN OF BASSENDEAN
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2,019	2,018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	7,960,795	3,072,201
Trade receivables	5	1,022,253	1,103,167
Other financial assets	7(a)	4,418,273	8,272,026
Other loans and receivables	7(a)	-	21,134
Inventories	6	17,080	15,018
TOTAL CURRENT ASSETS		13,418,401	12,483,546
NON-CURRENT ASSETS			
Trade receivables	5	325,083	334,587
Other financial assets	7(b)	327,780	108,268
Other loans and receivables	7(b)	-	227,743
Interest in Associate	20(a)	8,386,081	7,954,836
Property, plant and equipment	8	55,780,006	56,195,749
Infrastructure	9	107,396,632	109,135,859
TOTAL NON-CURRENT ASSETS		172,215,582	173,957,042
TOTAL ASSETS		185,633,983	186,440,588
CURRENT LIABILITIES			
Trade and other payables	12	3,330,886	3,601,168
Borrowings	13(a)	130,368	132,880
Employee related provisions	14	2,417,924	2,249,870
TOTAL CURRENT LIABILITIES		5,879,178	5,983,918
NON-CURRENT LIABILITIES			
Borrowings	13(a)	549,315	678,500
Employee related provisions	14	158,837	233,509
TOTAL NON-CURRENT LIABILITIES		708,152	912,009
TOTAL LIABILITIES		6,587,330	6,895,927
NET ASSETS		179,046,653	179,544,661
EQUITY			
Retained surplus		29,209,223	30,952,646
Reserves - cash backed	4	6,957,012	5,710,258
Revaluation surplus	11	142,880,418	142,881,757
TOTAL EQUITY		179,046,653	179,544,661

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

TOWN OF BASSENDEAN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		31,816,487	4,801,315	138,563,195	175,180,997
Comprehensive income					
Net result for the period		45,102	-	-	45,102
Changes on revaluation of assets	11	-	-	4,318,562	4,318,562
Total comprehensive income		45,102	-	4,318,562	4,363,664
Transfers from/(to) reserves		(908,943)	908,943		-
Balance as at 30 June 2018		30,952,646	5,710,258	142,881,757	179,544,661
Comprehensive income					
Net result for the period		(496,669)	-	-	(496,669)
Changes on revaluation of assets	11	-	-	(1,339)	(1,339)
Total comprehensive income		(496,669)	-	(1,339)	(498,008)
Transfers from/(to) reserves		(1,246,754)	1,246,754	-	-
Balance as at 30 June 2019		29,209,223	6,957,012	142,880,418	179,046,653

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

TOWN OF BASSENDEAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		13,131,934	13,011,456	13,033,929
Operating grants, subsidies and contributions		2,963,981	2,801,460	3,063,580
Fees and charges		6,220,530	5,968,203	5,884,520
Interest received		519,008	459,345	511,003
Goods and services tax received		978,318	-	1,034,974
Other revenue		524,212	440,556	766,253
		24,337,983	22,681,020	24,294,259
Payments				
Employee costs		(12,493,552)	(11,706,476)	(11,686,212)
Materials and contracts		(7,640,793)	(8,247,538)	(7,089,841)
Utility charges		(660,898)	(736,314)	(655,370)
Interest expenses		(48,563)	(43,985)	(58,333)
Insurance paid		(464,998)	(439,889)	(435,443)
Goods and services tax paid		(888,276)	-	(1,022,931)
Other expenditure		(1,137,826)	(1,270,852)	(1,044,596)
		(23,334,906)	(22,445,054)	(21,992,726)
Net cash provided by (used in) operating activities	15	1,003,077	235,966	2,301,533
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(200,315)	(1,904,200)	(658,596)
Payments for construction of infrastructure (Payments)/Receipts for financial assets at amortised cost		(1,157,619)	(3,087,015)	(1,614,522)
		3,877,519	-	(8,272,026)
Non-operating grants, subsidies and contributions		1,477,679	2,382,964	661,225
Proceeds from sale of property, plant & equipment		-	897,300	35,036
Trust Transfers		-	70,000	247,289
Net cash provided by (used in) investment activities		3,997,264	(1,640,951)	(9,601,594)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(131,697)	(132,880)	(123,993)
Proceeds from self supporting loans		19,951	21,134	21,134
Net cash provided by (used in) financing activities		(111,746)	(111,746)	(102,859)
Net increase (decrease) in cash held		4,888,595	(1,516,731)	(7,402,920)
Cash at beginning of year		3,072,201	11,428,316	10,475,121
Cash and cash equivalents at the end of the year	15	7,960,795	9,911,585	3,072,201

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

TOWN OF BASSENDEAN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	1,921,369	1,646,933	2,184,378
		1,921,369	1,646,933	2,184,378
Revenue from operating activities (excluding rates)				
Governance		30,620	17,200	17,489
General purpose funding		1,276,419	911,223	1,497,270
Law, order, public safety		113,284	112,700	129,066
Health		2,739,940	2,760,665	2,677,209
Education and welfare		5,278,623	5,051,412	5,312,972
Community amenities		164,470	218,000	142,099
Recreation and culture		334,498	236,560	444,157
Transport		60,126	154,000	74,697
Economic services		98,594	100,350	105,471
Other property and services		129,797	83,172	109,007
		10,226,371	9,645,282	10,509,437
Expenditure from operating activities				
Governance		(985,993)	(1,181,968)	(946,022)
General purpose funding		(798,011)	(777,422)	(815,435)
Law, order, public safety		(680,183)	(676,252)	(653,579)
Health		(3,056,737)	(3,189,115)	(2,903,767)
Education and welfare		(5,983,421)	(5,560,607)	(5,456,370)
Community amenities		(1,365,337)	(1,325,057)	(1,247,647)
Recreation and culture		(6,375,419)	(6,593,488)	(6,152,228)
Transport		(5,790,298)	(6,050,683)	(5,557,989)
Economic services		(557,430)	(545,985)	(551,530)
Other property and services		(152,826)	(202,135)	(184,415)
		(25,745,655)	(26,102,712)	(24,468,982)
Non-cash amounts excluded from operating activities	23(a)	3,156,662	3,315,507	3,373,069
Amount attributable to operating activities		(10,441,253)	(11,494,990)	(8,402,098)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,477,679	2,382,964	661,225
Proceeds from disposal of assets	10(a)	-	897,300	35,036
Purchase of property, plant and equipment	8(b)	(200,315)	(1,904,200)	(658,596)
Purchase and construction of infrastructure	9(b)	(1,157,619)	(3,087,015)	(1,614,522)
Amount attributable to investing activities		119,745	(1,710,951)	(1,576,857)
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(131,697)	(132,880)	(123,993)
Proceeds from self supporting loans	13(b)	19,951	21,134	19,778
Transfers to reserves (restricted assets)	4	(2,254,247)	(1,248,204)	(1,327,865)
Transfers from reserves (restricted assets)	4	1,007,493	1,414,500	418,922
Amount attributable to financing activities		(1,358,500)	54,550	(1,013,158)
Surplus/(deficit) before imposition of general rates		(11,680,008)	(13,151,391)	(10,992,113)
Total amount raised from general rates	22	13,112,353	13,173,005	12,913,482
Surplus/(deficit) after imposition of general rates	23(b)	1,432,345	21,614	1,921,369

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Town 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 25 to these financial statements.

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	543,657	282,628	520,525
Law, order, public safety	18,561	45,000	56,090
Health	-	28,000	-
Education and welfare	2,286,749	2,260,698	2,330,052
Recreation and culture	36,185	10,000	106,739
Transport	49,580	150,000	50,174
	2,934,732	2,776,326	3,063,580
Non-operating grants, subsidies and contributions			
Law, order, public safety	-	-	3,864
Health	93,000	232,500	-
Education and welfare	-	-	40,000
Recreation and culture	270,000	776,600	39,965
Transport	1,114,679	1,373,864	577,396
	1,477,679	2,382,964	661,225
Total grants, subsidies and contributions	4,412,411	5,159,290	3,724,805

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 21.

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

TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019
2. REVENUE AND EXPENSES

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	60,650	18,000	10,319
Other	463,562	352,556	761,119
	524,212	370,556	771,438
Fees and Charges			
Governance	-	120,530	-
General purpose funding	115,565	54,500	113,827
Law, order, public safety	65,948	-	58,839
Health	2,738,009	2,732,165	2,676,363
Education and welfare	2,736,232	2,604,858	2,554,158
Housing	-	147,000	-
Community amenities	164,416	198,150	135,945
Recreation and culture	258,818	4,000	244,334
Transport	4,580	63,800	8,673
Economic services	65,388	43,200	60,429
Other property and services	71,574	-	40,208
	6,220,530	5,968,203	5,892,776

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

Interest earnings			
Loans receivable - clubs/institutions	15,846	15,845	-
Reserve accounts interest	143,629	100,000	113,190
Rates instalment and penalty interest (refer (Note 22(c)))	169,697	163,500	166,043
Other interest earnings	189,836	180,000	227,936
	519,008	459,345	507,169

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (Continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other Services
- Internal Audit Fees, Support and Training

Interest expenses (finance costs)

- Borrowings (refer Note 13(b))

Rental charges

- Operating leases

	2019 Actual \$	2019 Budget \$	2018 Actual \$
	40,000	25,000	19,420
	3,100	2,000	2,300
	8,600	21,000	30,389
	51,700	48,000	52,109
	48,563	49,689	57,423
	48,563	49,689	57,423
	172,385	172,385	238,187
	172,385	172,385	238,187

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		1,461,479	269,286
Term deposits		6,499,316	2,802,915
Total Cash and Cash Equivalents		7,960,795	3,072,201
Other Financial Assets at amortised cost - Term deposits	7	4,394,507	8,272,026
		12,355,302	11,344,227
Comprises:			
- Unrestricted cash and cash equivalents and other financial assets at amortised cost		3,031,342	3,412,702
- Restricted cash and cash equivalents and other financial assets at amortised cost		9,323,960	7,931,525
		12,355,302	11,344,227
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Employee Entitlements Reserve	4	743,532	1,020,253
Plant and Equipment Reserve	4	396,298	384,098
Waste Management Reserve	4	1,085,370	738,910
Wind in the Willows Childcare Reserve	4	48,206	89,841
Aged Persons Reserve	4	550,966	484,371
Youth Development Reserve	4	29,227	28,328
Community Facilities Reserve	4	53,616	51,966
Underground Power Reserve	4	84,354	81,757
Unspent Grants Reserve	4, 21	1,628,014	454,371
HACC Asset Replacement Reserve	4, 21	122,784	129,113
Bus Shelter Reserve	4	21,300	-
Street Tree Reserve	4	160,660	-
Drainage Infrastructure Reserve	4	144,737	417,421
Land and Building Infrastructure Reserve	4	1,887,948	1,829,829
		6,957,012	5,710,258
Other restricted cash and cash equivalents and other financial assets at amortised cost			
Bonds and Other Deposits	12	2,110,398	1,961,619
Hyde Retirement Village Bonds	12	256,550	259,648
Total restricted cash and cash equivalents and other financial assets at amortised cost		9,323,960	7,931,525

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee Entitlements Reserve	1,020,253	9,368	(286,089)	743,532	1,020,253	20,405	-	1,040,658	1,007,375	12,878	-	1,020,253
(b) Plant and Equipment Reserve	384,098	12,200	-	396,298	384,098	7,682	(65,000)	326,781	379,102	10,996	(6,000)	384,098
(c) Waste Management Reserve	738,910	346,460	-	1,085,370	697,119	213,942	(467,500)	443,561	288,744	450,166	-	738,910
(d) Wind in the Willows Childcare Reserve	89,841	2,739	(44,374)	48,206	79,926	41,599	(45,000)	76,525	53,361	75,604	(39,124)	89,841
(e) Aged Persons Reserve	484,371	75,145	(8,550)	550,966	484,370	9,687	(9,000)	485,057	470,210	14,161	-	484,371
(f) Youth Development Reserve	28,328	899	-	29,227	28,327	567	-	28,894	27,529	799	-	28,328
(g) Community Facilities Reserve	51,966	1,650	-	53,616	51,965	1,040	-	53,005	37,139	14,827	-	51,966
(h) Self Insurance Reserve	-	-	-	-	-	-	-	-	8,198	172	(8,370)	-
(i) Underground Power Reserve	81,757	2,597	-	84,354	81,757	1,635	(33,000)	50,392	79,452	2,305	-	81,757
(j) Drainage Infrastructure Reserve	417,421	13,258	(285,942)	144,737	417,420	8,349	(400,000)	25,769	114,111	303,310	-	417,421
(k) HACC Asset Replacement Reserve	129,113	4,101	(10,430)	122,784	335,113	6,702	(25,000)	316,815	151,861	4,405	(27,153)	129,113
(l) Unspent Grants Reserve	454,371	1,545,751	(372,108)	1,628,014	328,528	50,000	(50,000)	328,528	335,803	384,669	(266,101)	454,371
(m) Bus Shelter Reserve	-	21,300	-	21,300	-	-	-	-	-	-	-	-
(n) Street Tree Reserve	-	160,660	-	160,660	-	-	-	-	-	-	-	-
(o) Cultural Events Reserve	-	-	-	-	-	-	-	-	5,163	108	(5,271)	-
(p) Land and Building Infrastructure Reserve	1,829,829	58,119	-	1,887,948	1,829,829	886,597	(320,000)	2,396,426	1,843,265	53,466	(66,903)	1,829,829
	5,710,258	2,254,247	(1,007,493)	6,957,012	5,738,706	1,248,204	(1,414,500)	5,572,411	4,801,313	1,327,865	(418,922)	5,710,258

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee Entitlements Reserve	Ongoing	To provide funds for future payments to staff for employee entitlements.
(b) Plant and Equipment Reserve	Ongoing	To accrue funds for the purpose of replacement of major plant items.
(c) Waste Management Reserve	Ongoing	To accrue funds for the purpose of renewal or upgrade of waste management services.
(d) Wind in the Willows Childcare Reserve	Ongoing	To accrue funds for the purpose of asset improvement in the Centre and to cater for future surplus or deficit from operations.
(e) Aged Persons Reserve	Ongoing	To accrue funds to provide for the operational deficit, refurbishment and capital expenses, for Hyde Retirement Village.
(f) Youth Development Reserve	Ongoing	To provide funds for activities and facilities for the benefit of youth in the Town.
(g) Community Facilities Reserve	Ongoing	To accrue funds for major expenditure in the provision of community facilities and community events.
(h) Self Insurance Reserve	Closed	To accrue funds to provide for legal representation in all matters affecting the Town.
(i) Underground Power Reserve	Ongoing	To accrue funds for engaging consultants to consider the implementation of Underground Power.
(j) Drainage Infrastructure Reserve	Ongoing	To provide for the renewal and upgrade of the drainage network.
(k) HACC Asset Replacement Reserve	Ongoing	To provide funding for support of community care programs for senior and disability services.
(l) Unspent Grants Reserve	Ongoing	To provide for unspent funding received as grant contributions to Works and Services.
(m) Bus Shelter Reserve	Ongoing	To provide funds for the purpose of installation or replacement of bus shelters within the Town.
(n) Street Tree Reserve	Ongoing	To accrue unspent funds from tree planting program for the purpose of planting and maintaining trees.
(o) Cultural Events Reserve	Closed	To provide funds for cultural events and activities for the Town.
(p) Land and Building Infrastructure Reserve	Ongoing	To hold funds accrued as a result of sale of land and buildings and for the provisions of funds for the purchase and development of land and building infrastructure.

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Accrued Interest	
LSL Due from other Councils	

Non-current

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

2019	2018
\$	\$
785,846	782,386
86,436	131,908
67,191	122,316
2,130	613
80,650	65,944
1,022,253	1,103,167
325,083	334,587
325,083	334,587

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

Previous accounting policy: Impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

Fuel and materials

	2019	2018
	\$	\$
Fuel and materials	17,080	15,018
	17,080	15,018
Carrying amount at 1 July	15,018	13,333
Inventories expensed during the year	(125,676)	(123,440)
Additions to inventory	127,738	125,125
Carrying amount at 30 June	17,080	15,018

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

Carrying amount at 30 June

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

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

Land held for resale (Continued)

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

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

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

TOWN OF BASSENDEAN
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7. OTHER FINANCIAL ASSETS

(a) Current assets

Other financial assets at amortised cost
Other loans and receivables

2019	2018
\$	\$
4,418,273	8,272,026
-	21,134
4,418,273	8,293,160

Other financial assets at amortised cost

- Financial assets at amortised cost - term deposits
- Financial assets at amortised cost - self supporting loans

4,394,507	8,272,026
23,766	-
4,418,273	8,272,026

Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

-	21,134
-	21,134

(b) Non-current assets

Other financial assets at amortised cost - self supporting loans
Financial assets at fair value through profit and loss
Other loans and receivables

205,160	-
122,620	108,268
-	227,743
327,780	336,011

Other financial assets at amortised cost

Other financial assets at amortised cost - self supporting loans

205,160	-
205,160	-

Financial assets at fair value through profit and loss

- Units in Local Government House Trust

122,620	108,268
122,620	108,268

Financial assets previously classified as loans and receivables

- Loans receivable - clubs/institutions

-	227,743
-	227,743

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 24.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 29 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

8 (a). PROPERTY, PLANT AND EQUIPMENT

Land and buildings	2019	2018
	\$	\$
Land		
- Independent Valuation 2017 - Level 2	36,357,000	36,357,000
Additions after Valuation - cost	24,646	-
	<u>36,381,646</u>	<u>36,357,000</u>
Total land	<u>36,381,646</u>	<u>36,357,000</u>
Buildings - specialised at:		
- Independent valuation 2017 - Level 3	25,757,805	25,757,805
Additions after Valuation - cost	518,125	387,420
Less: accumulated depreciation	(8,276,412)	(7,784,939)
	<u>17,999,518</u>	<u>18,360,286</u>
Total buildings	<u>17,999,518</u>	<u>18,360,286</u>
Total land and buildings	<u>54,381,164</u>	<u>54,717,286</u>
Plant and equipment at:		
- Independent valuation 2016- Level 2	1,898,330	1,898,330
- Independent valuation 2016- Level 3	714,601	714,601
Additions after Valuation	247,543	231,433
Less: accumulated depreciation	(1,580,331)	(1,528,248)
- Less Disposals after valuation	(232,499)	(200,146)
	<u>1,047,644</u>	<u>1,115,970</u>
Furniture and equipment at:		
- Management valuation 2016 - Level 3	165,239	165,239
Additions after Valuation	281,276	256,598
Less: accumulated depreciation	(157,937)	(121,964)
	<u>288,578</u>	<u>299,873</u>
Artworks		
- Management Valuation 2018 - Level 2	62,620	62,620
	<u>62,620</u>	<u>62,620</u>
Total property, plant and equipment	<u>55,780,006</u>	<u>56,195,749</u>

8. PROPERTY, PLANT AND EQUIPMENT

(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	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Minor Assets (Artworks)	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	36,357,000	36,357,000	18,456,760	18,456,760	54,813,760	173,589	1,166,101	62,620	56,216,070
Additions	-	-	387,420	387,420	387,420	152,483	118,693	-	658,596
(Disposals)	-	-	-	-	-	-	(90,853)	-	(90,853)
Depreciation (expense)	-	-	(483,894)	(483,894)	(483,894)	(26,199)	(77,971)	-	(588,064)
Carrying amount at 30 June 2018	36,357,000	36,357,000	18,360,286	18,360,286	54,717,286	299,873	1,115,970	62,620	56,195,749
Additions	24,646	24,646	130,706	130,706	155,352	28,853	16,110	-	200,315
(Disposals)	-	-	-	-	-	-	(5,227)	-	(5,227)
Depreciation (expense)	-	-	(491,474)	(491,474)	(491,474)	(40,148)	(79,209)	-	(610,831)
Carrying amount at 30 June 2019	36,381,646	36,381,646	17,999,518	17,999,518	54,381,164	288,578	1,047,644	62,620	55,780,006

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 items. (Net revaluation method)	Independent Valuation	2017	Price per hectare/market borrowing rate
Buildings - specialised	3	Cost approach using depreciated replacement cost. (Net revaluation method)	Independent Valuation	2017	Construction/Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Furniture and equipment	3	Cost approach using depreciated replacement cost. (Net revaluation method)	Management Valuation	2016	Construction/Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Plant and equipment	2 and 3	Market approach using recent observable market data for similar items. (Net revaluation method). Cost approach using depreciated replacement cost. (Net revaluation method)	Independent Valuation	2016	Construction/Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Minor Assets (Artworks)	2	Market approach using recent observable market data for similar items. (Net revaluation method)	Management Valuation	2018	Comparison with items offered for sale in the open market.

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.

There were no transfers between level 2 and 3 during the current and previous year.

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

9 (a). INFRASTRUCTURE

	2019	2018
	\$	\$
Infrastructure - Roads		
- Independent Valuation 2017 - Level 3	83,500,078	83,500,078
Additions after Valuation	1,099,508	714,384
Less: accumulated depreciation	<u>(18,117,855)</u>	<u>(16,643,548)</u>
	66,481,731	67,570,914
Footpaths		
- Independent Valuation 2017 - Level 3	10,233,801	10,233,801
Additions after Valuation	98,310	57,541
Less: accumulated depreciation	<u>(3,484,861)</u>	<u>(3,242,936)</u>
	6,847,250	7,048,406
Parks & Ovals		
-Independent Valuation - 2018 - Level 3	17,940,621	17,940,621
Additions after Valuation	451,585	-
Less: accumulated depreciation	<u>(6,734,096)</u>	<u>(6,144,686)</u>
	11,658,110	11,795,935
Drainage		
- Independent Valuation 2017 - Level 3	39,635,969	39,635,969
Additions after Valuation	839,331	559,187
Less: accumulated depreciation	<u>(18,065,759)</u>	<u>(17,474,552)</u>
	22,409,541	22,720,604
Total infrastructure	<u><u>107,396,632</u></u>	<u><u>109,135,859</u></u>

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	Other infrastructure - Footpaths	Other infrastructure - Drainage	Other infrastructure - Parks and Ovals	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2017	68,318,628	7,231,470	22,744,514	7,590,867	105,885,479
Additions	714,384	57,541	559,187	283,409	1,614,522
Revaluation increments / (decrements) transferred to revaluation surplus	-	-	-	4,332,072	4,332,072
Depreciation (expense)	(1,462,098)	(240,605)	(583,097)	(410,413)	(2,696,213)
Carrying amount at 30 June 2018	67,570,914	7,048,406	22,720,604	11,795,935	109,135,859
Additions	385,124	40,767	280,143	451,585	1,157,619
Depreciation (expense)	(1,474,307)	(241,923)	(591,206)	(589,410)	(2,896,846)
Carrying amount at 30 June 2019	66,481,731	6,847,250	22,409,541	11,658,110	107,396,632

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	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Other infrastructure - Footpaths	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Other infrastructure - Drainage	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Other infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost. (Gross revaluation method)	Independent Valuation	2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Town 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.

Change in accounting policy - asset capitalisation threshold

In accordance with the amendment to the *Local Government (Financial Management) Regulation 1996*, the Town is required to capitalise assets in excess of \$5,000 only. The Town made a retrospective assessment in respect of previously capitalised assets costing less than \$5,000 at the date of acquisition. Based on the assessment performed, the Town recognised a loss on disposal of assets with a total written down value of \$5,227. This was reflected in the Statement of Comprehensive Income for year given that the amount was considered immaterial to restate the retained surplus as at 1 July 2018.

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

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

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	-	-	-	-	805,000	850,000	70,000	(25,000)	-	-	-	-
Plant and equipment	5,227	-	-	(5,227)	81,034	47,300	852	(34,586)	90,853	35,036	3,773	(59,590)
	5,227	-	-	(5,227)	886,034	897,300	70,852	(59,586)	90,853	35,036	3,773	(59,590)

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

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - specialised	491,474	491,322	483,894
Furniture and equipment	40,148	28,000	26,199
Plant and equipment	79,209	80,000	77,971
Infrastructure - Roads	1,474,307	1,475,111	1,462,098
Other infrastructure - Footpaths	241,923	241,935	240,605
Other infrastructure - Drainage	591,206	585,000	583,097
Other infrastructure - Parks and Oval	589,410	415,000	410,413
	3,507,677	3,316,368	3,284,278

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	20 to 150 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Infrastructure - Roads Componetised	18 to 120 Years
Infrastructure - Parks Plant & Equipment	3 to 80 years
Infrastructure - Footpaths Componetised	10 to 50 years
Infrastructure - Drainage Componetised	10 to 120 years

Depreciation (Continued)

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

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

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 FOR THE YEAR ENDED 30TH JUNE 2019

11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	41,252,189	-	-	-	41,252,189	41,252,189	-	-	41,252,189
Revaluation surplus - Buildings - non-specialised	12,637,520	-	-	-	12,637,520	12,637,520	-	-	12,637,520
Revaluation surplus - Plant and equipment	732,285	-	-	-	732,285	732,285	-	-	732,285
Revaluation surplus - Other property, plant and equipment [describe]	56,792	-	-	-	56,792	56,792	-	-	56,792
Revaluation surplus - Infrastructure - roads	57,996,640	-	-	-	57,996,640	57,996,640	-	-	57,996,640
Revaluation surplus - Other infrastructure Footpaths	4,698,372	-	-	-	4,698,372	4,698,372	-	-	4,698,372
Revaluation surplus - Other infrastructure Drainage	17,762,118	-	-	-	17,762,118	17,762,118	-	-	17,762,118
Revaluation surplus - Other infrastructure Parks	5,881,532	-	-	-	5,881,532	1,549,460	4,332,072	4,332,072	5,881,532
Revaluation surplus/deficit EMRC	1,864,309	-	(1,339)	(1,339)	1,862,970	1,877,820	(13,511)	(13,511)	1,864,309
	142,881,757	-	(1,339)	(1,339)	142,880,418	138,563,196	4,318,561	4,318,561	142,881,757

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

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued Employee Costs
Accrued interest on long term borrowings
Bonds and Other Deposits
Hyde Retirement Village Bonds

2019	2018
\$	\$
691,773	1,244,201
268,160	130,907
4,005	4,793
2,110,398	1,961,619
256,550	259,648
3,330,886	3,601,168

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Town prior to the end of the financial year that are unpaid and arise when the Town 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.

TOWN OF BASSENDEAN
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FOR THE YEAR ENDED 30TH JUNE 2019

13. INFORMATION ON BORROWINGS

	2019	2018
	\$	\$
Current	130,388	132,880
Non-current	548,315	678,500
	678,703	811,380

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2019	30 June 2019	30 June 2019	Budget	30 June 2019	30 June 2019	30 June 2019	Actual	30 June 2018	30 June 2018	30 June 2018
				Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal 1 July 2018	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Principal 1 July 2017	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture															
Civic Centre Redevelopment	156	WATC	8.07%	85,549	47,416	4,788	38,133	85,549	47,416	5,425	38,133	129,324	43,775	10,273	85,549
Civic Centre Redevelopment	160A	WATC	6.41%	339,375	47,965	20,270	291,410	339,375	47,965	20,441	291,410	384,385	45,010	22,983	339,375
Civic Centre Redevelopment	160B	WATC	5.92%	137,579	16,365	7,810	121,214	137,579	16,365	7,788	121,214	153,009	15,430	6,912	137,579
				562,503	111,746	32,868	450,757	562,503	111,746	33,652	450,757	666,718	104,215	40,168	562,503
Self Supporting Loans															
Governance															
Ashfield Soccer Club	157	WATC	6.80%	14,842	3,434	678	11,408	14,842	4,617	880	10,225	19,158	4,316	3,294	14,842
TADWA	162	WATC	6.65%	234,035	16,517	15,017	217,518	234,035	16,517	15,157	217,518	249,497	15,462	13,961	234,035
				248,877	19,951	15,865	228,926	248,877	21,134	16,037	227,743	268,655	19,778	17,255	248,877
				811,380	131,697	48,553	678,703	811,380	132,880	49,689	678,500	935,373	123,993	57,423	811,380

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

TOWN OF BASSENDEAN
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 FOR THE YEAR ENDED 30TH JUNE 2019

13. INFORMATION ON BORROWINGS (Continued)

	2019	2018
(c) Undrawn Borrowing Facilities	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Credit card limit	150,000	150,000
Credit card balance at balance date	(22,470)	(24,931)
Total amount of credit unused	227,530	225,069
Loan facilities		
Loan facilities - current	130,368	132,880
Loan facilities - non-current	549,315	678,500
Total facilities in use at balance date	679,683	811,380

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 24.

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

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions	Provision for Annual Leave	Provision for Long Service Leave	On-Costs Annual Leave	On-Costs Long Service Leave	Total
	\$	\$	\$	\$	\$
Opening balance at 1 July 2017					
Current provisions	833,747	1,034,018	108,340	134,364	2,110,469
Non-current provisions	-	178,623	-	23,211	201,834
	833,747	1,212,641	108,340	157,575	2,312,303
Additional provision	674,949	407,612	89,396	30,009	1,201,965
Amounts used	(633,696)	(133,797)	(82,345)	(17,386)	(867,224)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	13,011	1,947	-	-	14,958
Balance at 30 June 2018	888,011	1,309,780	115,391	170,197	2,483,379
Comprises					
Current	888,011	1,103,124	115,391	143,344	2,249,870
Non-current	-	206,655	-	26,854	233,509
Balance as at 30 June 2018	888,011	1,309,780	115,391	170,197	2,483,379
Opening balance at 1 July 2018					
Current provisions	888,011	1,103,124	115,391	143,344	2,249,870
Non-current provisions	-	206,655	-	26,854	233,509
	888,011	1,309,780	115,391	170,197	2,483,379
Additional provision	709,760	242,652	102,787	44,042	1,099,241
Amounts used	(686,058)	(217,459)	(93,553)	(29,654)	(1,026,724)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	2,204	18,661	0	0	20,865
Balance at 30 June 2019	913,917	1,353,633	124,625	184,586	2,576,761
Comprises					
Current	913,917	1,213,802	124,625	165,580	2,417,924
Non-current	-	139,830	0	19,007	158,837
	913,917	1,353,633	124,625	184,586	2,576,761

Annual Leave Liabilities:

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

	2019	2018
	\$	\$
Within 12 months of the end of the reporting period	680,334	661,342
More than 12 months after the end of the reporting period	233,583	226,669
	913,917	888,011

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

Long Service Leave Liabilities:

Unconditional long service leave provisions are classified as current liabilities as the agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Preconditional and conditional long service leave provisions are classified as non-current liabilities because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019	2018
	\$	\$
Within 12 months of the end of the reporting period	1,213,802	1,103,124
More than 12 months after the end of the reporting period	139,830	206,655
	1,353,633	1,309,780

The provision for long service leave are calculated at present value as the agency does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

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

14 PROVISIONS (Continued)

Employment On-cost Provision

The settlement of annual leave and long service leave liabilities give rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of "Employee Costs" in the Statement of Comprehensive Income. The related liability is included in Employee Costs provision.

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

Provision is made for the Town'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 Town'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 Town'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 Town's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Town 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 Town has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Cash and cash equivalents	7,960,795	9,911,585	3,072,201
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(496,669)	(901,461)	45,102
Non-cash flows in Net result:			
Depreciation	3,507,677	3,316,368	3,284,278
(Profit)/loss on sale of asset	5,227	(11,266)	55,817
Increase in Interest in Associate	(432,583)	-	(428,333)
Decrease (Increase) in Investment in Local Government House Trust	(14,352)	-	64
Changes in assets and liabilities:			
(Increase)/decrease in receivables	90,418	-	(159,978)
(Increase)/decrease in other assets	-	(29,866)	-
(Increase)/decrease in inventories	(2,062)	-	(1,685)
Increase/(decrease) in payables	(270,282)	224,749	(3,584)
Increase/(decrease) in provisions	93,382	20,405	171,076
Grants contributions for the development of assets	(1,477,679)	(2,382,964)	(661,225)
Net cash from operating activities	1,003,077	235,966	2,301,533

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	4,078,612	2,050,278
Law, order, public safety	141,421	142,763
Health	195,476	106,471
Education and welfare	4,098,586	2,739,653
Community amenities	44,780,378	33,101,286
Recreation and culture	23,559,548	23,496,073
Transport	97,549,319	97,590,992
Economic services	920,000	920,000
Other property and services	1,500,900	1,516,090
Unallocated	8,809,743	24,776,982
	185,633,983	186,440,588

17. CONTINGENT LIABILITIES

The Town has an unresolved contract dispute with a supplier which results in a contingent liability of approximately \$120,000 .

18. LEASING COMMITMENTS

(a) Operating Lease Commitments

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

Payable:

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

2019	2018
\$	\$
174,778	172,386
210,627	136,731
385,405	309,117

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 Town, are classified as finance leases.

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

Leases (Continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	121,000	121,000	116,000
Mayor's allowance	36,000	36,000	36,000
Deputy Mayor's allowance	9,000	9,000	9,000
Conference and other expenses	13,724	28,000	17,634
Communications allowance	24,500	24,500	23,406
	<u>204,224</u>	<u>218,500</u>	<u>202,040</u>

Key Management Personnel (KMP) Compensation Disclosure

The total remuneration of KMP of the Town during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	915,327	964,082
Post-employment benefits	106,707	105,618
Other long-term benefits	26,314	14,468
Termination benefits	127,505	-
	<u>1,175,853</u>	<u>1,084,168</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent annual and long service leave 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

There were no Transactions between related parties during the 2018/2019 financial year.

Transactions between related parties and the Town 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.

19. RELATED PARTY TRANSACTIONS (Continued)

Related Parties

A *related party* is any person or entity that is related to the entity that is preparing its financial statements (referred to in the standard as the 'reporting entity'). Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Town

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.

TOWN OF BASSENDEAN
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21. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing	
	Balance (1)			Balance (1)			Balance	
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19	
	\$	\$	\$	\$	\$	\$	\$	
Law, order, public safety								
SES Funding	20,405	11,712	-	32,117	4,821	(36,938)	-	
Health								
Waste Grant	-	-	-	-	93,000	-	93,000	
Education and welfare								
HACC - Restricted Asset Replacement Funds	151,861	4,405	(27,153)	129,113	4,100	(10,430)	122,783	
HACC - Non-Recurrent Funding	9,333	30,000	(9,317)	30,016	-	(30,016)	-	
CACP Program	26,626	-	-	26,626	-	-	26,626	
HCP Program	13,020	744,776	(468,933)	288,863	399,570	(288,000)	400,433	
Ryde Program	-	3,614	-	3,614	-	-	3,614	
Long Day Care Training	8,356	-	(8,356)	-	-	-	-	
Community amenities								
Swan River Trust - Precinct Plan SRT_3634	1,560	-	-	1,560	-	-	1,560	
Recyclable Bags	1,200	-	(1,200)	-	-	-	-	
Recreation and culture								
Naidoc Day	10,000	10,000	(10,000)	10,000	10,000	(10,000)	10,000	
Broadband for Seniors	1,100	-	-	1,100	-	-	1,100	
Anzac Toe Drainage and Foreshore	40,300	-	(33,325)	6,975	-	(6,975)	-	
CCTV Grant	89,682	-	(89,682)	-	-	-	-	
Naidoc Day	5,000	5,000	(5,000)	5,000	5,000	(5,000)	5,000	
Swan Districts Business Case	-	25,000	-	25,000	-	-	25,000	
Swan Districts Business Case ¹	-	20,000	-	20,000	-	-	20,000	
Reconciliation Action Plan	5,000	-	(5,000)	-	-	-	-	
Naidoc Day	2,727	-	(2,727)	-	-	-	-	
Mens Shed	-	-	-	-	18,181	-	18,181	
Transport								
Whitfield Bike Boulevarde	-	-	-	-	1,020,000	-	1,020,000	
Other property and services								
LGIS - Building Damage	101,494	3,500	(101,494)	3,500	-	-	3,500	
Total	487,664	858,007	(762,187)	583,484	1,554,672	(387,359)	1,750,797	
Held in Unspent Grants Reserve	4	335,803	853,602	(735,034)	454,371	1,550,572	(376,929)	1,628,014
Held in HACC Asset Replacement Reserve	4	151,861	4,405	(27,153)	129,113	4,100	(10,430)	122,783
		487,664	858,007	(762,187)	583,484	1,554,672	(387,359)	1,750,797

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

22. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount	2019 Actual	2019 Budget	2018 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	
Early Payment Incentive	nil	-	-	5,000	Payment of Rates in full by due date to access prize draw.
		-	-	5,000	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	2019 Actual	2019 Budget	2018 Actual
		%	\$	\$	\$
Westcare Inc	Concession	50%	6,242	6,000	6,186
			6,242	6,000	6,186

22. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One	14/9/2018	0	5.50%	10.00%
Option Two	14/9/2018	0	0.00%	10.00%
	18/1/2019	12	5.50%	10.00%
Option Three	14/9/2018	0	0.00%	10.00%
	16/11/2018	12	5.50%	10.00%
	18/1/2019	12	5.50%	10.00%
	22/3/2019	12	5.50%	10.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	161,195	156,000	158,592
Interest on Pensioner Deferred Rates	8,502	7,500	7,451
Charges on instalment plan	67,212	69,000	67,032
	<u>236,909</u>	<u>232,500</u>	<u>233,075</u>

23. RATE SETTING STATEMENT INFORMATION

	2018/19 (30 June 2019 Carried Forward) \$	2018/19 Budget (30 June 2019 Carried Forward) \$	2018/19 (1 July 2018 Brought Forward) \$
(a) Non-cash amounts excluded from operating activities			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with Financial Management Regulation 32.</p>			
Adjustments to operating activities			
Less: Profit on asset disposals	-	(70,852)	(3,773)
Adjustments for Increase/ (decrease) in Local Government House Trust	(14,353)	-	-
Movement in pensioner deferred rates (non-current)	9,504	-	(11,579)
Movement in employee benefit provisions (non-current)	(74,672)	-	31,675
Movement in Employee Entitlement Reserve	(276,721)	10,405	12,878
Add: Loss on disposal of assets	5,227	59,586	59,590
Add: Depreciation on assets	3,507,677	3,316,368	3,284,278
Non cash amounts excluded from operating activities	3,156,662	3,315,507	3,373,069
(b) Surplus/(deficit) after imposition of general rates			
<p>The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with Financial Management Regulation 32 to agree to the surplus/(deficit) after imposition of general rates.</p>			
Adjustments to net current assets			
Less: Reserves - restricted cash	(6,957,012)	(5,572,411)	(5,710,258)
Less: - Financial assets at amortised cost - self supporting loans	(23,766)	-	(21,134)
Add: Borrowings	130,368	-	132,880
Total adjustments to net current assets	(6,850,410)	(5,572,411)	(5,598,512)
Net current assets used in the Rate Setting Statement			
Total current assets	13,418,401	11,103,572	12,483,546
Less: Total current liabilities	(5,879,178)	(6,550,205)	(5,983,918)
Unadjusted net current assets	7,539,223	4,553,367	6,499,628
Less: Total adjustments to net current assets	(6,850,410)	(5,572,411)	(5,598,512)
Add : Liabilites funded by Cash Backed Reserve	743,532	1,040,658	1,020,253
Net current assets used in the Rate Setting Statement	1,432,345	21,614	1,921,369

24. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2019					
Cash and cash equivalents	1.25%	7,960,795	-	7,960,795	-
Financial assets at amortised cost - term deposits	1.95%	4,394,507	4,394,507	-	-
2018					
Cash and cash equivalents	1.50%	3,072,201	-	3,072,201	-
Financial assets at amortised cost	2.76%	8,272,026	8,272,026	-	-

Sensitivity

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

	2019 \$	2018 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	79,608	30,722

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Town 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 Town does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

The Town's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Town 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 Town to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Town 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 Town applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

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

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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	785,846	325,083	-	-	1,110,929
Loss allowance	-	-	-	-	-

01 July 2018

Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	782,386	334,587	-	-	1,116,973
Loss allowance	-	-	-	-	-

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	1.84%	
Gross carrying amount	19,353	8,357	4,919	53,807	86,436
Loss allowance	-	-	-	743	743

01 July 2018

Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	1.84%	
Gross carrying amount	81,973	0	3,182	46,753	131,908
Loss allowance	-	-	-	789	789

Due to immateriality, the loss allowance has not been recognised in the financial report.

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	963,938	2,366,948	-	3,330,886	3,330,886
Borrowings	170,680	502,627	158,762	832,069	679,683
	1,134,618	2,869,575	158,762	4,162,955	4,010,569
2018					
Payables	1,379,901	2,221,267	-	3,601,168	3,601,168
Borrowings	182,422	547,530	283,156	1,013,108	811,380
	1,562,323	2,768,797	283,156	4,614,276	4,412,548

25. TRUST FUNDS

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

	1 July 2018	Amounts Received	Amounts Paid	30 June 2019
	\$	\$	\$	\$
Public Open Space	953,683	24,726	(250,000)	728,409
BRB Funds	4,952	43,290	(48,242)	-
	<u>958,635</u>	<u>68,016</u>	<u>(298,242)</u>	<u>728,409</u>

All bonds and deposits not required by legislation to be held in trust are included in restricted cash in Note 3 and shown as a current Liability in Note 12.

26. MAJOR LAND TRANSACTIONS

The Town did not participate in any major land transactions during the 2018/2019 financial year.

27. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Town did not participate in any trading undertakings or major trading undertakings during the 2018/2019 financial year.

28. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There have been no material events after the reporting period which would affect the financial report of the Town of Bassendean for the year ended 30th June 2019 or which would require additional disclosure.

29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Town applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements, as the amount is considered immaterial. In accordance with AASB 9.7.2.15, the Town has not restated the comparative information which continues to be reported under AASB 139.

(a) Classification and measurement

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

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

29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

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

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

AASB 139 category	Financial Assets		AASB 9 Category	
	AASB 139 value	at amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
Loans and receivables				
Trade receivables*	1,315,438	1,315,438	-	-
Loans and advances	248,877	248,877	-	-
	<u>1,564,315</u>	<u>1,564,315</u>	-	-

* Excludes GST Receivable

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Town's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Town to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Town calculated an additional impairment on the Town's Trade receivables of \$789 which is not considered material and has no impact on the surplus/(deficit) as at 1 July 2018. Therefore no adjustment was made to retained surplus on account of impairment at 1 July 2018.

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

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Town. The Standards and Interpretations that were issued but not yet effective for the year ended 30th June 2019 are listed below. At the date of authorisation of the financial statements, the Town has not yet fully assessed the impact of these new or amended standards and interpretations, to the extent relevant.

Title	Issued / Compiled	Applicable (1)	
(i) 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.
(ii) 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.
(iii) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are: <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.

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

31. 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 Town's operational cycle. In the case of liabilities where the Town 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 Town'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 Town 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 Town contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Town contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Town 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 Town 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 Town 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 Town 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 Town's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

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

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

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

32. ACTIVITIES/PROGRAMS

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

PROGRAM NAME

ACTIVITIES

GOVERNANCE

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

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Food quality and pest control, immunisation services, inspection of public buildings and operation of child health services.

EDUCATION AND WELFARE

Provision, management and support of educational services at the pre-school level and assistance to schools. The provision, management and support of welfare services for families, youth, children and the aged within the community.

COMMUNITY AMENITIES

The provision of sanitation (waste management), stormwater drainage, town and regional planning and development, the provision of rest rooms and protection of environment.

RECREATION AND CULTURE

Provision of facilities, and support of organisations concerned with leisure time activities and sport. This includes the provision of leisure programs, halls and community centres, libraries, historical sites, recreation centres, parks, gardens and sportsgrounds.

TRANSPORT

The construction and maintenance of streets, roads, bridges, footpaths and cycle ways.

ECONOMIC SERVICES

Regulation support and/or provision of such services as tourism, area promotion and building control.

OTHER PROPERTY AND SERVICES

Private works, public works overheads, plant operations and other revenues and expenses not elsewhere classified.

33. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.48	1.66	1.78
Asset consumption ratio	0.69	0.72	0.72
Asset renewal funding ratio	1.00	1.00	1.00
Asset sustainability ratio	0.26	0.48	0.42
Debt service cover ratio	8.78	15.02	12.95
Operating surplus ratio	(0.10)	(0.03)	(0.05)
Own source revenue coverage ratio	0.79	0.83	0.82

The above ratios are calculated as follows:

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

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Town of Bassendean

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Town of Bassendean:

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

Basis for Opinion

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 Town 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 Town'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 Town 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 Town'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 Town.

The Council is responsible for overseeing the Town'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 Town'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 Town'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 matters indicate significant adverse trends in the financial position of the Town:

- a. The Asset Sustainability Ratio and the Operating Surplus Ratio have been below the Department of Local Government, Sport and Cultural Industries standard for the past three years.

The financial ratios are reported in Note 33 of the financial report.

- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Town for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2018 in Note 33 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 Town of Bassendean for the year ended 30 June 2019 included on the Town's website. The Town's management is responsible for the integrity of the Town's website. This audit does not provide assurance on the integrity of the Town'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
DEPUTY AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Delegate of the Auditor General for Western Australia
Perth, Western Australia
November 2019



Certified Practising Accountants



Town of Bassendean

Audit Completion Report to the
Audit Committee
For the Year Ended 30 June 2019

27 November 2019

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1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: “*Communication with Those Charged with Governance*”, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan discharges the requirements of the Auditing Standard.

This report has been prepared for the Council via its Audit Committee to summarise the significant matters that have arisen from our year-end audit of the Town of Bassendean for the year ended 30 June 2019.

1.1 Status of Audit

Our audit fieldwork at the Town of Bassendean for the financial year ended 30 June 2019 has been completed.

1.2 Deliverables

Output	Timing
External Audit Plan	21 February 2019
Interim Audit Management Letter	23 July 2019
Present the Audit Completion Report to the Audit Committee	27 November 2019
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the Town of Bassendean's accounts in line with current Australian Auditing Standards and we will be recommending to the Office of the Auditor General (OAG) an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the Town of Bassendean

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

Under " Report on Other Legal and Regulatory Requirements" of the Audit Report, we have reported that the following material matter indicates significant adverse trends in the financial position of the Town:

The asset sustainability ratio and the operating surplus ratio as reported in Note 33 of the audited financial report have been below the Department of Local Government, Sport and Cultural Industries standard for the past three years.

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Town of Bassendean's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition prevent Councils from recording unexpended untied grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut – off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p>
2	Contingent Liabilities	<p>Audit procedures included discussions with management, review of council minutes and solicitor's representation letters to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>
3	Related Party Disclosures	<p>AASB 2015-6 Amendments to Australian Accounting Standards – Extends Related Party Disclosures to Not – for – Profit Public Sector Entities. The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not – for-profit sector entities.</p> <p>Audit procedures included discussions with management and review of related party disclosure forms completed by the key management personnel which includes Councillors.</p>
4	Changes to Local Government (<i>Financial Management</i>) Regulations	<p>As a result of an amendment to the Local Government (<i>Financial Management</i>) Regulations 1996 that became applicable to the 2018-19 financial year, the Town was required to expense assets with a fair value of less than \$ 5,000 at the time of acquisition. This resulted in a change in accounting policy and therefore, adjustments to the Annual Financial Report had to be made with retrospective effect.</p> <p>At this date, we are satisfied with the adjustments and the relevant disclosures the Town has made in the Annual Financial Report in this regards.</p>

5	New Accounting Standards that became applicable in the 2018-19 financial year.	<p>AASB 9 – Financial Instruments became applicable for the first time in the 2018-19 financial year.</p> <p>Audit procedures included discussions with management as to its impact on the Annual Financial Report as well as the calculations performed in order to comply with requirements of the new standard. We have verified the calculations performed by the Town and at this date, we are satisfied that the Town has complied with the requirements of AASB 9 – Financial Instruments.</p>
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We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Town of Bassendean's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for Town of Bassendean's current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

Our follow up indicates that the management comments for the interim audit visit conducted during the financial year ended 30 June 2019 have been implemented.

5. Key Findings during Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a few key focus areas as outlined in Section 3 above. No other accounting and audit issues were noted during the course of our year-end fieldwork.

6. Specific Required Communications

The Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Bassendean including new pronouncements adopted during the year, are appropriately described in the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2019 other than the policy on Financial Instruments which had to be amended to fall in line with the requirements of AASB 9 which replaced AASB 139 effective for reporting periods beginning 1 July 2018, and the policy on asset capitalisation threshold which is described below. The impact of AASB 9 on the financial position of the Town was considered immaterial. Consequently, no adjustments were made to the retained surplus at 1 July 2018.
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. ➤ A few disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ A few financial adjustments were raised through our audit work which have been addressed.

<p>Significant Weaknesses in Internal Controls</p>	<ul style="list-style-type: none"> ➤ Two significant weaknesses in internal control were identified during our interim phase of the audit. They were: <ul style="list-style-type: none"> • Unrestricted access to payroll module • No formal process in place to review user access rights and segregation of duties. ➤ Refer to our Interim Management Letter for details.
<p>Disagreements with management</p>	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as:</p> <ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.
<p>Fraud and Illegal Acts</p>	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
<p>Compliance with laws and regulations</p>	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations. ➤ We have also received representations from management confirming that the Town is in compliance with all laws and regulations that impact the Town.

<p>Threshold to Capitalise Assets</p>	<ul style="list-style-type: none"> ➤ With effect from 1 July 2018 in accordance with the amendment to the Local Government (Financial Management) Regulations 1996, which was gazetted on 26 June 2018, the Town should capitalise assets in excess of \$ 5,000 only. <p>Therefore, it needed to make a retrospective adjustment in the 2018/19 financial year in respect of capital assets costing less than \$ 5,000 which had been capitalised in the past as this change of accounting treatment resulted in a change in accounting policy. However, no retrospective adjustment was made as the total amount was \$ 5,227 and it was considered immaterial as disclosed in Note 10 to the Annual Financial Statement.</p>
<p>Books and records and conduct of the audit</p>	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
<p>Other Information in Documents Containing Audited Financial Statements</p>	<ul style="list-style-type: none"> ➤ The financial statement audit opinion relates only to the financial statements and accompanying notes. ➤ However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements. Once the annual report is prepared and provided to us, we will review the Annual Report for consistency between the audited financial statements and other sections of that document.
<p>Related Party Transactions</p>	<ul style="list-style-type: none"> ➤ None of which we are aware other than what is disclosed in Note 19 to the financial statements.
<p>Major Issues Discussed with Management in Connection with Initial or Recurring Retention</p>	<ul style="list-style-type: none"> ➤ Refer to "Threshold to Capitalise Assets" under reporting requirement.
<p>Going concern</p>	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.
<p>Independence</p>	<ul style="list-style-type: none"> ➤ We confirm that, as the date of this report, we are independent having regard to professional rules and relevant statutory requirements regarding auditor independence. ➤ During the year ended 30 June 2019, our office has not provided any non-audit services to the Town of Bassendean.

7. Disclaimer

This report has been prepared for the Audit Committee and management of Town of Bassendean only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Town of Bassendean.

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Town of Bassendean

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Town of Bassendean:

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

Basis for Opinion

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 Town 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 Town'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 Town 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 Town'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 Town.

The Council is responsible for overseeing the Town'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 Town'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 Town'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 matters indicate significant adverse trends in the financial position of the Town:

- a. The Asset Sustainability Ratio and the Operating Surplus Ratio have been below the Department of Local Government, Sport and Cultural Industries standard for the past three years.

The financial ratios are reported in Note 33 of the financial report.

- (ii) All required information and explanations were obtained by me.
(iii) All audit procedures were satisfactorily completed.
(iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Town for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2018 in Note 33 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 Town of Bassendean for the year ended 30 June 2019 included on the Town's website. The Town's management is responsible for the integrity of the Town's website. This audit does not provide assurance on the integrity of the Town'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
DEPUTY AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Delegate of the Auditor General for Western Australia
Perth, Western Australia
November 2019

**TOWN OF BASSENDEAN
FINAL ANALYTICAL REVIEW
INCOME AND EXPENSES
FOR THE YEAR ENDED 30TH JUNE 2019**

All material variances (ie greater than +/-5%) should be explained.

	2019 Actual \$	2019 Budget \$	Variance (\$) Actual 2019 /Budget	Variance (%) Actual 2019 /Budget	Variance Explanation #
Revenue					
Rates	13,125,890	13,173,005	(47,115)	-0.36%	
Operating grants, subsidies and contributions	2,934,732	2,776,326	158,406	5.71%	Additional income from Road Grants
Fees and charges	6,220,530	5,968,203	252,327	4.23%	
Interest earnings	519,008	459,345	59,663	12.99%	Earnings on Investments higher than anticipated
Other revenue	524,212	441,408	82,804	18.76%	TOB Share in EMRC brought to account
	<u>23,324,372</u>	<u>22,818,287</u>	<u>506,085</u>		
Expenses					
Employee costs	(12,723,399)	(11,882,476)	840,923	7.08%	Termination pays \$226,604/Increased accrued superannuation
Materials and contracts	(7,197,066)	(8,337,538)	(1,140,472)	-13.68%	Significant underexpenditure in this category
Utility charges	(660,898)	(736,314)	(75,416)	-10.24%	Budgeted Utility Costs less than expected
Depreciation on non-current assets	(3,507,677)	(3,316,368)	191,309	5.77%	Higher than budgeted due to asset revaluations in June 2018
Interest expenses	(48,563)	(49,688)	(1,125)	-2.26%	
Insurance expenses	(464,998)	(439,889)	25,109	5.71%	Premiums more than anticipated
Other expenditure	(1,143,054)	(1,340,439)	(197,385)	-14.73%	Underexpenditure in this category
	<u>(25,745,655)</u>	<u>(26,102,712)</u>	<u>357,057</u>		
Operating Result from Continuing Operations					
	(2,421,283)	(3,284,425)	863,142		
Depreciation	3,507,677	3,316,368	(191,309)	5.77%	Higher than budgeted due to asset revaluations in June 2018
Movement in Deferred pensioners	9,504	-	(9,504)	100.00%	No budget allocation
Movement in Employee benefit provisions	(74,672)	10,405	85,077	-81.65%	Decrease in employees current leave entitlements Dependent on timing of Projects. Dept of Transport funding for bike boulevard, cash in lieu funds, Lotterywest grant for Men Shed - not yet received
Non-operating grants, subsidies Contributions	1,477,679	2,382,964	(905,285)	-37.99%	
Profit on asset disposals	-	(70,852)	70,852	-100.00%	Profit on Disposal of Plant less than anticipated
(Loss) on asset disposals	5,227	59,586	54,359	-91.23%	Loss on Disposal of Plant less than anticipated
Employee Cash backed provisions	(276,721)	-	(276,721)	100.00%	No budget allocation
	<u>4,648,694</u>	<u>5,698,471</u>	<u>(1,172,531)</u>		
Capital Expenditure					
Repayment of Debentures	(131,697)	(132,880)	1,183	-0.89%	
Purchase of Property, Plant & Equipment	(200,315)	(1,904,200)	1,703,885	-89.48%	Capital works not yet complete
Purchase of Construction of Infrastructure	(1,157,619)	(3,087,015)	1,929,396	-62.50%	Capital works not yet complete
	<u>(1,489,631)</u>	<u>(5,124,095)</u>	<u>3,634,464</u>		
Capital Revenue					
Proceeds from Disposal of Assets	-	897,300	(897,300)	-100.00%	Sale of land did not proceed
Proceeds from Self Supporting Loans	19,951	21,134	(1,183)	-5.60%	Proceeds less than anticipated
	<u>19,951</u>	<u>918,434</u>	<u>(898,483)</u>		
Transfers					
Transfers to Reserves	(2,254,247)	(1,248,204)	(1,006,043)		
Transfers from Reserves	1,007,493	1,414,500	(407,007)		
	<u>(1,246,754)</u>	<u>166,296</u>	<u>(1,413,050)</u>		
Opening Surplus	1,921,369	1,646,933	274,436		
Net Current Assets as at 30 June 2019	<u>1,432,345</u>	<u>21,614</u>	<u>1,287,978</u>		