

# Shire of West Arthur Annual Report 2016-2017



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## **1. Shire President's Report**

The large building program for the Shire of West Arthur continued into the 2016/17 year with completion of the Darkan Town Hall renovations, the commencement of the Health and Resource Centre expansion and the completion of the additional three aged persons units in Burrowes Street for West Arthur Cottages Homes. The units were part of a joint project with the 4WDL VROC and partially funded through the State Government's Royalties for Regions Southern Inland Investment Initiative. The Shire provided West Arthur Cottage Homes with a self-supporting loan for the unfunded expenditure on the units.

The landscaping works were completed at the Darkan Caravan Park and we continue to receive great reviews from park visitors. The Shire will consider the construction of one or more additional chalets in the future if demand continues.

Landcorp commenced the Darkan light industrial area extension in Growden Place and the Shire issued planning approval for the development of a 24 hour fuel service on two of the developed lots.

After the temporary closure of the Darkan Swimming Pool, due to cracked water pipes in the 2015/16 summer, the community welcomed the opportunity to be able to use the pool during the 2016/17 year. The synthetic lawn and additional shade provided through the Community Pools Revitalisation Program were greatly appreciated and the funding also assisted with the replacement of fencing and the pool blanket.

A number of plans were updated through the year including the Lake Towerrinning Management Plan, the Landcare Plan, Youth Friendly Plan, and Aged Friendly Plan. These plans and further community consultation fed into the major review of the Shire's Corporate and Community Plans which were completed in June 2017.

A few other minor infrastructure renewal projects happened through the year including a new water tank for the Darkan oval supply and new barbecues for the Lake. The nature play/youth area redevelopment commenced in the Darkan Railway Reserve with the support of West Arthur Lions, Wheatbelt Development Commission and Department of Infrastructure and Regional Development's Stronger Communities programme. The new nature play area was used for the inaugural West Arthur Cultural Day which was also a great success

Development of concept plans and community consultation was undertaken for the museum project from the Estate of Betty Edith Brown. The museum will be opened in late 2018 after the opening of the Health and Resource Centre extension.

The annual Australia Day Breakfast was held at beautiful Lake Towerrinning. Congratulations to award recipients Pam Wales, Citizen of the Year; West Arthur Community Gym, Community Group Award; and Paige Nelson, Young Citizen of the Year.

I acknowledge my Deputy, Kevin King, and elected members, Chief Executive, Nicole Wasmann, and Shire staff for their support and commitment to the Shire through the year.

Ray Harrington OAM  
**Shire President**

## 2. Councillors

Councillors	Roles
<b>Cr Ray Harrington OAM (President)</b> Elected to Office in 2007 Retiring 2019	Central Country Zone WALGA, Audit Committee, Local Emergency Management Committee, Roadwise Committee, Plant Committee, 4WDL Voluntary Regional Organisation of Councils, Senior Staffing Committee, Aged Persons Housing Committee , and Sub Group of Regional Road Group..
<b>Cr Kevin King (Deputy President)</b> Elected to Office in 2005 Retiring 2017	Tidy Towns Sustainable Communities Committee, Audit Committee, Local Emergency Management Committee, Roadwise Committee, Swimming Pool Committee, Senior Staffing Committee, and Sub Group of Regional Road Group.
<b>Cr Rodney Hulse</b> Elected to Office in 2009 Retiring 2017	Plant Committee, West Arthur Sports Advisory, Aged Persons Housing Committee, 4WDL Voluntary Regional Organisation of Councils, Lake Towerrinning Strategic Planning Consultation, and West Arthur Community Resource Centre.
<b>Cr Neil Manuel</b> Elected to Office in 2009 Retiring 2017	Building Committee, Community Housing Panel and proxy to Central Country Zone WALGA.
<b>Cr Michael Meredith</b> Elected to Office in 2003 Retiring 2019	Bushfire Advisory Committee, Plant Committee, and Senior Staffing Committee.
<b>Cr Karlene Goss</b> Elected to Office in 2013 Retiring 2017	Building Committee, Audit Committee, West Arthur Cottage Homes, Aged Persons Housing Committee.
<b>Cr Andrew Clarke</b> Elected to Office in 2015 Retiring 2019	Building Committee, Arthur River Development Committee and proxy to Development Assessment Panel

### Meeting Attendance

COUNCILLOR	ORDINARY MEETING	SPECIAL MEETING	ANNUAL ELECTORS
Cr R Harrington	8	0	1
Cr K King	10	1	1
Cr R Hulse	11	1	1
Cr N Manuel	9	1	1
Cr M O Meredith	11	1	1
Cr K Goss	11	1	1
Cr A Clarke	6	1	1

### **3. Chief Executive Officer's Report**

The Shire commenced the 2016/17 financial with a carried forward surplus of \$1,206,058, of which \$719,401 was carried forward grants. Income of \$6,949,808 was received, including \$1,566,941 rates (an increase of 3% on the previous year). The Shire's total operating expenditure was \$5,323,375 and the capital expenditure was \$2,764,568. Capital expenditure included \$1,586,866 spent on roads and bridges, \$485,166 on the expansion of the Health and Resource Centre, \$54,111 on the Darkan Town Hall, and \$548,136 on plant purchases.

At the end of the financial year, the Shire had a surplus of \$1,785,817 which included \$727,541 unspent grants, \$493,715 grants received in advance, \$248,500 budgeted works not completed, and \$316,061 of savings from budgeted materials and employee costs. The \$316,061 savings were transferred to the building reserve in the 2017/18 budget to assist with future building projects.

A flooding event in the upper catchment in February caused minor damage to some of the Shire's infrastructure including Glenorchy Bridge, Quill Road, Rutherford Road and Eulin Crossing. WANDRA funding is anticipated to help with repair costs.

For the past three years, the Shire has shared a Community Emergency Services Manager with Wagin and Woodanilling. Wagin decided to withdraw from the shared arrangement towards the end of the agreement and, as we were unable to find an additional partner within our region to share the cost, West Arthur withdrew from the program in June 2017. The Shire adopted a Bush Fire Risk Management Plan which will be used to assist with bush fire mitigation measures moving forward.

Funding from the Department of Local Government was received for a planning trainee and a scholarship for one of Kids Central staff.

The Blackwood Basin Group was engaged to deliver landcare in the Shire and manage our Groundworks project funded by the South West Catchment Council. We were fortunate to attract additional landcare funding for the Darkan Primary School and a private land owner adjacent to Lake Towerrinning.

The Shire assisted a number of local groups with support and funding including a donation towards the water tank for Classic Motocross at Hillman Track, funding for a water tank for the Moodiarrup Bowling Club and a contribution towards a submersible pump for the Football Club septic system.

Shire staff are congratulated on their achievements over what has been an extremely busy and productive year. Thank you to the Shire President, Ray Harrington, and councillors for your ongoing support to staff and myself.

Nicole Wasmann  
**Chief Executive Officer**

## 4. Principal Officers and Council Information

<b>Chief Executive Officer</b>	Nicole Wasmann
<b>Deputy Chief Executive Officer</b> (job shared)	Maxine McKenzie Melinda King
<b>Works Manager:</b>	Bill Owen
<b>Administration Office:</b>	Cnr Burrowes and Butler Street DARKAN WA 6392
<b>Postal Address:</b>	31 Burrowes Street DARKAN WA 6392
<b>Telephone:</b>	(08) 9736 2222
<b>Facsimile:</b>	(08) 9736 2212
<b>Email:</b>	<a href="mailto:shire@westarthur.wa.gov.au">shire@westarthur.wa.gov.au</a>
<b>Web:</b>	<a href="http://www.westarthur.wa.gov.au">www.westarthur.wa.gov.au</a>

## 5. Organisation Structure



## 6. Strategic Plan

The Shire of West Arthur completed a major review of the Strategic Community Plan 2017-2027 and Corporate Business Plan in 2017-2021 in June 2017.

Our Corporate Vision is “In 2027 the Shire of West Arthur will be a sustainable local government supporting a vibrant community”.

Our Corporate Mission is “To value and enhance our community lifestyle and environment through strong local leadership, community involvement and effective service delivery”.

The Strategic Community Plan is the Shire’s long-term strategic planning document outlining the Shire’s commitment to achieving the vision and aspirations of the community. It is subject to a minor review every two years and a major review every four years.

The Corporate Business Plan document translates the strategic direction of the Shire into specific priorities and actions as well as drawing together actions from the Shire’s informing strategies. It informs the annual planning and budgeting process.

The Plans are broken down into five areas. Below is an outline of the Plans goals and major initiatives that are proposed to commence or continue in the 2017/18 financial year.

**Community Well Being:** A safe and enabling place to live with a strong sense of identity and a thriving, active culture.

Ongoing actions and initiatives include:

- Safety, emergency preparedness and bushfire brigade support including harvest and vehicle movement bans, managing emergency services levy, employment of a Community Emergency Services Manager (not to be continued in 2017/18 but will reconsider in future if there is an option available), review and management of Local Emergency Management Arrangements and Local Recovery Plans, coordinate Local Emergency Management Committee, bush fire risk management planning with the support of the DFES, and regular communication with local police.
- Health and aged services including employment of a senior’s support officer, supporting West Arthur Cottage homes, subsidising and supporting medical services to be provided locally, seniors outings and activities, review of Disability Access and Inclusion Plan, supporting HACC,
- Kids central childcare, Youth Week activities and events for young people and children.
- Organising and supporting community events including the annual Australia Day breakfast, cultural event focussing on Australian and New Zealand indigenous cultures, and funding available to support other activities.
- Six community housing units specifically for employees of local industry and people on low incomes.
- Community financial assistance program to assist sporting and community groups, and the use of shire staff at cost for community works.
- Supporting the Community Resource Centre(CRC) including the provision of free rent in the Health and Resource Centre building and funding for the CRC to manage the library and to support medical services.
- Operating the Darkan Swimming Pool.

- Providing and maintaining playgrounds, parks and recreation facilities including the Darkan football oval, playgrounds and public open space in Darkan and Duranillin and facilities at Lake Towerrinning.
- Assisting our community to look after our historical assets including 6 Mil Cottage, Duranillin School, Glenorchy School, Arthur River precinct, and Bowelling and Darkan railway precincts.

Major initiatives:

- Completion of the aged persons units.
- Completion of renovations to the Darkan Town Hall to house the Community Gym.
- Development of a museum which will be incorporated into the Health and Resource building extensions/renovations and be housed in the Roads Board building.
- Expansion of the West Arthur Health and Resource Centre – completed in 2017/18.
- Darkan Nature Play and youth area redevelopment – commenced and ongoing.
- Darkan cemetery – unmarked graves project to be completed in 2017/18.
- Improvements to paths and water outlet at Lake planned for 2017/18 and subject to funding.

**Built Environment:** The Shire of West Arthur will have well maintained infrastructure that supports the community and the economy.

Ongoing actions and initiatives include:

- Regular review of the plant replacement program. In 2016/17 the Shire purchase a new and a second hand truck and a loader. In 2017/18 planned purchases are a second hand pad foot roller and a grader.
- Ongoing maintenance of the Shire's road network.
- Advocacy with Main Roads regarding the impact on infrastructure and road safety of increased grain cartage on our roads.
- Road funding submissions to Main Roads Regional Road Group and the Federal Government's Roads to Recovery program.
- Maintenance of buildings and facilities.

Major initiatives:

- Road construction program – 2016/17 was \$1.59 million.

**Natural Environment:** The Shire of West Arthur will maintain its biodiversity and natural heritage and ensure responsible land and water use to preserve the environment for future generations.

Ongoing actions and initiatives include:

- Operation of the Darkan and Duranillin (key access only) Refuse Sites, providing a recycling collection service to kerbside and at strategic locations, providing a waste collection service, providing a drummuster collection service is available on request.
- Supporting the Tidy Towns Sustainable Communities Committee including provision of an elected member and Shire officer to the Committee.

- Monitoring of weeds on Shire managed lands and eradication where required.
- Supporting the provision of landcare support through the Blackwood Basin Group (BBG).

Major initiatives:

- Audit of the Shire to determine the immediate water requirements. This outlined several areas where water could be harvested. The redevelopment of the Kylie Dam was seen as the most feasible project in the short term and therefore a grant application was submitted to Department of Water. If this grant gets accepted it will enable water to be gravity fed from a redeveloped railway dam to a 250,000L tank at Kylie Siding. The water would then be available for fire fighting supplies and emergency stock water supplies. The dam can hold up to 22 million litres of water so will provide a significant water supply to the eastern part of the Shire.

**Local Economy:** The Shire of West Arthur will be a vibrant, sustainable and growing community with active business and agriculture sectors.

Ongoing actions and initiatives include:

- Ongoing management and improvements to Darkan Caravan Park.
- Maintaining the appearance of the townsites.

Major initiatives:

- Development of the light industrial area with Landcorp.
- Completion of the Darkan Information Bay is planned for 2017/18
- Completion of signage for the Collie Darkan Rail Trail
- Enterprising communities workshops and planning with the support of Regional Development Australia Wheatbelt.

**Governance and Organisation:** Through strong leadership and responsible, ethical management the best outcomes will be achieved in partnership with the people of the Shire.

Ongoing actions and initiatives include:

- Continuing to work towards the improvement of the Shire's Integrated Planning and Reporting. A full review of the Community and Corporate plans was undertaken.
- Continuing to provide a flexible workplace and staff housing, and encourage and support learning and development opportunities.
- Involvement in the 4WDL Voluntary Regional Organisation of Councils.
- Provision of information to the public through the Bleat, Shire's website, Facebook and the CRC's Community Newsletter.
- Encouraging local sporting groups to plan for asset renewal and upgrade through reserve funds matched dollar for dollar by the Shire. Arthur River Country Club and the Darkan Sport and Community Centre continued to utilise this program. The Moodiarrup Sports Complex Inc. joined the program in 2016/17.

## 7. Statutory Reporting Requirements

### National Competition Policy

The application of national competition policy in Western Australian local governments is guided by the Clause 7 Statement which requires annual reporting of the implementation, application and effects of NCP principles as well as structural reform of public monopolies and legislative review.

#### **(a) Competitive Neutrality**

The objective of competitive neutrality involves the introduction of measures effectively to remove any **net** competitive advantages arising simply as a result of local government ownership of business entity. Local government is only required to implement the principles of competitive neutrality to the extent that the benefits to be realised from implementation outweigh the costs in respect of individual business activities exceeding \$500,000 annual income.

The Shire did not undertake any activities or functions in 2016/2017 year that met the financial benchmark.

#### **(b) Structural Reform of Public Monopolies**

The Shire does not have any activities or functions that are considered to be public monopolies and did not privatise any of its activities or functions in 2016/2017.

#### **(c) Legislative Review**

All local laws have been reviewed for compliance with NCP and all amendments to existing and all future local laws are monitored to ensure no anti-competitive practices are included.

### Disability Access and Inclusion Plan (DAIP)

In accordance with legislation, the Shire of West Arthur must report on the implementation of the Disability Services Plan each year in its Annual Report. The plan ensures that people with disabilities can access Council facilities, functions and services.

A new plan must be prepared every five years.

Council adopted the Shire of West Arthur Disability Access and Inclusion Plan 2012-2017 at the December 2012 Ordinary Council meeting which was then submitted to the Disability Services Commission in December 2012. Research and consultation for the 2017-2022 Plan has commenced.

Status of outcomes in the 2016/2017 report period:

- **Consultation-** The community is encouraged participate in consultation regarding council's future plans for services and facilities by methods including the survey made available in various formats.
- **Library services** - Overdrive and Borrow Box are now available at the library enabling free and easy access to audio books.
- **Customer Service** – Customer service and awareness are a continual process and are addressed in inductions when new staff commence.
- **Alternative Format** - All publications are available in larger print or an alternative format on request.

- **Public Facilities-** The Health and Resource Centre expansion plans meet the legal requirements for access, including planning for carparks as part of the redevelopment, construction has commenced.

### **Complaints Register**

Section 5.121 of the Local Government Act 1995 requires the Annual Report to contain details of the entries made in the Complaints Register regarding complaints about elected members. There were no complaints recorded in the register of complaints in the year under review.

### **State Records Act**

The Shire of West Arthur record keeping plan has been prepared to ensure compliance with Section 19 of the State Records Act 2000. A review of the Shire of West Arthur's Recordkeeping Plan was undertaken in 2016.

### **Freedom of Information Statement**

In complying with the Freedom of Information Act 1992, the 2016/17 Shire of West Arthur is required to prepare and publish an information statement. The Shire's Information Statement was updated in December 2015 and a copy is available from the Shire Office and Shire website. The Shire had no Freedom of Information requests in the 2016/17 year.

### **Employee Remuneration**

The number of employees of the Shire entitled to an annual salary of \$100,000 or more:  
\$110,000-\$120,000 One employee.

## **8. Annual Financial Report Including Independent Audit Report**

A full copy of the audited Annual Financial Statements for the Shire of West Arthur is included in this Report on the following pages.

**SHIRE OF WEST ARTHUR**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

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Principal place of business:  
31 Burrowes Street  
DARKAN WA 6392

**SHIRE OF WEST ARTHUR  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**LOCAL GOVERNMENT ACT 1995  
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 18                      day of December                      2017



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Nicole Wasmann  
Chief Executive Officer

**SHIRE OF WEST ARTHUR**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 \$	2017 Budget \$	2016 \$
<b>Revenue</b>				
Rates	23	1,566,941	1,563,465	1,517,126
Operating grants, subsidies and contributions	30	2,957,140	2,286,667	1,018,080
Fees and charges	29	346,714	340,105	317,827
Interest earnings	2(a)	102,667	113,512	127,182
Other revenue	2(a)	628,968	114,572	221,933
		<u>5,602,430</u>	<u>4,418,321</u>	<u>3,202,148</u>
<b>Expenses</b>				
Employee costs		(1,586,795)	(1,745,528)	(1,614,997)
Materials and contracts		(1,673,067)	(2,137,238)	(1,016,377)
Utility charges		(70,943)	(68,021)	(67,297)
Depreciation on non-current assets	2(a)	(1,845,453)	(1,856,368)	(1,835,619)
Interest expenses	2(a)	(32,487)	(32,487)	(33,691)
Insurance expenses		(89,110)	(109,103)	(80,101)
Other expenditure		(25,520)	(35,276)	(57,379)
		<u>(5,323,375)</u>	<u>(5,984,021)</u>	<u>(4,705,461)</u>
		279,055	(1,565,700)	(1,503,313)
Non-operating grants, subsidies and contributions	30	1,347,378	1,564,418	1,282,665
Profit on asset disposals	21	0	17,787	1,005
(Loss) on asset disposals	21	(63,377)	0	(219,269)
Fair value adjustments to financial assets at fair value through profit or loss	4	(84,826)	0	0
(Loss) on revaluation of plant and equipment	7(b)	0	0	(28,134)
<b>Net result</b>		<b>1,478,230</b>	<b>16,505</b>	<b>(467,046)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets - Land and Buildings	13	(24,593)	0	0
Changes on revaluation of non-current assets - Infrastructure Other	13	102,116	0	0
<b>Total other comprehensive income</b>		<b>77,523</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>1,555,753</b>	<b>16,505</b>	<b>(467,046)</b>

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

**SHIRE OF WEST ARTHUR**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 \$	2017 Budget \$	2016 \$
<b>Revenue</b>	2(a)			
Governance		400	200	289
General purpose funding		3,403,653	2,918,178	2,086,759
Law, order, public safety		139,588	130,300	141,907
Health		6,708	6,400	6,173
Education and welfare		144,889	143,400	143,759
Housing		1,254,711	760,866	280,528
Community amenities		101,374	48,000	131,543
Recreation and culture		215,640	185,437	127,971
Transport		155,847	115,500	125,481
Economic services		33,106	37,280	44,152
Other property and services		146,514	72,760	113,586
		<u>5,602,430</u>	<u>4,418,321</u>	<u>3,202,148</u>
<b>Expenses</b>	2(a)			
Governance		(273,981)	(332,544)	(247,572)
General purpose funding		(80,713)	(81,494)	(76,309)
Law, order, public safety		(225,563)	(242,996)	(270,021)
Health		(85,452)	(136,121)	(88,792)
Education and welfare		(223,030)	(267,403)	(280,612)
Housing		(1,143,985)	(1,215,985)	(461,968)
Community amenities		(292,777)	(272,894)	(224,218)
Recreation and culture		(666,150)	(856,232)	(672,536)
Transport		(2,007,229)	(2,365,899)	(2,059,853)
Economic services		(117,876)	(140,518)	(152,852)
Other property and services		(174,132)	(39,448)	(137,037)
		<u>(5,290,888)</u>	<u>(5,951,534)</u>	<u>(4,671,770)</u>
<b>Finance costs</b>	2(a)			
Housing		(24,598)	(24,598)	0
Community amenities		0	0	(26,737)
Economic services		(3,016)	(3,016)	(1,355)
Other property and services		(4,873)	(4,873)	(5,599)
		<u>(32,487)</u>	<u>(32,487)</u>	<u>(33,691)</u>
		279,055	(1,565,700)	(1,503,313)
Non-operating grants, subsidies and contributions	30	1,347,378	1,564,418	1,282,665
Profit on disposal of assets	21	0	17,787	1,005
(Loss) on disposal of assets	21	(63,377)	0	(219,269)
Fair value adjustments to financial assets at fair value through profit or loss	4.	(84,826)	0	0
(Loss) on revaluation of plant and equipment	7(b)	0	0	(28,134)
<b>Net result</b>		<u>1,478,230</u>	<u>16,505</u>	<u>(467,046)</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets - Land and Buildings	13	(24,593)	0	0
Changes on revaluation of non-current assets - Infrastructure Other	13	102,116	0	0
<b>Total other comprehensive income</b>		<u>77,523</u>	<u>0</u>	<u>0</u>
<b>Total comprehensive income</b>		<u>1,555,753</u>	<u>16,505</u>	<u>(467,046)</u>

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

**SHIRE OF WEST ARTHUR  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2017**

	NOTE	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	3,962,273	2,808,594
Trade and other receivables	5	343,199	558,091
Inventories	6	13,293	29,143
<b>TOTAL CURRENT ASSETS</b>		<u>4,318,765</u>	<u>3,395,828</u>
<b>NON-CURRENT ASSETS</b>			
Other receivables	5	445,392	0
Investments	4	46,400	131,226
Property, plant and equipment	7	15,730,186	15,264,337
Infrastructure	8	97,219,843	96,788,653
<b>TOTAL NON-CURRENT ASSETS</b>		<u>113,441,821</u>	<u>112,184,216</u>
<b>TOTAL ASSETS</b>		<u>117,760,586</u>	<u>115,580,044</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	509,617	344,634
Current portion of long term borrowings	10	81,649	53,691
Provisions	11	406,591	354,035
<b>TOTAL CURRENT LIABILITIES</b>		<u>997,857</u>	<u>752,360</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	10	892,578	504,227
Provisions	11	39,645	48,704
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>932,223</u>	<u>552,931</u>
<b>TOTAL LIABILITIES</b>		<u>1,930,080</u>	<u>1,305,291</u>
<b>NET ASSETS</b>		<u>115,830,506</u>	<u>114,274,753</u>
<b>EQUITY</b>			
Retained surplus		11,505,839	10,184,582
Reserves - cash backed	12	2,009,096	1,852,123
Revaluation surplus	13	102,315,571	102,238,048
<b>TOTAL EQUITY</b>		<u>115,830,506</u>	<u>114,274,753</u>

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

**SHIRE OF WEST ARTHUR  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2015</b>		<b>10,846,633</b>	<b>1,657,118</b>	<b>102,238,048</b>	<b>114,741,799</b>
			1		
Comprehensive income					
Net result		(467,046)	0	0	(467,046)
Total comprehensive income		(467,046)	0	0	(467,046)
Transfers from/(to) reserves		(195,005)	195,005	0	0
<b>Balance as at 30 June 2016</b>		<b>10,184,582</b>	<b>1,852,123</b>	<b>102,238,048</b>	<b>114,274,753</b>
Comprehensive income					
Net result		1,478,230	0	0	1,478,230
Changes on revaluation of assets - Land and buildings	13	0	0	(24,593)	(24,593)
Changes on revaluation of assets - Infrastructure Other		0	0	102,116	102,116
Total comprehensive income		1,478,230	0	77,523	1,555,753
Transfers from/(to) reserves		(156,973)	156,973	0	0
<b>Balance as at 30 June 2017</b>		<b>11,505,839</b>	<b>2,009,096</b>	<b>102,315,571</b>	<b>115,830,506</b>

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

**SHIRE OF WEST ARTHUR  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,690,150	1,583,465	1,488,789
Operating grants, subsidies and contributions		3,120,479	2,447,162	1,019,303
Fees and charges		346,714	340,105	317,827
Interest earnings		102,667	113,512	127,182
Goods and services tax		(453,610)	275,000	279,237
Other revenue		628,968	114,572	221,933
		<u>5,435,368</u>	<u>4,873,816</u>	<u>3,454,271</u>
<b>Payments</b>				
Employee costs		(1,539,916)	(1,745,528)	(1,658,358)
Materials and contracts		(1,495,616)	(2,234,917)	(1,103,275)
Utility charges		(70,943)	(68,021)	(67,297)
Interest expenses		(32,487)	(32,487)	(33,691)
Insurance expenses		(89,110)	(109,103)	(80,101)
Goods and services tax		406,562	(275,000)	(273,022)
Other expenditure		(25,520)	(35,276)	(57,379)
		<u>(2,847,030)</u>	<u>(4,500,332)</u>	<u>(3,273,123)</u>
<b>Net cash provided by (used in) operating activities</b>	14(b)	<u>2,588,338</u>	<u>373,484</u>	<u>181,148</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(1,107,385)	(2,185,690)	(1,016,162)
Payments for construction of infrastructure		(1,657,183)	(2,112,751)	(1,403,764)
Non-operating grants, subsidies and contributions		1,347,378	1,813,981	1,282,665
Proceeds from sale of fixed assets		36,222	43,000	116,070
<b>Net cash provided by (used in) investment activities</b>		<u>(1,380,968)</u>	<u>(2,441,460)</u>	<u>(1,021,191)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		(53,691)	(53,691)	(46,621)
Proceeds from self supporting loans		(470,000)	0	100,000
Proceeds from new debentures		470,000	560,000	0
<b>Net cash provided by (used in) financing activities</b>		<u>(53,691)</u>	<u>506,309</u>	<u>53,379</u>
<b>Net increase (decrease) in cash held</b>		1,153,679	(1,561,667)	(786,664)
Cash at beginning of year		2,808,594	2,808,594	3,595,258
<b>Cash and cash equivalents at the end of the year</b>	14(a)	<u><u>3,962,273</u></u>	<u><u>1,246,927</u></u>	<u><u>2,808,594</u></u>

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

**SHIRE OF WEST ARTHUR  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>		1,206,058	1,206,058	2,079,930
		<u>1,206,058</u>	<u>1,206,058</u>	<u>2,079,930</u>
<b>Revenue from operating activities (excluding rates)</b>				
Governance		400	200	289
General purpose funding		1,836,712	1,354,713	572,832
Law, order, public safety		139,588	130,300	141,907
Health		6,708	6,400	6,173
Education and welfare		144,889	143,400	143,759
Housing		1,254,711	760,866	280,528
Community amenities		101,374	55,800	131,543
Recreation and culture		215,640	185,437	127,971
Transport		155,847	125,487	126,486
Economic services		33,106	37,280	44,152
Other property and services		146,514	72,760	113,586
		<u>4,035,489</u>	<u>2,872,643</u>	<u>1,689,226</u>
<b>Expenditure from operating activities</b>				
Governance		(273,981)	(332,544)	(247,572)
General purpose funding		(80,713)	(81,494)	(76,309)
Law, order, public safety		(225,563)	(242,996)	(272,772)
Health		(85,452)	(136,121)	(88,792)
Education and welfare		(223,030)	(267,403)	(280,612)
Housing		(1,227,836)	(1,240,583)	(627,968)
Community amenities		(296,291)	(272,894)	(250,955)
Recreation and culture		(666,150)	(856,232)	(677,303)
Transport		(2,007,839)	(2,365,899)	(2,063,140)
Economic services		(120,892)	(143,534)	(196,671)
Other property and services		(179,005)	(44,321)	(142,636)
		<u>(5,386,752)</u>	<u>(5,984,021)</u>	<u>(4,924,730)</u>
<b>Operating activities excluded from budget</b>				
(Profit) on disposal of assets	21	0	(17,787)	(1,005)
Loss on disposal of assets	21	63,377	0	219,269
Movement in accrued salaries and wages		3,382	0	(52,087)
Movement in employee benefit provisions		43,497	0	8,726
Depreciation and amortisation on assets	2(a)	1,845,453	1,856,368	1,835,619
<b>Amount attributable to operating activities</b>		<u>1,810,504</u>	<u>(66,739)</u>	<u>854,948</u>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		1,347,378	1,564,418	1,282,665
Proceeds from disposal of assets	21	36,222	43,000	116,070
Purchase of property, plant and equipment	7(b)	(1,107,385)	(2,185,690)	(1,016,162)
Purchase and construction of infrastructure	8(b)	(1,657,183)	(2,112,751)	(1,403,764)
<b>Amount attributable to investing activities</b>		<u>(1,380,968)</u>	<u>(2,691,023)</u>	<u>(1,021,191)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of debentures	22(a)	(53,691)	(53,691)	(46,621)
Proceeds from new debentures	22(a)	470,000	560,000	0
Proceeds from self supporting loans		(470,000)	0	100,000
Transfers to reserves (restricted assets)	12	(689,110)	(584,012)	(572,094)
Transfers from reserves (restricted assets)	12	532,137	1,272,000	377,089
<b>Amount attributable to financing activities</b>		<u>(210,664)</u>	<u>1,194,297</u>	<u>(141,626)</u>
<b>Surplus(deficiency) before general rates</b>		<u>218,872</u>	<u>(1,563,465)</u>	<u>(307,869)</u>
<b>Total amount raised from general rates</b>	23	<u>1,566,941</u>	<u>1,563,465</u>	<u>1,513,927</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24	<u><u>1,785,813</u></u>	<u><u>0</u></u>	<u><u>1,206,058</u></u>

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

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) 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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

**CRITICAL ACCOUNTING ESTIMATES**

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

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

**THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

**(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) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Trade and Other Receivables**

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

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

**(d) Inventories**

***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 sale***

Land held for development and sale 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. Finance 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 on to the buyer at this point.

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

**(e) Fixed Assets**

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

***Mandatory requirement to revalue non-current assets***

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Fixed Assets (Continued)**

***Land under control***

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

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

***Initial recognition and measurement between mandatory revaluation dates***

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

***Revaluation***

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

***Land under roads***

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

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

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

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

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

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Fixed Assets (Continued)**

***Depreciation***

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

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	70 years
seal	
- bituminous seals	15 to 25 years
- asphalt surfaces	15 to 25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheeting	10 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Bridges	60 to 90 years

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

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

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

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fair Value of Assets and Liabilities**

When performing a revaluation, the Shire uses a mix of both independent and management valuations using the following as a guide:

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

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

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

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

***Fair value hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fair Value of Assets and Liabilities (Continued)**

**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 an asset at its current service capacity.

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

**(g) Financial Instruments**

***Initial recognition and measurement***

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

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

***Classification and subsequent measurement***

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

Amortised cost is calculated as:

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

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

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Financial Instruments (Continued)**

***Classification and subsequent measurement (continued)***

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

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

*(iv) Available-for-sale financial assets*

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

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

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

*(v) Financial liabilities*

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

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Financial Instruments (Continued)**

***Impairment***

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

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

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

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

***Derecognition***

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

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.

**(h) Impairment of Assets**

In accordance with Australian Accounting Standards the Shire's 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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

**(i) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Employee Benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other 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 rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

**(k) 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.

**(l) Provisions**

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

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

**(m) Leases**

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

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to 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.

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 in the periods in which they are incurred.

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

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(n) Investment in Associates**

An associate is an entity over which the Shire has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Shire and the associate are eliminated to the extent of the Shire's interest in the associate.

When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

**(o) Interests in Joint Arrangements**

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

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

**(p) Rates, Grants, Donations and Other Contributions**

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

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

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 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 2(c). 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.

**(q) Superannuation**

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

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(r) Current and Non-Current Classification**

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

**(s) Rounding Off Figures**

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

**(t) Comparative Figures**

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

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, 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.

**(u) 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.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(v) New Accounting Standards and Interpretations for Application in Future Periods**

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

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

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

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)**

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul> <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**(w) Adoption of New and Revised Accounting Standards**

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

<p>(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</p> <p>[AASB 10, 124 &amp; 1049]</p>	<p>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>The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs. The Shire of West Arthur is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

**COMMUNITY VISION**

The Shire will endeavour to provide the community services and facilities to make the Shire of West Arthur a safe, sustainable and vibrant place to live.

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

**GOVERNANCE**

To set and achieve Council's goals and objectives for the ratepayers by providing high level direction, co-ordination and management policy.

**Activities:**

Costs associated with meetings, elections, preparing annual reports and other statutory reporting requirements, public relations and policy development and review.

**GENERAL PURPOSE FUNDING**

**Objective:**

To raise sufficient funds through rates, investment and grants to fund Council's current and future expenditure

**Activities:**

Costs associated with raising and collecting rates, rate enquiries, preparing general purpose grant returns and investing Council's surplus funds.

Income from general rate revenue, penalty for late payments, ex-gratia rates, general purpose grants and untied road grants.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

To protect the community from the risk of fire and other emergencies and to uphold the regulatory requirements for the control of animals.

**Activities:**

Fire control and prevention, and animal control.

**HEALTH**

**Objective:**

To protect and promote the health and well-being of the community through awareness programs, by environmental health and public safety programs.

**Activities:**

Food control, services of Council's Environmental Health Officer and provision and maintenance of medical buildings and subsidies to services.

**EDUCATION AND WELFARE**

**Objective:**

To promote education and welfare through awareness programs for all and the provision of services for elderly citizens and people with disabilities

**Activities:**

Childcare, education prizes, school bus turnarounds and other works associated with education. Assistance to playgroups, aged residents and other voluntary services including Westcare.

**HOUSING**

**Objective:**

To provide a suitable standard of housing for new residents which attract quality employees to the Shire of West Arthur for employment in the district.

**Activities:**

Maintenance and provision of GEHA and community housing.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective (Continued)**

**COMMUNITY AMENITIES**

**Objective:**

To provide services with the overall intention that they are safe, efficient and to the benefit of the community, so as residents are not disadvantaged by living in this district.

**Activities:**

Rubbish collection services, operation of refuse site, administration of the town planning scheme, storm water drainage, protection of the environment, cemetery maintenance, maintenance for unpotable water supply to Duranillin townsite and regional development.

**RECREATION AND CULTURE**

**Objective:**

To provide quality facilities and stimulate social and cultural values and energies of the Shire's residents.

**Activities:**

Maintenance of halls, provision of library services, maintenance of historical buildings and maintenance of reserves and recreation facilities.

**TRANSPORT**

**Objective:**

To provide a smooth, safe, efficient and clearly defined road network that is environmentally acceptable and which enhances travels throughout the Shire.

**Activities:**

Maintenance of roads, drainage works, footpaths, street lighting, median strips, traffic management, parking facilities and roadworks program.

**ECONOMIC SERVICES**

**Objective:**

To promote the Shire of West Arthur to potential visitors, to promote economic sustainability and service the shire in area of pest control and building service.

**Activities:**

Tourism and area promotion, pest control services and implementation of building controls.

**OTHER PROPERTY AND SERVICES**

**Objective:**

To source extra income for the Shire and gain insight into the efficiency of Council's plant and staff overheads.

**Activities:**

Public works overheads, plant/vehicle operations, stock and materials, depot operations and private works.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**2. REVENUE AND EXPENSES (Continued)**

**(c) Conditions Over Grants/Contributions**

Grant/Contribution	Opening Balance <sup>(1)</sup> 1/07/15 \$	Received <sup>(2)</sup> 2015/16 \$	Expended <sup>(3)</sup> 2015/16 \$	Closing Balance <sup>(1)</sup> 30/06/16 \$	Received <sup>(2)</sup> 2016/17 \$	Expended <sup>(3)</sup> 2016/17 \$	Closing Balance 30/06/17 \$
<b>General purpose funding</b>							
Royalties for Regionals CLGF 11/12	83,500	0	(83,500)	0	0	0	0
Royalties for Regionals CLGF 12/13	304,448	0	(174,418)	130,030	0	(130,030)	0
Workforce Planning Grant	7,000	0	(7,000)	0	0	0	0
WA Grants Commission - Bridges	0	0	0	0	320,000	0	320,000
<b>Law, order, public safety</b>							
Roadwise Capacity Building Grant	500	0	(500)	0	0	0	0
<b>Education and welfare</b>							
WDC - Creating Aged Friendly Communities	50,576	0	(50,576)	0	0	0	0
DLG - Regional Youth Collaboration	25,000	0	(25,000)	0	0	0	0
DLG - Youth Development Scholarship	0	0	0	0	9,855	(555)	9,300
Dept Communities - Kids Central	0	3,345	0	3,345	0	(3,345)	0
<b>Community amenities</b>							
SWCC Fodder Shrubs	4,994	0	(1,728)	3,266	0	(3,266)	0
Strategic Groundworks	0	75,000	0	75,000	50,000	(79,634)	45,366
Nangip Re-Veg Program	22,557	0	(22,557)	0	0	0	0
RCSN Legumes Crop Rotation	10,093	0	(10,093)	0	0	0	0
Kylie Re-Veg Program	9,125	0	(9,125)	0	0	0	0
<b>Recreation and culture</b>							
Lotterywest - Darkan to Dardadine Rail Trail	17,000	0	0	17,000	0	(17,000)	0
<b>Recreation and Culture</b>							
Dep Regional Development - HRC expansion	0	0	0	0	250,000	(125,900)	124,100
Estate of E Brown - HRC expansion	0	0	0	0	80,000	0	80,000
Estate of E Brown -Museum	0	0	0	0	120,000	(50,000)	70,000
DLG - Mens Shed (Darkan, Dumbleyung, Lake Grac	0	0	0	0	20,000	(3,370)	16,630
<b>Transport</b>							
Roads to Recovery	169,942	799,711	(536,172)	433,481	478,478	(857,814)	54,145
Regional Road Group - Boyup Brook Arthur Road	30,962	0	(30,962)	0	0	0	0
Regional Road Group - Darkan South Road	35,672	0	(35,672)	0	0	0	0
Regional Road Group - Bowelling Duranillin Road	38,578	21,974	(38,578)	21,974	0	(21,974)	0
Regional Road Group - Piesseville Tarwonga	0	82,150	(56,845)	25,305	0	(25,305)	0
<b>Other Property and Services</b>							
DLG - Youth Development	0	0	0	0	16,500	(8,500)	8,000
<b>Total</b>	<b>809,947</b>	<b>982,180</b>	<b>(1,082,726)</b>	<b>709,401</b>	<b>1,344,833</b>	<b>(1,326,693)</b>	<b>727,541</b>

**Notes:**

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	Note	2017 \$	2016 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		1,225,636	247,070
Restricted		<u>2,736,637</u>	<u>2,561,524</u>
		<u>3,962,273</u>	<u>2,808,594</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Long Service Leave Reserve	12	129,924	87,582
Plant reserve	12	85,403	228,964
Building reserve	12	419,344	325,230
Town Development Reserve	12	59,844	40,135
Recreation Reserve	12	52,658	34,727
Heritage Reserve	12	4,321	3,721
Community Housing Reserve	12	108,237	105,380
Waste Management Reserve	12	76,734	74,730
Darkan Swimming Pool Reserve	12	31,309	26,601
Information Technology Reserve	12	55,316	53,896
Darkan Sport and Community Centre Reserve	12	159,208	125,885
Health and Resource Centre Reserve	12	753,897	734,209
Arthur River Country Club Renewal Reserve	12	14,901	11,063
Museum Reserve	12	55,000	0
Moodiarrup Sports Club Reserve	12	3,000	0
Unspent grants	2(c)	<u>727,541</u>	<u>709,401</u>
		<u>2,736,637</u>	<u>2,561,524</u>
<b>4. INVESTMENTS</b>			
Financial assets at fair value through profit and loss		<u>46,400</u>	<u>131,226</u>
<b>Financial assets at fair value through profit and loss</b>			
At the beginning of the year		131,226	131,226
Revaluation to income statement			
General purpose funding		<u>(84,826)</u>	<u>0</u>
		<u>(84,826)</u>	<u>0</u>
At the end of the year		<u>46,400</u>	<u>131,226</u>

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates outstanding	137,259	260,468
(less provision for doubtful debts)	(57,645)	(135,704)
Sundry debtors	189,065	430,463
GST receivable	49,912	2,864
Loans receivable - clubs/institutions	24,608	0
	<u>343,199</u>	<u>558,091</u>
<b>Non-current</b>		
Loans receivable - clubs/institutions	445,392	0
	<u>445,392</u>	<u>0</u>
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
<b>Rates outstanding</b>	<u>137,259</u>	<u>260,468</u>
Includes:		
Past due and not impaired	79,614	124,764
Impaired	<u>57,645</u>	<u>135,704</u>
<b>Sundry debtors</b>	<u>189,065</u>	<u>430,463</u>
Includes:		
Past due and not impaired	13,557	98,260
Impaired	<u>0</u>	<u>0</u>
<b>6. INVENTORIES</b>		
<b>Current</b>		
Fuels and Materials	13,293	29,143
	<u>13,293</u>	<u>29,143</u>

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>7 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Freehold Land		
- Independent valuation 2014 - level 3	0	872,520
- Management Valuation 2017 - level 2	957,016	5,000
- Additions after valuation - cost	0	164,485
	<u>957,016</u>	<u>1,042,005</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 2	<u>406,000</u>	<u>406,000</u>
	406,000	406,000
	<u>1,363,016</u>	<u>1,448,005</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level X	0	2,579,111
- Management valuation 2017 - level 2	2,254,068	0
- Additions after valuation - cost	0	51,424
Buildings - non-specialised - Less: accumulated depreciation	0	(98,242)
	<u>2,254,068</u>	<u>2,532,293</u>
Buildings - specialised at:		
- Independent valuation 2014	0	8,067,873
- Management Valuation 2014 - level 3	0	250,686
- Management Valuation 2017 - level 3	9,460,000	0
- Additions after valuation - cost	0	847,881
Buildings - specialised - Less: accumulated depreciation	0	(315,489)
	<u>9,460,000</u>	<u>8,850,951</u>
	<u>11,714,068</u>	<u>11,383,244</u>
Total land and buildings	<u>13,077,084</u>	<u>12,831,249</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	22,050	22,050
Furniture and equipment - Less: accumulated depreciation	(4,023)	0
	<u>18,027</u>	<u>22,050</u>
Plant and equipment at:		
- Management valuation 2016 - level 2	2,317,144	2,360,144
- Management valuation 2016 - level 3	50,894	50,894
- Additions after valuation - cost	548,136	0
Plant and equipment - Less: accumulated depreciation	(281,099)	0
	<u>2,635,075</u>	<u>2,411,038</u>
	<u>15,730,186</u>	<u>15,264,337</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	1,042,005	0	(59,253)	(25,736)	0	0	0	0	957,016
Land - vested in and under the control of Council	406,000	0	0	0	0	0	0	0	406,000
<b>Total land</b>	<b>1,448,005</b>	<b>0</b>	<b>(59,253)</b>	<b>(25,736)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,363,016</b>
Buildings - non-specialised	2,532,293	14,431	0	(241,960)	0	0	(50,695)	0	2,254,068
Buildings - specialised	8,850,951	544,819	0	243,103	0	0	(178,874)	0	9,460,000
<b>Total buildings</b>	<b>11,383,244</b>	<b>559,250</b>	<b>0</b>	<b>1,143</b>	<b>0</b>	<b>0</b>	<b>(229,569)</b>	<b>0</b>	<b>11,714,068</b>
<b>Total land and buildings</b>	<b>12,831,249</b>	<b>559,250</b>	<b>(59,253)</b>	<b>(24,593)</b>	<b>0</b>	<b>0</b>	<b>(229,569)</b>	<b>0</b>	<b>13,077,084</b>
Furniture and equipment	22,050	0	0	0	0	0	(4,023)	0	18,027
Plant and equipment	2,411,038	548,135	(43,000)	0	0	0	(283,752)	0	2,635,075
<b>Total property, plant and equipment</b>	<b>15,264,337</b>	<b>1,107,385</b>	<b>(102,253)</b>	<b>(24,593)</b>	<b>0</b>	<b>0</b>	<b>(517,344)</b>	<b>0</b>	<b>15,730,186</b>

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Freehold Land</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Price per hectare or m2
Land - vested in and under the control of Council	2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties.	Management Valuation	June 2017	Market data/Improvements to land using construction costs and current market conditions (Level 2).
Buildings - specialised	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2016	Costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
<b>Plant and equipment</b>					
- Management valuation 2016	2	Market approach using recent observable market data for similar assets.	Management Valuation	June 2016	Market data

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

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

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>8 (a). INFRASTRUCTURE</b>		
Infrastructure - Roads		
- Management valuation 2014 - level 3	0	102,162,671
- Management valuation 2017 - level 3	62,728,324	0
- Additions after valuation - cost	0	2,260,330
Infrastructure - Roads - Less: accumulated depreciation	0	(42,126,950)
	<u>62,728,324</u>	<u>62,296,051</u>
Infrastructure - other		
- Independent valuation 2014 - level 3	0	3,463,263
- Management valuation 2017 - level 3	3,505,996	142,485
- Additions after valuation - cost	0	95,144
Infrastructure - User defined 5 - Less: accumulated depreciation	0	(243,234)
	<u>3,505,996</u>	<u>3,457,658</u>
Bridges		
- Management valuation 2015 - level 3	44,447,792	44,447,792
- Additions after valuation - cost	300,080	0
Infrastructure - User defined 6 - Less: accumulated depreciation	(13,762,349)	(13,412,848)
	<u>30,985,523</u>	<u>31,034,944</u>
	<u><u>97,219,843</u></u>	<u><u>96,788,653</u></u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**8. 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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	62,296,051	1,286,786	0	0	0	0	(854,513)	0	62,728,324
Infrastructure - other	3,457,658	70,317	0	102,116	0	0	(124,095)	0	3,505,996
Bridges	31,034,944	300,080	0	0	0	0	(349,501)	0	30,985,523
<b>Total infrastructure</b>	<b>96,788,653</b>	<b>1,657,183</b>	<b>0</b>	<b>102,116</b>	<b>0</b>	<b>0</b>	<b>(1,328,109)</b>	<b>0</b>	<b>97,219,843</b>

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**8. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Infrastructure - Roads</b>	3	Cost approach using depreciated replacement cost.	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - other</b>	3	Cost approach using depreciated replacement cost.	Management valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Bridges</b>	3	Cost approach using depreciated replacement cost.	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	499,248	337,647
Accrued salaries and wages	10,369	6,987
	509,617	344,634

**10. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by floating charge		
Debentures	81,649	53,691
	81,649	53,691
<b>Non-current</b>		
Secured by floating charge		
Debentures	892,578	504,227
	892,578	504,227

Additional detail on borrowings is provided in Note 22.

**11. PROVISIONS**

	<b>Provision for Annual Leave</b>	<b>Provision for Long Service Leave</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance at 1 July 2016</b>			
Current provisions	158,811	195,224	354,035
Non-current provisions	0	48,704	48,704
	158,811	243,928	402,739
Additional provision	116,607	45,569	162,176
Amounts used	(97,879)	(28,105)	(125,984)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	5,896	1,409	7,305
<b>Balance at 30 June 2017</b>	<b>183,435</b>	<b>262,801</b>	<b>446,236</b>
<b>Comprises</b>			
Current	183,435	223,156	406,591
Non-current	0	39,645	39,645
	183,435	262,801	446,236

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**12. RESERVES - CASH BACKED**

	<b>Actual 2017 Opening Balance \$</b>	<b>Actual 2017 Transfer to \$</b>	<b>Actual 2017 Transfer (from) \$</b>	<b>Actual 2017 Closing Balance \$</b>	<b>Budget 2017 Opening Balance \$</b>	<b>Budget 2017 Transfer to \$</b>	<b>Budget 2017 Transfer (from) \$</b>	<b>Budget 2017 Closing Balance \$</b>	<b>Actual 2016 Opening Balance \$</b>	<b>Actual 2016 Transfer to \$</b>	<b>Actual 2016 Transfer (from) \$</b>	<b>Actual 2016 Closing Balance \$</b>
Long Service Leave Reserve	87,581	62,343	(20,000)	129,924	87,581	62,540	(20,000)	130,121	82,104	22,365	(16,888)	87,581
Plant reserve	228,964	366,122	(509,683)	85,403	228,964	366,640	(210,000)	385,604	211,921	356,104	(339,061)	228,964
Building reserve	325,230	94,114	0	419,344	325,230	24,432	(250,000)	99,662	218,924	106,306	0	325,230
Town Development Reserve	40,134	19,710	0	59,844	40,134	1,164	(40,000)	1,298	39,010	1,124	0	40,134
Recreation Reserve	34,727	17,931	0	52,658	34,727	1,007	0	35,734	33,755	972	0	34,727
Heritage Reserve	3,722	599	0	4,321	3,722	408	0	4,130	3,264	458	0	3,722
Community Housing Reserve	105,380	2,857	0	108,237	105,380	3,056	0	108,436	119,926	3,454	(18,000)	105,380
Waste Management Reserve	74,730	2,004	0	76,734	74,730	2,167	0	76,897	72,638	2,092	0	74,730
Darkan Swimming Pool Reserve	26,601	4,708	0	31,309	26,601	4,771	0	31,372	22,940	3,661	0	26,601
Information Technology Reserve	53,897	1,419	0	55,316	53,897	1,563	0	55,460	37,808	16,089	0	53,897
Darkan Sport and Community Centre Reserve	125,885	33,323	0	159,208	125,885	33,651	0	159,536	93,201	32,684	0	125,885
Health and Resource Centre Reserve	734,209	19,688	0	753,897	734,209	21,292	(750,000)	5,501	713,654	20,555	0	734,209
Arthur River Country Club Renewal Reserve	11,063	6,292	(2,454)	14,901	11,063	6,321	(2,000)	15,384	7,973	6,230	(3,140)	11,063
Museum	0	55,000	0	55,000	0	55,000	0	55,000	0	0	0	0
Moodiarrup Sports Club Reserve	0	3,000	0	3,000	0	0	0	0	0	0	0	0
	<b>1,852,123</b>	<b>689,110</b>	<b>(532,137)</b>	<b>2,009,096</b>	<b>1,852,123</b>	<b>584,012</b>	<b>(1,272,000)</b>	<b>1,164,135</b>	<b>1,657,118</b>	<b>572,094</b>	<b>(377,089)</b>	<b>1,852,123</b>

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

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**12. RESERVES - CASH BACKED**

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:

<b>Name of Reserve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Long Service Leave Reserve	Ongoing	- to be used to fund long service leave requirements
Plant reserve	Ongoing	- to be used for the purchase of major plant
Building reserve	Ongoing	- to be used for the construction and maintenance of Council buildings.
Town Development Reserve	Ongoing	- to be used to enhance town infrastructure.
Recreation Reserve	Ongoing	- to be used to enhance recreation infrastructure
Heritage Reserve	Ongoing	- to be used to maintain and improve the heritage buildings of the Shire.
Community Housing Reserve	Ongoing	- to be used foer the maintenance and provision of housing withing the Shire.
Waste Management Reserve	Ongoing	- to be used to assist with funding future infrastructure requirements for waste management.
Darkan Swimming Pool Reserve	Ongoing	- to be used to assist with funding works at the Darkan Swimming Pool.
Information Technology Reserve	Ongoing	- to be used for upgrades to computers and office equipment.
Darkan Sport and Community Centre Reserve	Ongoing	- to be used to maintain and improve the Darkan Sport and Community Centre.
Health and Resource Centre Reserve	2018	- to be used for the expansion of the Health and Resource Centre
Arthur River Country Club Renewal Reserve	Ongoing	- to be used for improvements to the Arthur River Country Club.
Museum	Ongoing	- to be used to maintain and to provide new displays in the Museum.
Moodiarrup Sports Club Reserve	Ongoing	- to be used to maintain and improve the Moodiarrup Sports Complex.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**13. REVALUATION SURPLUS**

	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<b>Opening</b>	<b>Revaluation</b>	<b>Revaluation</b>	<b>Total</b>	<b>Closing</b>	<b>Opening</b>	<b>Revaluation</b>	<b>Revaluation</b>	<b>Total</b>	<b>Closing</b>
	<b>Balance</b>	<b>Increment</b>	<b>(Decrement)</b>	<b>Revaluation</b>	<b>Balance</b>	<b>Balance</b>	<b>Increment</b>	<b>(Decrement)</b>	<b>Revaluation</b>	<b>Balance</b>
	<b>\$</b>									
Revaluation surplus - Land and buildings	7,598,648	244,246	(268,839)	(24,593)	7,574,055	7,598,648	0	0	0	7,598,648
Revaluation surplus - Furniture and equipment	10,206	0	0	0	10,206	10,206	0	0	0	10,206
Revaluation surplus - Infrastructure - Roads	61,648,086	0	0	0	61,648,086	61,648,086	0	0	0	61,648,086
Infrastructure - other	1,600,983	102,116	0	102,116	1,703,099	1,600,983	0	0	0	1,600,983
Bridges	31,380,125	0	0	0	31,380,125	31,380,125	0	0	0	31,380,125
	<b>102,238,048</b>	<b>346,362</b>	<b>(268,839)</b>	<b>77,523</b>	<b>102,315,571</b>	<b>102,238,048</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102,238,048</b>

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

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**14. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

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

	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
Cash and cash equivalents	<u>3,962,273</u>	<u>1,246,927</u>	<u>2,808,594</u>

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

Net result	1,478,230	16,505	(467,046)
Non-cash flows in Net result:			
Depreciation	1,845,453	1,856,368	1,835,619
(Profit)/Loss on sale of asset	63,377	(17,787)	218,264
Fair value adjustments to financial assets			
at fair value through profit or loss	84,826	0	0
Loss on revaluation of fixed assets	0	0	28,134
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	239,500	430,058	(20,899)
(Increase)/Decrease in inventories	15,850	10,000	(12,215)
Increase/(Decrease) in payables	164,983	(107,679)	(126,771)
Increase/(Decrease) in provisions	43,497	0	8,727
Grants contributions for the development of assets	<u>(1,347,378)</u>	<u>(1,813,981)</u>	<u>(1,282,665)</u>
Net cash from operating activities	<u>2,588,338</u>	<u>373,484</u>	<u>181,148</u>

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	150,000	150,000
Bank overdraft at balance date	0	0
Credit card limit	0	0
Credit card balance at balance date	0	0
<b>Total amount of credit unused</b>	<u>150,000</u>	<u>150,000</u>
<b>Loan facilities</b>		
Loan facilities - current	81,649	53,691
Loan facilities - non-current	892,578	504,227
<b>Total facilities in use at balance date</b>	<u>974,227</u>	<u>557,918</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>	<u>NIL</u>

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**15. CONTINGENT LIABILITIES**

Council does not have any contingent liabilities at 30 June 2017.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>

**(a) Operating Lease Commitments**

The Shire did not have any future operating lease commitments at the reporting date.

**(b) Capital Expenditure Commitments**

Contracted for:

- capital expenditure projects	1,152,650	0
- plant & equipment purchases		

Payable:

- not later than one year	1,152,650	0
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West Arthur Health and Resource Centre expansion.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**17. JOINT VENTURE ARRANGEMENTS**

The Shire of West Arthur has a joint venture arrangement with Homeswest which provides housing for the community.

The only assets are land and housing units of which the Shire of West Arthur owns a percentage share the assets are included in Property, Plant & Equipment as follows:

Land - 10 Hillman Street	54%	\$16,200
Land - 12 Hillman Street	35%	\$10,500
Land - 18 Gibbs Street/25 Nangip Cres	22%	\$6,820
Building - 10 Hillman Street	54%	\$135,123
Building - 12 Hillman Street	35%	\$55,775
Building - 18 Gibbs Street	22%	\$13,708
Building - 25 Nangip Cres	22%	\$10,133

**18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Governance	500	600
General purpose funding	1,464,111	559,220
Law, order, public safety	586,407	628,745
Health	2,232,767	1,726,101
Education and welfare	11,408	7,507
Housing	2,233,491	1,913,531
Community amenities	1,003,689	1,041,601
Recreation and culture	9,616,174	9,367,574
Transport	95,179,227	94,945,518
Economic services	861,245	1,002,675
Other property and services	4,571,567	4,386,972
	<u>117,760,586</u>	<u>115,580,044</u>

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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	2017	2016	2015
<b>19. FINANCIAL RATIOS</b>			
Current ratio	1.82	1.26	2.31
Asset sustainability ratio	1.09	1.24	1.24
Debt service cover ratio	23.31	1.49	22.17
Operating surplus ratio	0.06	(0.80)	0.08
Own source revenue coverage ratio	0.40	0.44	0.48

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes:**

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 59 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$493,715.

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$467,888.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.25	1.96	1.67
Operating surplus ratio	(0.17)	(0.59)	(0.14)
Debt service cover ratio	17.58	7.32	15.92

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**20. TRUST FUNDS**

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

	1 July 2016 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2017 \$
Bonds Other	7,986	158	0	8,144
Landcare Officer	38,638	2,803	0	41,441
Westcare	46,805	841	(2,768)	44,878
Youth Advisory Council	6,245	284	0	6,529
Tourist Committee	5,929	117	0	6,046
Seniors Luncheon	408	900	(254)	1,054
The Shed	10,345	200	(951)	9,594
Rural Towns Program	4,819	95	0	4,914
Hillman Zone Project Management	2,692	53	0	2,745
Landcare Projects	24,992	493	0	25,485
Tidy Towns	5,207	83	(713)	4,577
Collie Darkan Rail Trail Maint	1,116	22	0	1,138
Kids Central	10,442	1,668	(1,086)	11,024
Arthur River Development	3,437	68	0	3,505
RSL Trust Fund	4,415	346	(120)	4,641
Community Gym	4,434	6,211	(118)	10,527
West Arthur Trials Group	26,731	4,268	(23,091)	7,908
Darkan Arts Council	0	8,128	0	8,128
	<u>204,641</u>			<u>202,278</u>

**21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
<b>Plant and Equipment</b>								
<b>Housing</b>								
Burrowes Street Cottage Homes Stage 2 Land	59253	0	0	(59,253)	0	0	0	0
<b>Community amenities</b>								
Holden Colorado 4 x 4 dual cab	13373	9858	0	(3,515)	7200	15000	7800	0
<b>Transport</b>								
Toyota Kluger	19334	19091	0	(243)	16813	20000	3187	0
Mower	7639	7273	0	(366)	1200	8000	6800	0
	<u>99,599</u>	<u>36,222</u>	<u>0</u>	<u>(63,377)</u>	<u>25,213</u>	<u>43,000</u>	<u>17,787</u>	<u>0</u>

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2017	Repayments	Repayments
	2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Housing</b>								
Loan 70 - GROH Housing	387,526		33,963	33,963	353,563	353,563	24,598	24,598
<b>Economic services</b>								
Loan 72 - Industrial Land	95,488		8,718	8,718	86,770	86,770	3,016	3,016
<b>Other property and services</b>								
Loan 69 - Staff Housing Lot 30 Hillman Street	74,904		11,010	11,010	63,894	63,894	4,873	4,873
	557,918	0	53,691	53,691	504,227	504,227	32,487	32,487
<b><u>Self Supporting Loans</u></b>								
<b>Housing</b>								
Loan 73 - Cottage Homes	0	470,000	0	0	470,000	560,000	0	0
	0	470,000	0	0	470,000	560,000	0	0
	557,918	470,000	53,691	53,691	974,227	1,064,227	32,487	32,487

Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**22. INFORMATION ON BORROWINGS (Continued)**

(b) New Debentures - 2016/17

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total	Interest	Amount Used		Balance
	Actual	Budget				Interest & Charges	Rate	Actual	Budget	Unspent
	\$	\$				\$	%	\$	\$	\$
Loan 73 - Cottage Homes	470,000	560,000	WA Treasury	Fixed	15	128,612	3.32%	470,000	560,000	0
	<u>470,000</u>	<u>560,000</u>				<u>128,612</u>		<u>470,000</u>	<u>560,000</u>	<u>0</u>

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

Council has not utilised an overdraft facility during the financial year although an overdraft facility of \$150,000 with the National Australia Bank does exist.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**23. RATING INFORMATION - 2016/17 FINANCIAL YEAR**

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential general rate / general rate</b>											
<b>Gross rental value valuations</b>											
GRV Townsite	0.0832000	90	623,250	51,854	0	0	51,854	51,854	0	0	51,854
GRV Commerical	0.0832000	16	256,672	21,355	0	0	21,355	21,355	0	0	21,355
GRV Industrial	0.0832000	7	104,528	8,698	0	0	8,698	8,698	0	0	8,698
GRV Other Townsite	0.0832000	15	71,944	5,986	0	0	5,986	5,986	0	0	5,986
<b>Unimproved value valuations</b>											
UV Rural	0.0059858	396	251,043,000	1,502,693	(381)	0	1,502,312	1,502,693	0	0	1,502,693
<b>Sub-Total</b>		<b>524</b>	<b>252,099,394</b>	<b>1,590,586</b>	<b>(381)</b>	<b>0</b>	<b>1,590,205</b>	<b>1,590,585</b>	<b>0</b>	<b>0</b>	<b>1,590,585</b>
<b>Minimum payment</b>											
<b>Minimum</b>											
<b>\$</b>											
<b>Gross rental value valuations</b>											
GRV Townsite	445	30	116,594	13,350	(1,335)		12,015	13,350	0	0	13,350
GRV Commerical	445	10	24,440	4,450	0		4,450	4,450	0	0	4,450
GRV Industrial	445	4	13,060	1,780	0		1,780	1,780	0	0	1,780
GRV Other Townsite	308	18	14,097	5,544	0		5,544	5,544	0	0	5,544
<b>Unimproved value valuations</b>											
UV Rural	445	33	1,095,624	14,685	172		14,857	14,685	0	0	14,685
<b>Sub-Total</b>		<b>95</b>	<b>1,263,815</b>	<b>39,809</b>	<b>(1,163)</b>	<b>0</b>	<b>38,646</b>	<b>39,809</b>	<b>0</b>	<b>0</b>	<b>39,809</b>
		<b>619</b>	<b>253,363,209</b>	<b>1,630,395</b>	<b>(1,544)</b>	<b>0</b>	<b>1,628,851</b>	<b>1,630,394</b>	<b>0</b>	<b>0</b>	<b>1,630,394</b>
Discounts/concessions (refer note 27)							(65,205)				(70,224)
Ex-gratia rates							3,295				3,295
<b>Total amount raised from general rate</b>							<b>1,566,941</b>				<b>1,563,465</b>
<b>Totals</b>							<b>1,566,941</b>				<b>1,563,465</b>

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**24. NET CURRENT ASSETS**

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 16 brought forward</b>	<u>1,785,813</u>	<u>1,206,058</u>	<u>1,206,058</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	1,225,636	247,070	247,070
Restricted	2,736,637	2,561,524	2,561,524
Receivables			
Rates outstanding	137,259	260,468	260,468
(less provision for doubtful debts)	(57,645)	(135,704)	(135,704)
Sundry debtors	189,065	430,463	430,463
GST receivable	49,912	2,864	2,864
Loans receivable - clubs/institutions	24,608	0	0
Inventories			
Fuels and Materials	13,293	29,143	29,143
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(499,248)	(337,647)	(337,647)
Accrued salaries and wages	(10,369)	(6,987)	(6,987)
Current portion of long term borrowings			
Secured by floating charge	(81,649)	(53,691)	(53,691)
Provisions			
Provision for annual leave	(183,435)	(158,811)	(158,811)
Provision for long service leave	(223,156)	(195,224)	(195,224)
<b>Unadjusted net current assets</b>	<u><b>3,320,908</b></u>	<u><b>2,643,468</b></u>	<u><b>2,643,468</b></u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(2,009,096)	(1,852,123)	(1,852,123)
Less: Loans receivable - clubs/institutions	(24,608)	0	0
Add: Secured by floating charge	81,649	53,691	53,691
Add: Accrued salaries and wages	10,369	6,987	6,987
Add: Provision for annual leave	183,435	158,811	158,811
Add: Provision for long service leave	223,156	195,224	195,224
<b>Adjusted net current assets - surplus/(deficit)</b>	<u><u><b>1,785,813</b></u></u>	<u><u><b>1,206,058</b></u></u>	<u><u><b>1,206,058</b></u></u>

**Difference**

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR**

The Shire did not impose any Specified Area Rates.  
No specified area rates were imposed by the Shire during the year ended 2017.

**26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR**

No service charges were imposed by the Shire during the year ended 2017.

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2016/17 FINANCIAL YEAR**

**Rates Discounts**

Rate or Fee Discount Granted	Discount %	Actual \$	Budget \$	Circumstances in which Discount is Granted
General Rates	5.00%	65,205	70,224	Rates paid in full on or before the due date.
		<u>65,205</u>	<u>70,224</u>	

No waivers or concessions are budgeted to be granted in the 2017/18 financial year.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**28. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR**

	<b>Date Due</b>	<b>Instalment Plan Admin Charge \$</b>	<b>Instalment Plan Interest Rate %</b>	<b>Unpaid Rates Interest Rate %</b>
<b>Instalment Options</b>				
<b>Option One</b>				
Single full payment	16 September 16			11.00%
<b>Option Two</b>				
First Instalment	16 September 16	5	5.50%	11.00%
Second Instalment	18 November 16			
<b>Option Three</b>				
First Instalment	16 September 16	15	5.50%	11.00%
Second Instalment	18 November 16			
Third Instalment	20 January 17			
Fourth Instalment	24 March 17			
			<b>Revenue \$</b>	<b>Budgeted Revenue \$</b>
Interest on unpaid rates			25,287	20,000
Interest on instalment plan			1,796	1,800
Charges on instalment plan			605	600
			<u>27,688</u>	<u>22,400</u>

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

<b>29. FEES &amp; CHARGES</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
General purpose funding	1,846	1,233
Law, order, public safety	2,578	1,735
Health	794	416
Education and welfare	88,933	92,389
Housing	105,777	97,510
Community amenities	50,251	49,519
Recreation and culture	12,777	3,915
Transport	296	221
Economic services	33,107	24,373
Other property and services	50,355	46,516
	<u>346,714</u>	<u>317,827</u>

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

**30. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
Governance	400	
General purpose funding	1,732,199	265
Law, order, public safety	42,698	441,218
Health	0	28,612
Education and welfare	54,176	50,455
Housing	668,026	179,110
Community amenities	50,000	75,000
Recreation and culture	198,143	72,288
Transport	155,550	119,410
Economic services	0	19,363
Other property and services	55,948	32,359
	<u>2,957,140</u>	<u>1,018,080</u>
<b>Non-operating grants, subsidies and contributions</b>		
Health	530,000	0
Recreation and culture	16,470	27,545
Transport	800,908	1,255,120
	<u>1,347,378</u>	<u>1,282,665</u>
	<u>4,304,518</u>	<u>2,300,745</u>

**31. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

28	29
<u>28</u>	<u>29</u>

**32. ELECTED MEMBERS REMUNERATION**

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

	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
Meeting Fees	7,740	7,000	8,200
President's allowance	2,980	2,980	2,000
Deputy President's allowance	745	745	500
Travelling expenses	1,607	2,500	1,907
Telecommunications allowance	3,500	3,500	3,500
	<u>16,572</u>	<u>16,725</u>	<u>16,107</u>

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**33. RELATED PARTY TRANSACTIONS**

**Key Management Personnel (KMP) Compensation Disclosure**

	<b>2017</b>
	<b>\$</b>
The total of remuneration paid to KMP of the Shire during the year are as follows:	
Short-term employee benefits	208050
Post-employment benefits	22627
Other long-term benefits	6382
	237059
	237059

**Short-term employee benefits**

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 32.

**Post-employment benefits**

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

**Other long-term benefits**

These amounts represent long service benefits accruing during the year.

**Related Parties**

**The Shire's main related parties are as follows:**

*i. Key management personnel*

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

*ii. Entities subject to significant influence by the Shire*

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

*iii. Joint venture entities accounted for under the equity method*

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 17.

**Transactions with related parties**

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

The following transactions occurred with related parties:

	<b>2017</b>
	<b>\$</b>
<b>Associated companies/individuals:</b>	Nil
<b>Joint venture entities:</b>	Nil
<b>Amounts outstanding from related parties:</b>	Nil
<b>Amounts payable to related parties:</b>	Nil

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**34. MAJOR LAND TRANSACTIONS**

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

**35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

**SHIRE OF WEST ARTHUR**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT**

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

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

Financial risk management is carried out by the finance area under policies approved by the Council.

*The Shire held the following financial instruments at balance date:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	3,962,273	2,808,594	3,962,273	2,808,594
Receivables	788,591	689,317	788,591	689,317
	<u>4,750,864</u>	<u>3,497,911</u>	<u>4,750,864</u>	<u>3,497,911</u>
<b>Financial liabilities</b>				
Payables	509,617	344,634	509,617	344,634
Borrowings	974,227	557,918	803,423	507,801
	<u>1,483,844</u>	<u>902,552</u>	<u>1,313,040</u>	<u>852,435</u>

Fair value is determined as follows: □

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

**Financial assets at fair value through profit and loss**

**Available-for-sale financial assets**

**Held-to-maturity investments**

The Shire's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% <sup>(1)</sup> movement in price of investments		
- Equity	13,123	13,123
- Statement of Comprehensive Income	13,123	13,123
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	39,623	28,086
- Statement of Comprehensive Income	39,623	28,086

**Notes:**

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible market movements.

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Receivables**

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

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

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

The Shire makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	<b>2017</b>	<b>2016</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	91.00%	63.00%
- Overdue	9%	37%

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

**Borrowings**

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2017</u></b>					
Payables	509,617	0	0	509,617	509,617
Borrowings	<u>126,495</u>	<u>501,989</u>	<u>602,078</u>	<u>1,230,562</u>	<u>974,227</u>
	<u><u>636,112</u></u>	<u><u>501,989</u></u>	<u><u>602,078</u></u>	<u><u>1,740,179</u></u>	<u><u>1,483,844</u></u>
<b><u>2016</u></b>					
Payables	344,634	0	0	344,634	344,634
Borrowings	<u>86,588</u>	<u>346,351</u>	<u>285,599</u>	<u>718,538</u>	<u>557,918</u>
	<u><u>431,222</u></u>	<u><u>346,351</u></u>	<u><u>285,599</u></u>	<u><u>1,063,172</u></u>	<u><u>902,552</u></u>

**SHIRE OF WEST ARTHUR  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2017**

**36. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

**Borrowings (continued)**

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

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

	<u>&lt;1 year</u>	<u>&gt;1&lt;2 years</u>	<u>&gt;2&lt;3 years</u>	<u>&gt;3&lt;4 years</u>	<u>&gt;4&lt;5 years</u>	<u>&gt;5 years</u>	<u>Total</u>	<b>Weighted Average Effective Interest Rate</b>
	\$	\$	\$	\$	\$	\$	\$	%
<b><u>Year ended 30 June 2017</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	63,894	910,333	974,227	4.72%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	6.88%	4.57%		
<b><u>Year ended 30 June 2016</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	0	557,918	557,918	6.04%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	6.04%		

**INDEPENDENT AUDITOR'S REPORT  
TO THE ELECTORS OF THE SHIRE OF WEST ARTHUR**

***Opinion***

We have audited the accompanying financial report of the Shire of West Arthur, which comprises the statement of financial position as at 30 June 2017, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

In our opinion the financial report of the Shire of West Arthur is in accordance with the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996, including:

- (a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Report section of our report. We are independent of the Shire in accordance with the 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- (a) We refer to our management letter in relation to financial ratios. Other than as disclosed, there are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- (b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were noted during the course of our audit.
- (c) All necessary information and explanations were obtained by us.
- (d) All audit procedures were satisfactorily completed in conducting our audit.
- (e) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

### ***Responsibilities of Management and Council for the Financial Report***

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud and error.

In preparing the financial report, management is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

### ***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Accounting 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 include the economic decisions of the users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standard Board website at <http://www.ausb.gov.au/auditors/files/ar3.pdf>. This description forms part of our audit report.



Russell Harrison, Partner

Lincolns Accountants and Business Advisers

70 - 74 Frederick Street, Albany WA

Dated this 18<sup>th</sup> day of December 2017.

**SHIRE OF WEST ARTHUR  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2017**

**RATIO INFORMATION**

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Asset consumption ratio	0.64	0.64	0.67
Asset renewal funding ratio	1.06	0.97	0.95

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$