

**Shire of West Arthur
Annual Report
2017-2018**



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1. Shire President's Report

I am proud to report on the 2017/18 year as President of the Shire of West Arthur.

Work on the expansion of the Health and Resource Centre was close to completion at the end of the financial year. I wish to acknowledge Mr Hawthorn for his significant legacy for this project and I look forward to the integration of museum and completion of outside spaces to bring the precinct together as a vibrant community place.

The landscaping was completed for stage 2 of West Arthur Cottage Homes and all units have been tenanted. The well aged persons housing project has been very successful for our community and the wider 4WDL VROC region.

Management of the Shire's road network is one of the biggest areas of expenditure for the Shire. In 2017/18 the expenditure on the road construction program was in excess of one million with a focus on renewal and upgrades to our major arterial roads.

Council is mindful of keeping rate increases to a minimum and attracting external funding where possible to enable the Shire to continue to achieve great outcomes for our community. Rates increased by 3% for the 2017/18 financial year. The impact of the reduction in Direct Road grants by \$56,010 in 2017/18 had a significant impact on the Shire and we were pleased that the funding was fully reinstated for 2018/19.

With the support of Wheatbelt Regional Development Australia and Lotterywest, two community workshops were held in late 2017 with the aim of encouraging the community to develop and implement enterprising ideas. Many of the ideas discussed and raised at the workshops have progressed including the Darkan Sheepfest and the Decorate Darkan/ Hayfields Highway project. Completion of the Darkan Cemetery unmarked graves project was also completed during the year. Congratulations to all involved with these fantastic community projects.

I also wish to congratulate our 2018 Australia Day Award recipients Mrs Janice King and Sunday Markets at the Shed. Although we only have a small population, we have many volunteers who contribute to our community's vibrancy and well-being, and this was recognised with West Arthur once again a finalist for the State Tidy Towns awards.

Councillors Karlene Goss and Rodney Hulse decided not to renominate in 2017 and Andrew Clarke resigned due to relocation. I thank Karlene, Rod and Andrew for their service to Council and welcome our newly elected members Marie Lloyd, Julie McFall and Alan Blencowe.

The positive working relationship of our councillors and Shire executive enables Council to remain focused on the important issues for our community. I would like to acknowledge the Deputy President, Cr Kevin King, and fellow councillors for their time and commitment in their roles.

Council's appreciation is extended to our dedicated staff for the professionalism they apply to their roles.

Ray Harrington OAM
Shire President

2. Elected Members

2.1 Portfolios and Roles

As at 30 June, our elected members represented Council as per the following:

Councillors	Roles
Cr Raymond Harrington OAM (President) Elected to Office in 2007 Retiring 2019	Audit Committee, Executive Appraisal Committee, Local Emergency Management, Development Assessment Panel, chair meetings of the Lake Towerrinning Strategic Plan Reference meetings, Central Country Zone of WALGA and 4WDL VROC. Plant and equipment portfolio.
Cr Kevin King (Deputy President) Elected to Office in 2005 Retiring 2021	Audit Committee, Executive Appraisal Committee, Tidy Towns Committee, Pool Committee, and Regional Road Group and a proxy to the Development Assessment Panel.
Cr Marie Lloyd Elected to Office 2017 Retiring 2021	West Arthur Community Resource Centre Committee and a proxy to the Development Assessment Panel.
Cr Neil Manuel Elected to Office in 2009 Retiring 2021	Arthur River Development Group
Cr Michael Meredith Elected to Office in 2003 Retiring 2019	Executive Appraisal Committee, Development Assessment Panel and Shire of West Arthur Bush Fire Advisory Committee. Plant and equipment portfolio.
Cr Julie McFall Elected to Office 2017 Retiring 2021	Audit Committee, West Arthur Cottage Homes Committee, and proxy to 4WDL VROC
Cr Alan Blencowe Elected to Office 2017 Retiring 2019	Museum Reference Group, and Local Emergency Management.

2.2 Meeting Attendance

COUNCILLOR	ORDINARY MEETING	SPECIAL MEETING	ANNUAL ELECTORS
Cr Rodney Hulse (Retired Oct 2017)	3	0	
Cr Karlene Goss (Retired Oct 2017)	2	0	
Cr Andrew Clarke (Retired Aug 2017)	0	0	
Cr Raymond Harrington	9	0	1
Cr Kevin King	11	0	1
Cr Neil Manuel	6	0	
Cr Michael Meredith	10	0	
Cr Julie McFall (Elected Oct 2017)	8	0	1
Cr Marie Lloyd (Elected Oct 2017)	8	0	1
Cr Alan Blencowe (Elected Oct 2017)	8	0	1

3. Chief Executive Officer's Report

The Shire finished the 2017-18 financial year with a surplus of \$1,926,694 which included \$1,093,597 of unspent grants and \$508,252 Federal Financial Assistance Grants paid in advance. The remainder of the surplus related to savings in wages and employee costs, due to staff shortages, minor savings, and carried forward projects.

Rates represented 33% of total income for the Shire and grants and contributions 57%. As well as Federal Government general purpose grants, the Shire received funding for roads of \$1,024,414, landcare project funding of \$50,000, funding for events of \$9,329, funding for works at Lake Towerrinning of \$14,543, funding for bush fire mitigation works and support for bush fire brigades of \$54,251 and funding to subsidise the cost of kids Central Childcare of \$31,032.

Capital expenditure during the year included \$1,219,447 on the expansion to the Health and Resource Centre, \$1,022,243 on road construction, \$561,164 on plant purchases, and \$171,683 on smaller infrastructure projects including the signage on the Darkan information bay structure and the interpretive signage along the Collie Darkan Rail Trail.

The Shire is currently in a sound financial position, with \$447,186 of principal outstanding on core Shire loans and \$445,392 of principal outstanding on self-supporting loans for West Arthur Cottage Homes. Reserve funds assist with the long term initiatives and asset renewal and \$1,469,457 was held in cash backed reserve at 30 June. The Shire does, however, have a number of buildings and other infrastructure that require upgrading including community halls, staff housing, footpaths, jetties, and playgrounds. Replacing this ageing asset base whilst continuing to improve road infrastructure and maintaining minimal to moderate rate increase will be a challenge for the Shire.

The audit of the 2017/18 financial information was overseen by the Office of Auditor General. On 28 October 2017, the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit Western Australia's local governments. The Shire received an unqualified Annual Audit Report/the Shire's Annual Audit Report is included at the rear of the Annual Financial Report included in this document.

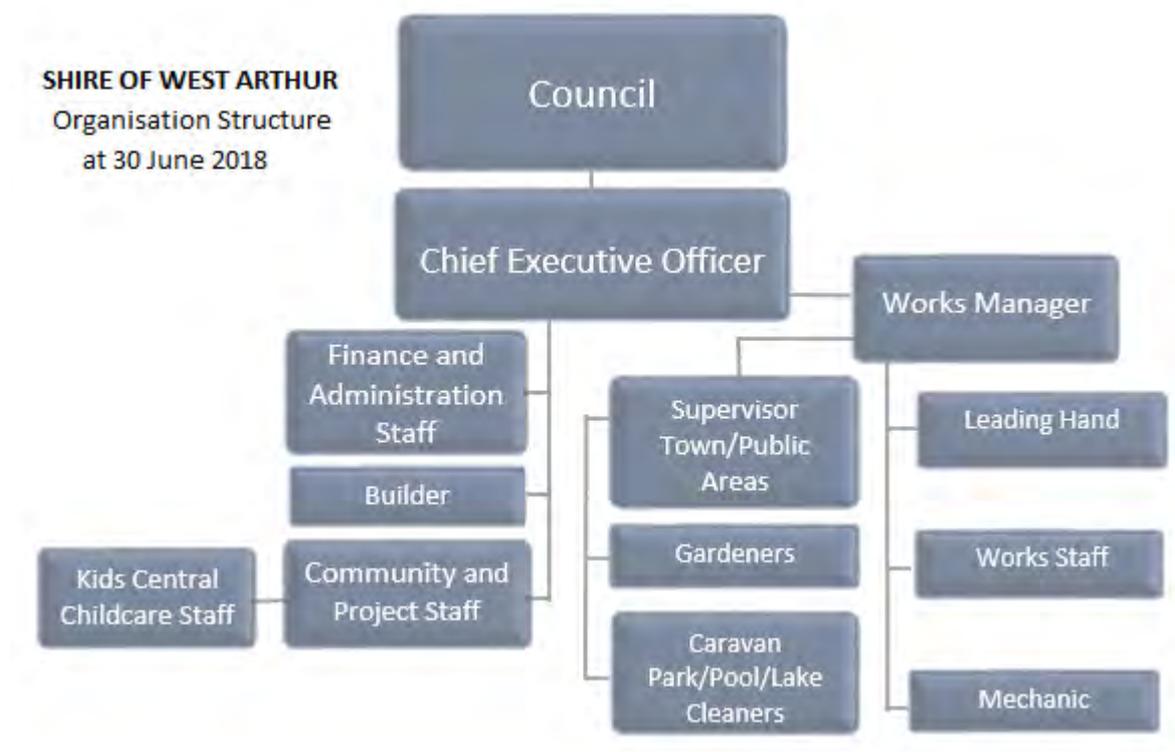
Thank you to Shire staff, elected members, and community members who have contributed to the Shire's achievements and ongoing operations during 2017/18.

Nicole Wasmann
Chief Executive Officer

4. Principal Officers and Council Information

Chief Executive Officer	Nicole Wasmann
Manager (Works):	Bill Owen
Managers (Corporate and Community Services):	Melinda King Maxine McKenzie Kym Gibbs
Administration Office:	31 Burrowes Street DARKAN WA 6392
Telephone:	(08) 9736 2222
Facsimile:	(08) 9736 2212
Email:	shire@westarthur.wa.gov.au
Website:	www.westarthur.wa.gov.au

5. Organisation Structure



6. Strategic Plan

The Shire of West Arthur completed a desktop review of the Strategic Community Plan 2017-2027 in June 2018. The Corporate Business Plan 2018-2022 was also adopted in June 2018. Only minor changes were made to the Community Plan, reflecting outcomes from community engagement activities in late 2017, and to the Corporate Business Plan, condensing some content.

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 plans are broken down into five key themes of community well-being, local economy, built environment, natural environment and government and organisation.

6.1 Strategic Community Plan

The Strategic Community Plan identifies the community desired goals and outcomes for each theme, along with performance measures. It 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 next major review will be in 2019/20 after the 2019 ordinary elections.

6.2 Corporate Business Plan

The Corporate Business Plan expands on the outcomes identified in the Community Plan with strategies and actions. It 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.

6.3 Progress on Delivery of Community Outcomes and Key Projects

Below is an outline of the plans goals and major initiatives that have been completed or are proposed to commence or continue.

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

Actions, initiatives and outcomes included:

- Safety, emergency preparedness and bushfire brigade support including advertising harvest and vehicle movement bans, managing emergency services levy expenditure, review and management of Local Emergency Management Arrangements and Local Recovery Plans, coordination of Local Emergency Management Committee, bush fire risk management planning with the support of the DFES, and regular communication with local police. In the 2017/18 financial year, funding was received for bush fire mitigation works in Bowelling, Duranillin and Darkan.



- Health and aged services including supporting our seniors to remain in our community. Actions included subsidising and supporting health services to be provided locally; seniors outings and activities; a complete review of the Shire's Disability Access and Inclusion Plan, supporting Southern Ag Care and Westcare, application for funding for a trial seniors meal service, works to complete gardens at the new independent living units, and supporting HACC.



- Support for youth and children including the provision of a local childcare service and activities and events for your people. A number of school holiday activities were undertaken including movie nights and out of town excursions during youth week. The Shire is working towards childcare transferring to a regionally managed model.



- Organising and/or supporting community events including the annual Australia Day breakfast, ANZAC service, travelling shows, and providing funding to support other activities including the inaugural Sheepfest in February 2018.



- Ongoing provision of six community housing units specifically for employees of local industry and people on low incomes and two homes leased to Government Regional Officers Housing for Education Department staff.

- Community financial assistance program to assist sporting and community groups, including the use of Shire staff for community works at cost rates.
- Expansion of the West Arthur Health and Resource Centre and support to the Community Resource Centre (CRC) with free rent of the building and funding for the CRC to manage the library and support medical services.



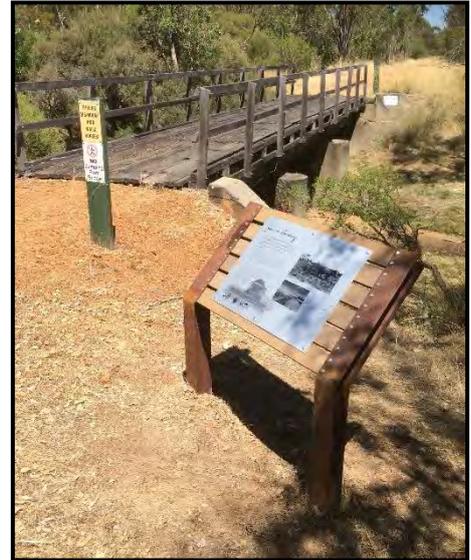
- Providing and maintaining parks and recreation facilities including the Darkan football oval, playgrounds and public open space in Darkan and Duranillin, town halls, walk trails, and facilities at Lake Towerrinning. In 2017/18 improvements were carried out to lake pathways and further works will be completed in 2018/19 include automatic gates for flushing the lake and tree planting. The Darkan Nature Play and Darkan Railway Reserve open space area redevelopment has commenced and will be ongoing. A report was prepared regarding the future of the Arthur River Hall following a request from the Arthur River Development Committee.
- Operation of Darkan Swimming Pool.
- Assisting our community to look after our historical assets including 6 Mile Cottage, Duranillin School, Glenorchy School, Arthur River precinct, and Bowelling and Darkan railway precincts. The Glenorchy School held their 100 year reunion and the Shire provided assistance with painting and preparing buildings and paid for the hire cost of a portable toilet.
- Ongoing development of a museum which will be housed in the Roads Board building of the Health and Resource Centre.
- Manage Arthur River and Darkan cemetery including resurveying of the cemeteries. The unmarked graves project was also completed during the year, a collaborative project between a community member and Shire staff with funding support.
- A Mens Shed project was coordinated by the Shire of West Arthur for the Darkan, Lake Grace and Dumbleyung Mens Sheds. The project including consultation, workshops and activities.

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

Actions, initiatives and outcomes included:

- Ongoing management of the Darkan Caravan Park. The Shire is planning for an additional chalet in the future.
- Maintaining the appearance of the townsites.

- Completion of development of the light industrial area with Landcorp. Two of the four developed lots have been purchased for a fuel service.
- Completion of signage for the Collie Darkan Rail Trail.
- The Shire has a local purchasing policy and supports local businesses where possible.
- A non-potable water supply is provided to Duranillin residents. A review of the supply was undertaken during the year and further consultation will take place with users of the scheme in early 2019.
- Southern Dirt was supported with funding of \$1,500 for a Crop Update event held in the Darkan Town Hall.
- The Blackwood Basin Group continued to provide landcare support to farmers in the Shire with funding support from the Shire of West Arthur.
- Investigations into a regional astro tourism project commenced and, subject to funding, this may proceed in 2019/20.



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

Actions, initiatives and outcomes included:

- Regular review of the plant replacement program. In 2017/18 the Shire purchased a second hand roller, a new grader and a new skid steer loader as well as the upgrade of a utility.
- Road construction program in 2017/18 of \$1.02 million and ongoing maintenance of the Shire's road network. The Shire receives positive feedback on the maintenance of roads. Maintenance on bridges has increased in recent years.
- Ongoing advocacy with Main Roads regarding the need for upgrades to their network in our Shire.
- Road funding submissions to Main Roads Regional Road Group and the Federal Government's Roads to Recovery program and participation in the Wheatbelt Freight Route Project's endeavour to attract Federal funding to upgrade roads.
- Maintenance of buildings and facilities.

- Completion of the Darkan Information Bay.



- Annually inspect all shire buildings and infrastructure including maintaining inventories of maintenance and works required and when scheduled and asset management planning.
- Footpath extension and maintenance works.



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.

Actions, initiatives and outcomes included:

- Operation of the Darkan and Duranillin (key access only) Refuse Sites. Providing a recycling collection service, a waste collection service, and a drummuster collection service.
- 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).
- Monitoring opportunities and advocacy for rural water supply including a funding application for Kylie Dam.
- Minimal use of single use plastics at Shire events.
- Ewaste collection.

- With support of the South West Catchment Council Groundworks project, funding was supplied for the fox shoot, fox traps were made available to the public, and phascogales workshop was held.



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

Actions, initiatives and outcomes included:

- Three newly elected Council members following the October 2017 elections.
- Two newly elected councillors attended the WALGA induction session for new elected members and two new councillors attended elected member training.
- Ongoing involvement in the 4WDL Voluntary Regional Organisation of Councils and WALGA Central Zone.
- Regular meetings and communication with State and Federal members.
- Community forums held as part of the Enterprising Communities series funded through Wheatbelt Regional Development Australia.
- Continuing to work towards the improvement of the Shire's Integrated Planning and Reporting. A 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. Through funding from the Department of Local Government, the employment of two trainees continued and another employee commenced a certificate qualification.
- 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. Darkan, Arthur River and Moodiarrup sporting centres participate in the program.

7. Statutory Reporting Requirements

7.1 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 2017/18 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 2017/18.

(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.

7.2 Disability Access and Inclusion Plan (DAIP)

In 2017, the Shire undertook a review of its Disability Access and Inclusion Plan (DAIP) including consultation with key stakeholders and updating the DAIP to guide further improvements to access and inclusion.

The process included:

- examination of the initial DAIP and subsequent progress reports to see what has been achieved and what still needs work;
- consultation with key staff;
- consultation with the community
- reference to the Age-Friendly Communities study conducted in 2010
- information from the 2015 Age Friendly Communities in Small Towns project and
- consultation with HACC, St John's Ambulance, Seniors Coordinator, Shire staff, seniors and community members.

The 2017-2022 DAIP has been completed and endorsed by Council and the Disability Services Commission.

Some specific outcomes achieved or currently being implemented in planning:

- Ensure new parking lots comply (eg Health and Resource Centre expansion) and ensure the bays are marked and the kerb on to the road is easily manoeuvred.
- Continue the implementation of the program of footpath upgrades including access ramps.
- Remove trees that create hazards from tree roots and replace damaged sections.

- Footpath at the cemetery

In addition to this, access at the sports oval and clubrooms is under review to improve access from the buildings to the grounds.

7.3 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.

7.4 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.

7.5 Freedom of Information Statement

In complying with the Freedom of Information Act 1992, the Shire of West Arthur is required to prepare and publish an information statement. The Shire's Information Statement was updated in June 2018 and a copy is available from the Shire Office and Shire website. The Shire had no Freedom of Information requests in the 2017/18 year.

7.6 Employee Remuneration

Section 5.53(2)(g) of the Local Government Act 1995 requires the Annual Report to contain details of the number of employees of the Shire entitled to an annual salary of \$100,000 or more and within each \$10,000 band over \$100,000. The following salaries include wages, superannuation, personal benefit value of vehicle, and other allowances.

\$120,000-\$130,000 one employee

\$140,000-\$150,000 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 2018

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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 2018**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of West Arthur for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of West Arthur at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 11 day of December 2018



Chief Executive Officer

Nicole Wasmann



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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	20(a)	1,608,538	1,610,369	1,566,941
Operating grants, subsidies and contributions	2	1,905,188	836,327	2,957,140
Fees and charges	2	316,734	316,950	346,714
Interest earnings	2(a)	107,460	103,034	102,667
Other revenue	2(a)	42,041	16,560	628,968
		<u>3,979,961</u>	<u>2,883,240</u>	<u>5,602,430</u>
Expenses				
Employee costs		(1,546,028)	(1,615,693)	(1,586,795)
Materials and contracts		(681,044)	(1,171,421)	(1,673,067)
Utility charges		(68,558)	(71,850)	(70,943)
Depreciation on non-current assets	10(b)	(1,857,684)	(1,806,586)	(1,845,453)
Interest expenses	2(a)	(44,438)	(44,438)	(32,487)
Insurance expenses		(81,576)	(111,461)	(89,110)
Other expenditure		(24,711)	(16,425)	(25,520)
		<u>(4,304,039)</u>	<u>(4,837,874)</u>	<u>(5,323,375)</u>
		(324,078)	(1,954,634)	279,055
Non-operating grants, subsidies and contributions	2	907,801	1,073,555	1,347,378
Profit on asset disposals	10(a)	29,794	27,393	0
(Loss) on asset disposals	10(a)	(6,029)	(5,909)	(63,377)
Fair value adjustments to financial assets at fair value through profit or loss	4	0	0	(84,826)
Net result		607,488	(859,595)	1,478,230
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets - Decrement	11	(11,535,521)		(24,593)
Changes on revaluation of non-current assets - Increment		0		102,116
Total other comprehensive income		(11,535,521)	0	77,523
Total comprehensive income		(10,928,033)	(859,595)	1,555,753

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



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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
	2(a)			
Governance		100	300	400
General purpose funding		3,175,512	2,197,018	3,403,653
Law, order, public safety		55,216	32,034	139,588
Health		5,522	6,600	6,708
Education and welfare		85,328	107,666	144,889
Housing		122,257	125,589	1,254,711
Community amenities		181,169	110,936	101,374
Recreation and culture		56,574	66,050	215,640
Transport		126,929	135,987	155,847
Economic services		35,028	27,700	33,106
Other property and services		136,326	73,360	146,514
		3,979,961	2,883,240	5,602,430
Expenses				
	2(a)			
Governance		(248,134)	(316,179)	(273,981)
General purpose funding		(70,235)	(62,728)	(80,713)
Law, order, public safety		(141,512)	(119,356)	(225,563)
Health		(112,862)	(133,542)	(85,452)
Education and welfare		(178,401)	(235,541)	(223,030)
Housing		(133,197)	(126,582)	(1,143,985)
Community amenities		(324,117)	(337,876)	(292,777)
Recreation and culture		(590,180)	(822,059)	(666,150)
Transport		(2,214,049)	(2,419,337)	(2,007,229)
Economic services		(96,224)	(135,787)	(117,876)
Other property and services		(150,690)	(84,449)	(174,132)
		(4,259,601)	(4,793,436)	(5,290,888)
Finance Costs				
	2(a)			
Housing		(37,614)	(37,614)	(24,598)
Economic services		(2,728)	(2,728)	(3,016)
Other property and services		(4,096)	(4,096)	(4,873)
		(44,438)	(44,438)	(32,487)
		(324,078)	(1,954,634)	279,055
Non-operating grants, subsidies and contributions	2	907,801	1,073,555	1,347,378
Profit on disposal of assets	10(a)	29,794	27,393	0
(Loss) on disposal of assets	10(a)	(6,029)	(5,909)	(63,377)
Fair value adjustments to financial assets at fair value through profit or loss	6	0	0	(84,826)
		931,566	1,095,039	1,199,175
		607,488	(859,595)	1,478,230
Net result				
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets - Decrement	11	(11,535,521)		(24,593)
Changes on revaluation of non-current assets - Increment		0		102,116
		(11,535,521)	0	77,523
Total other comprehensive income		(11,535,521)	0	77,523
Total comprehensive income		(10,928,033)	(859,595)	1,555,753

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

AUDITED
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**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	3,277,121	3,962,273
Trade and other receivables	6	307,456	343,199
Inventories	7	20,871	13,293
TOTAL CURRENT ASSETS		3,605,448	4,318,765
NON-CURRENT ASSETS			
Investments	4	46,400	46,400
Other receivables	6	419,957	445,392
Property, plant and equipment	8	16,887,051	15,730,186
Infrastructure	9	85,465,576	97,219,843
TOTAL NON-CURRENT ASSETS		102,818,984	113,441,821
TOTAL ASSETS		106,424,432	117,760,586
CURRENT LIABILITIES			
Trade and other payables	12	192,791	509,617
Current portion of long term borrowings	13(a)	86,043	81,649
Provisions	14	411,947	406,591
TOTAL CURRENT LIABILITIES		690,781	997,857
NON-CURRENT LIABILITIES			
Long term borrowings	13(a)	806,535	892,578
Provisions	14	24,643	39,645
TOTAL NON-CURRENT LIABILITIES		831,178	932,223
TOTAL LIABILITIES		1,521,959	1,930,080
NET ASSETS		104,902,473	115,830,506
EQUITY			
Retained surplus		12,652,966	11,505,839
Reserves - cash backed	5	1,469,457	2,009,096
Revaluation surplus	11	90,780,050	102,315,571
TOTAL EQUITY		104,902,473	115,830,506

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



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

NOTE	RESERVES			TOTAL EQUITY
	RETAINED SURPLUS	CASH/INVESTMENT BACKED	REVALUATION SURPLUS	
	\$	\$	\$	\$
Balance as at 1 July 2016	10,184,582	1,852,123	102,238,048	114,274,753
Comprehensive income				
Net result	1,478,230	0	0	1,478,230
Changes on revaluation of assets	0	0	(24,593)	(24,593)
Changes on revaluation of assets	11	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
Balance as at 30 June 2017	11,505,839	2,009,096	102,315,571	115,830,506
Comprehensive income				
Net result	607,488	0	0	607,488
Changes on revaluation of assets	11	0	(11,535,521)	(11,535,521)
Total comprehensive income	607,488	0	(11,535,521)	(10,928,033)
Transfers from/(to) reserves	539,639	(539,639)	0	0
Balance as at 30 June 2018	12,652,966	1,469,457	90,780,050	104,902,473

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,588,505	1,620,369	1,690,150
Operating grants, subsidies and contributions		1,930,475	556,323	3,120,479
Fees and charges		316,734	316,950	346,714
Interest earnings		107,460	103,034	102,667
Goods and services tax		308,158	642,864	406,562
Other revenue		42,041	16,560	628,968
		<u>4,293,373</u>	<u>3,256,100</u>	<u>6,295,540</u>
Payments				
Employee costs		(1,557,114)	(1,615,693)	(1,539,916)
Materials and contracts		(1,004,008)	(1,158,468)	(1,495,616)
Utility charges		(68,558)	(71,850)	(70,943)
Interest expenses		(44,438)	(44,438)	(32,487)
Insurance expenses		(81,576)	(111,461)	(89,110)
Goods and services tax		(276,842)	(300,000)	(453,610)
Other expenditure		(24,711)	(16,425)	(25,520)
		<u>(3,057,247)</u>	<u>(3,318,335)</u>	<u>(3,707,202)</u>
Net cash provided by (used in) operating activities	15	<u>1,236,126</u>	<u>(62,235)</u>	<u>2,588,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,744,731)	(1,959,916)	(1,107,385)
Payments for construction of infrastructure		(1,191,749)	(1,709,651)	(1,657,183)
Non-operating grants, subsidies and contributions		907,801	1,073,555	1,347,378
Proceeds from sale of fixed assets		164,442	396,000	36,222
Net cash provided by (used in) investment activities		<u>(1,864,237)</u>	<u>(2,200,012)</u>	<u>(1,380,968)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(81,649)	(81,648)	(53,691)
Proceeds from self supporting loans		24,608	24,608	(470,000)
Proceeds from new long term borrowings		0	0	470,000
Net cash provided by (used in) financing activities		<u>(57,041)</u>	<u>(57,040)</u>	<u>(53,691)</u>
Net increase (decrease) in cash held		<u>(685,152)</u>	<u>(2,319,287)</u>	<u>1,153,679</u>
Cash at beginning of year		3,962,273	3,968,316	2,808,594
Cash and cash equivalents at the end of the year	15	<u><u>3,277,121</u></u>	<u><u>1,649,029</u></u>	<u><u>3,962,273</u></u>

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		1,785,813	1,785,813	1,206,058
		1,785,813	1,785,813	1,206,058
Revenue from operating activities (excluding rates)				
Governance		100	300	400
General purpose funding		1,570,368	590,043	1,836,712
Law, order, public safety		58,114	32,034	139,588
Health		5,522	6,600	6,708
Education and welfare		85,328	107,666	144,889
Housing		122,257	125,589	1,254,711
Community amenities		181,169	113,000	101,374
Recreation and culture		56,574	66,050	215,640
Transport		153,825	161,316	155,847
Economic services		35,028	27,700	33,106
Other property and services		136,326	73,360	146,514
		2,404,611	1,303,658	4,035,489
Expenditure from operating activities				
Governance		(248,134)	(316,179)	(273,981)
General purpose funding		(70,235)	(62,728)	(165,539)
Law, order, public safety		(141,512)	(119,356)	(225,563)
Health		(112,862)	(133,542)	(85,452)
Education and welfare		(178,401)	(235,541)	(223,030)
Housing		(170,811)	(167,005)	(1,227,836)
Community amenities		(324,117)	(337,876)	(296,291)
Recreation and culture		(590,180)	(822,059)	(666,150)
Transport		(2,220,078)	(2,422,437)	(2,007,839)
Economic services		(98,952)	(138,515)	(120,892)
Other property and services		(154,786)	(88,545)	(179,005)
		(4,310,068)	(4,843,783)	(5,471,578)
Operating activities excluded				
(Profit) on disposal of assets	10(a)	(29,794)	(27,393)	0
Loss on disposal of assets	10(a)	6,029	5,909	63,377
Loss on revaluation of fixed assets	9(b)	0	0	84,826
Movement in accrued salaries and wages		(1,440)	0	3,382
Movement in employee benefit provisions		(9,646)	0	43,497
Depreciation and amortisation on assets	10(b)	1,857,684	1,806,586	1,845,453
Amount attributable to operating activities		1,703,189	30,790	1,810,504
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		907,801	1,073,555	1,347,378
Proceeds from disposal of assets	10(a)	164,442	396,000	36,222
Purchase of property, plant and equipment	8(b)	(1,744,731)	(1,959,916)	(1,107,385)
Purchase and construction of infrastructure	9(b)	(1,191,749)	(1,709,651)	(1,657,183)
Amount attributable to investing activities		(1,864,237)	(2,200,012)	(1,380,968)
FINANCING ACTIVITIES				
Repayment of long term borrowings	13(a)	(81,649)	(81,648)	(53,691)
Proceeds from new long term borrowings	13(b)	0	0	470,000
Proceeds from self supporting loans	13(a)	24,608	24,608	(470,000)
Transfers to reserves (restricted assets)	5	(815,040)	(994,091)	(689,110)
Transfers from reserves (restricted assets)	5	1,354,679	1,613,378	532,137
Amount attributable to financing activities		482,598	562,247	(210,664)
Surplus(deficiency) before general rates		321,550	(1,606,975)	218,872
Total amount raised from general rates	20	1,605,144	1,606,975	1,566,941
Net current assets at June 30 c/fwd - surplus/(deficit)	21	1,926,694	0	1,785,813

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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 23 to these financial statements.

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

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Other revenue		
Reimbursements and recoveries	42,040	158,968
Other	0	470,000
	<u>42,040</u>	<u>628,968</u>
Fees and Charges		
General purpose funding	2,809	1,846
Law, order, public safety	965	2,578
Health	499	794
Education and welfare	52,291	88,933
Housing	90,815	105,777
Community amenities	53,265	50,251
Recreation and culture	12,313	12,777
Transport	0	296
Economic services	32,315	33,107
Other property and services	71,462	50,355
	<u>316,734</u>	<u>346,714</u>

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	100	400
General purpose funding	1,472,004	1,732,199
Law, order, public safety	54,251	42,698
Health	300	0
Education and welfare	33,037	54,176
Housing	9,845	668,026
Community amenities	125,425	50,000
Recreation and culture	37,501	198,143
Transport	126,929	155,550
Economic services	2,626	0
Other property and services	43,170	55,948
	<u>1,905,188</u>	<u>2,957,140</u>
Non-operating grants, subsidies and contributions		
Health	1,316	530,000
Recreation and culture	6,000	16,470
Transport	897,485	800,908
Economic services	3,000	0
	<u>907,801</u>	<u>1,347,378</u>
Total grants, subsidies and contributions	<u>2,812,989</u>	<u>4,304,518</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)
a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Interest earnings			
- Loans receivable - clubs/institutions	15,300	15,300	0
- Reserve funds	40,147	48,734	49,406
- Other funds	26,713	28,000	26,178
Other interest revenue (refer note 20(c))	25,300	11,000	27,083
	<u>107,460</u>	<u>103,034</u>	<u>102,667</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2018	2017
	\$	\$
Auditors remuneration		
(Included in Materials and Contracts, and Governance)		
- Audit of the Annual Financial Report	11,459	20,700
- Audit of Grant Acquittals	990	2,700
	12,449	23,400
 Interest expenses (finance costs)		
Long term borrowings (refer Note 13(a))	44,438	32,487
	44,438	32,487

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

3. CASH AND CASH EQUIVALENTS	NOTE	2018 \$	2017 \$
Unrestricted		714,067	1,225,636
Restricted		2,563,054	2,736,637
		3,277,121	3,962,273
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	5	132,921	129,924
Plant Reserve	5	83,567	85,403
Building Reserve	5	560,718	419,344
Town Development Reserve	5	61,225	59,844
Recreation Reserve	5	30,450	52,658
Heritage Reserve	5	4,783	4,321
Community Housing Reserve	5	92,734	108,237
Waste Management Reserve	5	78,115	76,734
Darkan Swimming Pool Reserve	5	32,419	31,309
Information Technology Reserve	5	56,591	55,316
Darkan Sport and Community Centre Reserve	5	192,880	159,208
Health and Resource Centre Reserve	5	0	753,897
Arthur River Country Club Renewal Reserve	5	21,243	14,901
Museum Reserve	5	56,269	55,000
Moodiarrup Sports Club Reserve	5	6,069	3,000
Landcare Reserve	5	59,473	0
Unspent grants	19	1,093,597	727,541
		2,563,054	2,736,637

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. INVESTMENTS

	2018	2017
	\$	\$
Financial assets at fair value through profit and loss	46,400	46,400
Financial assets at fair value through profit and loss		
At the beginning of the year	46,400	131,226
Revaluation to income statement		
General purpose funding	0	(84,826)
	<u>0</u>	<u>(84,826)</u>
At the end of the year	46,400	46,400

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

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

Financial assets are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking.

Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Held-to-maturity investments

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

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

(iii) Available-for-sale financial assets

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

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

Impairment

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

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

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

Derecognition

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

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

5. RESERVES - CASH BACKED

	2018		2018		2018		2018		2018		2017		2017	
	Actual	Actual	Actual	Transfer	Budget	Budget	Budget	Transfer	Budget	Budget	Actual	Actual	Actual	Actual
	Opening	Transfer	Actual	(from)	Opening	Transfer	Transfer	to	Closing	Closing	Opening	Transfer	Transfer	Closing
	Balance	\$	\$	\$	Balance	\$	\$	\$	Balance	Balance	Balance	to	(from)	Balance
Leave Reserve	129,924	2,996	132,920	0	129,924	3,244	0	0	133,168	87,581	62,343	0	(20,000)	129,924
Plant Reserve	85,403	362,252	83,567	(364,088)	85,403	362,125	(404,000)	0	43,528	228,964	366,122	(509,683)	0	85,403
Building Reserve	419,344	325,729	560,718	(184,355)	419,344	556,391	(345,000)	0	630,735	325,230	94,114	0	0	419,344
Town Development Reserve	59,844	1,380	61,224	0	59,844	1,494	(55,000)	0	6,338	40,134	19,710	0	0	59,844
Recreation Reserve	52,658	1,214	30,449	(23,423)	52,658	1,315	(17,000)	0	36,973	34,727	17,931	0	0	52,658
Heritage Reserve	4,321	463	4,784	0	4,321	408	0	0	4,729	3,722	599	0	0	4,321
Community Housing Reserve	108,237	2,496	92,733	(18,000)	108,237	2,700	0	0	110,937	105,380	2,857	0	0	108,237
Waste Management Reserve	76,734	1,381	78,115	0	76,734	1,915	0	0	78,649	74,730	2,004	0	0	76,734
Darkan Swimming Pool Reserve	31,309	1,110	32,419	0	31,309	782	0	0	32,091	26,601	4,708	0	0	31,309
Information Technology Reserve	55,316	1,276	56,592	0	55,316	1,381	(15,000)	0	41,697	53,897	1,419	0	0	55,316
Darkan Sport and Community Centre Reserve	159,208	33,672	192,880	0	159,208	33,976	0	0	193,184	125,885	33,323	0	0	159,208
Health and Resource Centre Reserve	753,897	10,916	0	(764,813)	753,837	17,526	(771,378)	45	45	734,209	19,688	0	0	753,897
Arthur River Country Club Renewal Reserve	14,901	6,343	21,244	0	14,901	6,383	(3,000)	0	18,284	11,063	6,292	(2,454)	0	14,901
Museum Reserve	55,000	1,270	56,270	0	55,000	1,376	0	0	56,376	0	55,000	0	0	55,000
Moodiarup Sports Club Reserve	3,000	3,069	6,069	0	3,000	3,075	(3,000)	0	3,075	0	3,000	0	0	3,000
Landcare Reserve	0	59,473	59,473	0	0	0	0	0	0	0	0	0	0	0
	2,009,096	815,040	1,469,457	(1,354,679)	2,009,036	994,091	(1,613,378)	0	1,389,809	1,852,123	689,110	(532,137)	0	2,009,096

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	To be used to fund 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 for the maintenance and provision of housing within 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 Reserve	Ongoing	To be used to maintain and to provide new displays in the Museum
Moodiarup Sports Club Reserve	Ongoing	To be used to maintain and improve the Moodiarup Sports Complex
Landcare Reserve	Ongoing	To be used to fund landcare expenditure

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
(less provision for doubtful debts)
Sundry debtors
GST receivable
Loans receivable - clubs/institutions

Non-current

Loans receivable - clubs/institutions

	2018	2017
	\$	\$
Rates outstanding	165,047	194,904
(less provision for doubtful debts)	(65,400)	(57,645)
Sundry debtors	163,778	131,420
GST receivable	18,596	49,912
Loans receivable - clubs/institutions	25,435	24,608
	<u>307,456</u>	<u>343,199</u>
Loans receivable - clubs/institutions	419,957	445,392
	<u>419,957</u>	<u>445,392</u>

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

Rates outstanding

Includes: Not past due and not impaired

up to one month	8,500	8,060
1 - 3 months	10,671	3,611
3 months to one year	20,821	41,443
1 to five years	42,110	69,127
more than 5 years	17,545	15,018

Impaired

up to one month	6,438	5,640
1 - 3 months	0	0
3 months to one year	1,317	1,274
1 to five years	17,000	15,161
more than 5 years	40,645	35,570

Sundry debtors

Not past due and not impaired

1 - 3 months	160,407	118,575
3 months to one year	1,892	1,450
1 to five years	1,479	11,395

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

7. INVENTORIES

Current

Fuels and Materials

	<u>2018</u>	<u>2017</u>
	\$	\$
	20,871	13,293
	<u>20,871</u>	<u>13,293</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

8 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Management valuation 2017 - level 2	957,016	957,016
	<u>957,016</u>	<u>957,016</u>
Land - vested in and under the control of Council at:		
- Management valuation 2017 - level 2	406,000	406,000
	<u>406,000</u>	<u>406,000</u>
Total land	<u>1,363,016</u>	<u>1,363,016</u>
Buildings - non-specialised at:		
- Management valuation 2017 - level 2	2,254,068	2,254,068
Less: accumulated depreciation	(43,681)	0
	<u>2,210,387</u>	<u>2,254,068</u>
Buildings - specialised at:		
- Management valuation 2017 - level 3	10,679,448	9,460,000
Less: accumulated depreciation	(142,421)	0
	<u>10,537,027</u>	<u>9,460,000</u>
Total buildings	<u>12,747,414</u>	<u>11,714,068</u>
Total land and buildings	<u>14,110,430</u>	<u>13,077,084</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	22,050	22,050
Less: accumulated depreciation	(8,047)	(4,023)
	<u>14,003</u>	<u>18,027</u>
Plant and equipment at:		
- Management valuation 2016 - level 2	2,317,144	2,317,144
- Management valuation 2016 - level 3	50,894	50,894
- Additions after valuation - cost	919,522	548,136
Less: accumulated depreciation	(524,942)	(281,099)
	<u>2,762,618</u>	<u>2,635,075</u>
Total property, plant and equipment	<u>16,887,051</u>	<u>15,730,186</u>

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	1,042,005	406,000	1,448,005	8,850,952	2,532,292	11,383,244	12,831,249	22,050	2,413,692	15,266,991	
Additions	0	0	0	544,819	14,431	559,250	559,250	0	548,135	1,107,385	
(Disposals)	(59,253)	0	(59,253)	0	0	0	(59,253)	0	(43,000)	(102,253)	
Revaluation increments/ (decrements) transferred to revaluation surplus	(25,736)	0	(25,736)	243,103	(241,960)	1,143	(24,593)	0	0	(24,593)	
Depreciation (expense)	0	0	0	(178,874)	(50,695)	(229,569)	(229,569)	(4,023)	(283,752)	(517,344)	
Carrying amount at 30 June 2017	957,016	406,000	1,363,016	9,460,000	2,254,068	11,714,068	13,077,084	18,027	2,635,075	15,730,186	
Additions	0	0	0	1,219,448	0	1,219,448	1,219,448	0	525,283	1,744,731	
(Disposals)	0	0	0	0	0	0	0	0	(140,677)	(140,677)	
Depreciation (expense)	0	0	0	(142,421)	(43,681)	(186,102)	(186,102)	(4,024)	(292,944)	(483,070)	
Transfers	0	0	0	0	0	0	0	0	35,881	35,881	
Carrying amount at 30 June 2018	957,016	406,000	1,363,016	10,537,027	2,210,387	12,747,414	14,110,430	14,003	2,762,618	16,887,051	

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	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.
Furniture and equipment	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.
Plant and equipment					
- Management valuation 2016	2	Market approach using recent observable market data for similar properties	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.

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

9 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2017- level 3	63,748,877	62,728,324
Less: accumulated depreciation	(896,000)	0
	<u>62,852,877</u>	<u>62,728,324</u>
Infrastructure - Other		
- Management valuation 2017 - level 3	3,641,311	3,505,996
Less: accumulated depreciation	(126,612)	0
	<u>3,514,699</u>	<u>3,505,996</u>
Bridges		
- Independent valuation 2018 - level 3	19,098,000	0
- Management valuation 2015 - level 2	0	44,447,792
- Additions after valuation - cost	0	300,080
Less: accumulated depreciation	0	(13,762,349)
	<u>19,098,000</u>	<u>30,985,523</u>
Total infrastructure	<u>85,465,576</u>	<u>97,219,843</u>

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

9. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure -		Bridges	Total
	Roads	Infrastructure - Other		
	\$	\$	\$	\$
Balance at 1 July 2016	62,296,051	3,457,658	31,034,944	96,788,653
Additions	1,286,786	70,317	300,080	1,657,183
Revaluation increments/ (decrements) transferred to revaluation surplus	0	102,116	0	102,116
Depreciation (expense)	(854,513)	(124,095)	(349,501)	(1,328,109)
Carrying amount at 30 June 2017	62,728,324	3,505,996	30,985,523	97,219,843
Additions	1,020,553	171,196	0	1,191,749
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	(11,535,521)	(11,535,521)
Depreciation (expense)	(896,000)	(126,612)	(352,002)	(1,374,614)
Transfers	0	(35,881)	0	(35,881)
Carrying amount at 30 June 2018	62,852,877	3,514,699	19,098,000	85,465,576

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

9. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management valuation	June 2017	Costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Bridges	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

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

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

10. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Housing								
Sale of houses - not sold	0	0			232,809	230,000	0	(2,809)
Community amenities								
DMax ute	17,094	19,992	2,898	0	14,936	17,000	2,064	0
Transport								
UD Nissan	12,171	6,142	0	(6,029)	12,071	6,300		(5,771)
Loader	39,404	45,407	6,003	0	39,000	47,000	8,000	0
Dolly	0	3,247	3,247	0	0	3,700	3,700	0
Skid Steer	4,879	5,805	926	0	5,600	5,000	0	(600)
Volvo Grader	44,614	59,758	15,144	0	45,600	65,000	19,400	0
Nissan Navara	22,515	24,091	1,576	0	24,500	22,000	0	(2,500)
	140,677	164,442	29,794	(6,029)	374,516	396,000	33,164	(11,680)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	43,681	50,695
Buildings - specialised	142,421	178,874
Furniture and equipment	4,024	4,023
Plant and equipment	292,944	283,752
Infrastructure - Roads	896,000	854,513
Infrastructure - Other	126,612	124,095
Bridges	352,002	349,501
	1,857,684	1,845,453

10. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
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

Depreciation (Continued)

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

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

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

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

11. REVALUATION SURPLUS

	2018				2017			
	Opening Balance	Revaluation (Decrement)	Movement on Revaluation	Closing Balance	Opening Balance	Revaluation (Decrement)	Movement on Revaluation	Closing Balance
Revaluation surplus - Land	\$ 613,871	0	0	\$ 613,871	\$ 639,608	0	(25,737)	\$ 613,871
Revaluation surplus - Buildings	6,960,184	0	0	6,960,184	6,959,040	244,246	1,144	6,960,184
Revaluation surplus -Furniture and equipment	10,206	0	0	10,206	10,206	0	0	10,206
Revaluation surplus - Infrastructure - Roads	61,648,086	0	0	61,648,086	61,648,086	0	0	61,648,086
Revaluation surplus - Infrastructure - Other	1,703,099	0	0	1,703,099	1,600,983	102,116	0	1,703,099
Revaluation surplus - Bridges	31,380,125	(11,535,521)	(11,535,521)	19,844,604	31,380,125	0	0	31,380,125
	102,315,571	(11,535,521)	(11,535,521)	90,780,050	102,238,048	346,362	(268,839)	102,315,571

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.

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

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages

	2018	2017
	\$	\$
	183,862	499,248
	8,929	10,369
	192,791	509,617

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

13. INFORMATION ON BORROWINGS (Continued)

	2018	2017
	\$	\$
(b) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
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
Total amount of credit unused	150,000	150,000
Loan facilities		
Loan facilities - current	86,043	81,649
Loan facilities - non-current	806,535	892,578
Total facilities in use at balance date	892,578	974,227
Unused loan facilities at balance date	NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

14. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	183,435	223,156	406,591
Non-current provisions	0	39,645	39,645
	<u>183,435</u>	<u>262,801</u>	<u>446,236</u>
Additional provision	101,966	27,339	129,305
Amounts used	(127,094)	(13,643)	(140,737)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	600	1,186	1,786
Balance at 30 June 2018	<u>158,907</u>	<u>277,683</u>	<u>436,590</u>
Comprises			
Current	158,907	253,040	411,947
Non-current	0	24,643	24,643
	<u>158,907</u>	<u>277,683</u>	<u>436,590</u>

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

Within 12 months of reporting date	107,764	114,576	222,340
More than 12 months after reporting date	51,143	163,107	214,250
Total	158,907	277,683	436,590

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

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

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

Provisions

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

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	3,277,121	1,649,029	3,962,273

Reconciliation of Net Cash Provided By
Operating Activities to Net Result

Net result	607,488	(859,595)	1,478,230
Non-cash flows in Net result:			
Depreciation	1,857,684	1,806,586	1,845,453
(Profit)/loss on sale of asset	(23,765)	(21,484)	63,377
Fair value adjustments to fixed assets at fair value through profit or loss	0	0	84,826
Changes in assets and liabilities:			
(Increase)/decrease in receivables	36,570	72,860	239,500
(Increase)/decrease in inventories	(7,578)	0	15,850
Increase/(decrease) in payables	(316,826)	12,953	164,983
Increase/(decrease) in provisions	(9,646)	0	43,497
Grants contributions for the development of assets	(907,801)	(1,073,555)	(1,347,378)
Net cash from operating activities	1,236,126	(62,235)	2,588,338

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

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2018</u>	<u>2017</u>
	\$	\$
Governance	500	500
General purpose funding	1,543,805	1,464,111
Law, order, public safety	490,600	586,407
Health	2,709,814	2,232,767
Education and welfare	10,581	11,408
Housing	2,189,392	2,233,491
Community amenities	1,001,054	1,003,689
Recreation and culture	9,586,937	9,616,174
Transport	83,422,243	95,179,227
Economic services	846,507	861,245
Other property and services	4,622,999	4,571,567
	<u>106,424,432</u>	<u>117,760,586</u>

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

17. JOINT ARRANGEMENTS

The Shire of West Arthur has a joint arrangement with Department of Communities 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 included in Property, Plant and Equipment are as follows.

	2018	2017
	\$	\$
Non-current assets		
Land and buildings	245,364	248,259
Less: accumulated depreciation	0	0
	<u>245,364</u>	<u>248,259</u>

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method.

Interests in joint arrangements (Continued)

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the President.	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Meeting Fees	7,110	7,000	7,740
President's allowance	2,980	2,980	2,980
Deputy President's allowance	745	745	745
Travelling expenses	1,344	2,200	1,607
Telecommunications allowance	3,104	3,500	3,500
	<u>15,283</u>	<u>16,425</u>	<u>16,572</u>

Key Management Personnel (KMP) Compensation Disclosure

(The amounts disclosed below are in addition to elected members remuneration)

The total of remuneration paid to KMP of the Shire during the year are as follows:	2018	2017
	\$	\$
Short-term employee benefits	231,474	208,050
Post-employment benefits	25,407	22,627
Other long-term benefits	<u>7,166</u>	<u>6,382</u>
	<u>264,047</u>	<u>237,059</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

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

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

The following transactions occurred with related parties:	2018	2017
	\$	\$
Purchase of goods and services	0	0

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

iii. Joint arrangements accounted for under the proportionate consolidation method

The Shire has a percentage based share in joint venture housing. The interest in the joint arrangement is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint arrangements, refer to Note 18.

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

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
General purpose funding							
Royalties for Regionals CLGF 12/13	130,030	0	(130,030)	0	0	0	0
WA Grants Commission - Bridges	0	320,000	0	320,000	516,000	0	836,000
Law, order, public safety							
FESA Operating Grant	0	0	0	0	31,501	(30,930)	571
Bushfire Mitigation	0	0	0	0	22,750	(19,120)	3,630
Education and welfare							
Dept Communities - Kids Central	3,345	0	(3,345)	0	0	0	0
DLG - Youth Development Kids Central	0	9,855	(555)	9,300	0	(9,300)	0
Community amenities							
SWCC Fodder Crops	3,266	0	(3,266)	0	0	0	0
Strategic Groundworks	75,000	50,000	(79,634)	45,366	50,000	(93,249)	2,117
Recreation and culture							
Lotterywest - Darkan to Dardadine Rail Trail	17,000	0	(17,000)	0	0	0	0
Dep Regional Development - HRC expansi	0	250,000	(125,900)	124,100	0	(124,100)	0
Estate of E Brown - HRC expansion	0	80,000	0	80,000	0	(80,000)	0
Estate of E Brown - Museum	0	120,000	(50,000)	70,000	0	0	70,000
DLG - Mens Shed (Darkan, Dumbleyung, L	0	20,000	(3,370)	16,630	0	(16,630)	0
Lake Towerinning Improvement Project	0	0	0	0	14,543	(4,673)	9,870
Cultural Day	0	0	0	0	2,008	0	2,008
Connect to Creative Grid	0	0	0	0	1,850	0	1,850
Transport							
Roads to Recovery	433,481	478,478	(857,814)	54,145	598,041	(486,345)	165,841
Regional Road Group - Bowelling Duranillin	21,974	0	(21,974)	0	0	0	0
Regional Road Group - Piesseville Tanwong	25,305	0	(25,305)	0	0	0	0
Other property and services							
DLG - Youth Development	0	16,500	(8,500)	8,000	2,061	(8,351)	1,710
Total	709,401	1,344,833	(1,326,693)	727,541	1,238,754	(872,698)	1,093,597

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.

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

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Total Revenue \$
Gross rental valuations								
GRV Townsite	0.0857	90	623,250	53,413	0	53,413	53,413	53,413
GRV Commercial	0.0857	16	256,672	21,997	0	21,997	21,997	21,997
GRV Industrial	0.0857	7	72,523	6,301	0	6,301	6,301	6,301
GRV Other Townsite	0.0857	15	71,944	6,166	0	6,166	6,166	6,166
Unimproved valuations								
UV Rural	0.0062	396	247,977,500	1,546,417	(207)	1,546,210	1,546,417	1,546,417
Sub-Total		524	249,001,894	1,634,294	(207)	1,634,087	1,634,294	1,634,294
Minimum payment								
	\$							
Gross rental valuations								
GRV Townsite	458	30	116,594	13,740	0	13,740	13,740	13,740
GRV Commercial	458	7	19,940	3,206	0	3,206	3,206	3,206
GRV Industrial	458	4	13,060	1,832	0	1,832	1,832	1,832
GRV Other Townsite	317	18	14,097	5,706	0	5,706	5,706	5,706
Unimproved valuations								
UV Rural	458	31	1,061,383	14,198	1,383	15,581	14,198	14,198
Sub-Total		90	1,225,073	38,682	1,383	40,065	38,682	38,682
Discounts/concessions (refer note 20(b))								
		614	250,226,973	1,672,976	1,176	1,674,152	1,672,976	1,672,976
Total amount raised from general rate						(69,008)		(66,001)
Ex-gratia rates						1,605,144		1,606,975
Totals						3,394		3,394
						1,608,538		1,610,369

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

20. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee	Discount	Discount	Actual	Budget	Circumstances in which Discount is Granted
Discount Granted	%	\$	\$	\$	
Rates paid on time	5.00%		69,008	66,001	Paid on time

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan		Unpaid Rates Interest Rate
		Admin Charge	Instalment Plan Interest Rate	
		\$	%	%
Option One				
Single full payment	15-Sep-17	0	5.50%	11.00%
Option Two				
First instalment	15-Sep-17	5	5.50%	11.00%
Second instalment	17-Nov-17			
Option Three				
First instalment	15-Sep-17	15	5.50%	11.00%
Second instalment	17-Nov-17			
Third instalment	19-Jan-18			
Fourth instalment	23-Mar-18			

	2018	2018 Budget
	\$	\$
Interest on unpaid rates	23,630	9,400
Interest on instalment plan	1,670	1,600
Charges on instalment plan	705	600
	26,005	11,600

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

21. NET CURRENT ASSETS

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

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	1,926,694	1,785,813	1,785,813
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	714,067	1,225,636	1,225,636
Restricted	2,563,054	2,736,637	2,736,637
Receivables			
Rates outstanding	165,047	137,259	137,259
(less provision for doubtful debts)	(65,400)	(57,645)	(57,645)
Sundry debtors	163,778	189,065	189,065
GST receivable	18,596	49,912	49,912
Loans receivable - clubs/institutions	25,435	24,608	24,608
Inventories			
Fuels and Materials	20,871	13,293	13,293
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(183,862)	(499,248)	(499,248)
Accrued salaries and wages	(8,929)	(10,369)	(10,369)
Current portion of long term borrowings	(86,043)	(81,649)	(81,649)
Provisions			
Provision for annual leave	(158,907)	(183,435)	(183,435)
Provision for long service leave	(253,040)	(223,156)	(223,156)
Unadjusted net current assets	2,914,667	3,320,908	3,320,908
Adjustments			
Less: Reserves - restricted cash	(1,469,457)	(2,009,096)	(2,009,096)
Less: Loans receivable - clubs/institutions	(25,435)	(24,608)	(24,608)
Add: Current portion of long term borrowings	86,043	81,649	81,649
Provision for annual leave	158,907	183,435	183,435
Provision for long service leave	253,040	223,156	223,156
Accrued salaries and wages	8,929	10,369	10,369
Adjusted net current assets - surplus/(deficit)	1,926,694	1,785,813	1,785,813

Difference

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

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

22. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,277,121	3,962,273	3,277,121	3,962,273
Investments	46,400	46,400	46,400	46,400
Receivables	727,413	788,591	272,413	788,591
	<u>4,050,934</u>	<u>4,797,264</u>	<u>3,595,934</u>	<u>4,797,264</u>
Financial liabilities				
Payables	192,791	509,617	192,791	509,617
Borrowings	892,578	974,227	739,276	803,423
	<u>1,085,369</u>	<u>1,483,844</u>	<u>932,067</u>	<u>1,313,040</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.

22. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss
Available-for-sale financial assets
Held-to-maturity investments

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. Council has an Investment Policy and the Policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

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

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

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

	2018	2017
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	4,640	13,123
- Statement of Comprehensive Income	4,640	13,123
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	32,771	39,623
- Statement of Comprehensive Income	32,771	39,623

Notes:

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

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	<u>2018</u>	<u>2017</u>
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	98.00%	91.00%
- Overdue	2.00%	9.00%

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	192,791	0	0	192,791	192,791
Borrowings	126,086	484,490	490,985	1,101,561	892,578
	318,877	484,490	490,985	1,294,352	1,085,369
2017					
Payables	509,617	0	0	509,617	509,617
Borrowings	126,495	501,989	602,078	1,230,562	974,227
	636,112	501,989	602,078	1,740,179	1,483,844

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

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	0	0	0	52,107	0	840,471	892,578	4.68%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	4.35%	0.00%	4.03%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	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%		

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

23. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Bonds Other	8,144	154	0	8,298
Landcare Officer	41,441	5,769	(47,210)	0
Westcare	44,878	847	(439)	45,286
Youth Advisory Council	6,529	183	0	6,712
Tourist Committee	6,046	114	(3,000)	3,160
Seniors Luncheon	1,054	350	(174)	1,230
Kids Central	11,024	208	0	11,232
The Shed	9,594	724	0	10,318
Rural Towns Program	4,914	93	0	5,007
Hillman Zone Project Management	2,745	52	(2,797)	0
Landcare Projects	25,485	481	(25,966)	0
Tidy Towns	4,577	86	(210)	4,453
Collie Darkan Rail Trail Maint	1,138	21	0	1,159
Arthur River Development	3,505	736	0	4,241
RSL Trust Fund	4,641	195	0	4,836
Community Gym	10,527	599	(1,763)	9,363
West Arthur Trials Group	7,908	149	(632)	7,425
Darkan Arts Council	8,128	154	0	8,282
	<u>202,278</u>			<u>131,002</u>

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

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

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

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

Notes:

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

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Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFPs. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services.

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.

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

26. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To set and achieve Council's goals and objectives for the ratepayers by providing high level direction, co-ordination and management policy	Cost associated with meetings, elections, preparing annual reports and other statutory reporting requirements, public relations and policy development and review.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Costs associated with raising and collecting rates, rate enquiries, preparing general purpose grant returns and investing the Shire's surplus funds.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Fire control and prevention, and animal control.
HEALTH	To provide an operational framework for environmental and community health.	Provision and maintenance of medical buildings and subsidies to health services, services of an Environmental Health Officer including food control.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	School bus routes, provision of a child care service, support to families and childrens services including schools, support for seniors and welfare services.
HOUSING	To provide housing for employees of local industry and government departments.	Maintenance and provision of GROH and community housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of refuse site, administration of the town planning scheme, storm water drainage, protection of the environment, cemetery maintenance.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.	Maintenance of halls, provision of library services, maintenance of historical buildings and maintenance of reserves and recreation facilities.
TRANSPORT	To provide a smooth, safe, efficient and clearly defined road network that is environmentally acceptable and which enhances travels throughout the Shire.	Maintenance of roads, drainage works, footpaths, street lighting, median strips, traffic management, parking facilities and roadworks program.
ECONOMIC SERVICES	To help promote the local government and its economic wellbeing.	Tourism and area promotion, caravan park, standpipes, pest control services and implementation of building controls.
OTHER PROPERTY AND SERVICES	To monitor and control operating accounts.	Public works overheads, plant/vehicle operations, stock and materials, depot operations and private works.

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

27. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.87	1.82	1.26
Asset consumption ratio	0.60	0.64	0.64
Asset renewal funding ratio	0.94	1.06	0.97
Asset sustainability ratio	0.84	1.09	1.24
Debt service cover ratio	12.70	23.31	1.49
Operating surplus ratio	(0.14)	0.06	(0.80)
Own source revenue coverage ratio	0.49	0.40	0.44

The above ratios are calculated as follows:

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

Notes:

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

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	508,252	493,715	0
Amount of Financial Assistance Grant received in prior year relating to current year.	493,715	0	467,888
Amount of reimbursement for flood damage received			
Expenditure on flood damage re-instatement			

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

	2018	2017	2016
Current ratio	1.89	1.25	1.96
Debt service cover ratio	12.59	17.58	7.32
Operating surplus ratio	(0.15)	(0.17)	(0.59)



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of West Arthur

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Shire of West Arthur:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 27 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
13 December 2018

