

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

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Principal place of business:
6 Paterson Street
Mundijong WA 6123

SHIRE OF SERPENTINE JARRAHDALE
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 Serpentine Jarrahdale 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 Serpentine Jarrahdale 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 as authorisation of issue on the

6

day of 11

2018



KR Donohoe
Chief Executive Officer

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	21	21,048,793	21,965,297	20,383,470
Operating grants, subsidies and contributions	2(a)	3,630,698	2,051,123	4,639,865
Fees and charges	2(a)	6,184,900	6,744,274	5,651,354
Interest earnings	2(a)	941,738	754,000	834,114
Other revenue	2(a)	832,322	871,067	1,038,644
		<u>32,638,451</u>	<u>32,385,761</u>	<u>32,547,447</u>
Expenses				
Employee costs		(13,915,741)	(14,904,524)	(12,602,161)
Materials and contracts		(12,855,250)	(14,102,794)	(12,348,600)
Utility charges		(974,300)	(934,423)	(1,154,264)
Depreciation on non-current assets	11(b)	(6,306,178)	(5,305,661)	(5,601,257)
Interest expenses	2(b)	(79,796)	(118,160)	(85,681)
Insurance expenses		(421,982)	(411,916)	(449,482)
Other expenditure		(910,769)	(1,205,723)	(133,046)
		<u>(35,464,016)</u>	<u>(36,983,201)</u>	<u>(32,374,491)</u>
		<u>(2,825,565)</u>	<u>(4,597,440)</u>	<u>172,956</u>
Non-operating grants, subsidies and contributions	2(a)	4,325,601	7,646,905	4,839,778
Profit on asset disposals	11(a)	4,305	49,686	5,553
(Loss) on asset disposals	11(a)	(58,915)	(27,788)	(77,430)
Net result		1,445,426	3,071,363	4,940,857
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12(a)	138,691,450	0	(1,732,314)
Changes on subsequent measurement of available for sale financial assets	12(b)	(5,040)	0	(3,780)
Total other comprehensive income		138,686,410	0	(1,736,094)
Total comprehensive income		140,131,836	3,071,363	3,204,763

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		160	0	0
General purpose funding		24,964,669	24,311,558	25,567,779
Law, order, public safety		704,875	537,760	559,042
Health		160,286	181,650	174,811
Education and welfare		8,190	500	621
Community amenities		4,870,964	5,217,154	4,120,029
Recreation and culture		625,392	385,565	400,371
Transport		314,266	504,052	487,904
Economic services		647,253	784,670	774,114
Other property and services		342,396	462,852	462,776
		32,638,451	32,385,761	32,547,447
Expenses	2(a)			
Governance		(1,639,257)	(2,178,612)	(2,615,830)
General purpose funding		(741,428)	(860,398)	(750,706)
Law, order, public safety		(2,634,866)	(2,655,175)	(2,054,997)
Health		(980,947)	(1,112,124)	(854,845)
Education and welfare		(41,295)	(20,639)	(21,526)
Community amenities		(9,497,891)	(10,573,181)	(8,216,396)
Recreation and culture		(8,459,051)	(7,975,618)	(6,198,806)
Transport		(8,530,847)	(8,340,611)	(8,751,358)
Economic services		(2,495,962)	(2,726,943)	(2,385,050)
Other property and services		(362,676)	(421,740)	(439,296)
		(35,384,220)	(36,865,041)	(32,288,810)
Finance Costs	2(a)			
Governance		(34,098)	(31,181)	(36,337)
Recreation and culture		(35,064)	(31,742)	(49,344)
Transport		(10,634)	(55,237)	0
		(79,796)	(118,160)	(85,681)
		(2,825,565)	(4,597,440)	172,956
Non-operating grants, subsidies and contributions	2	4,325,601	7,646,905	4,839,778
Profit on disposal of assets	11(a)	4,305	49,686	5,553
(Loss) on disposal of assets	11(a)	(58,915)	(27,788)	(77,430)
		4,270,991	7,668,803	4,767,901
Net result		1,445,426	3,071,363	4,940,857
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12(a)	138,691,450	0	(1,732,314)
Changes on subsequent measurement of available for sale financial assets	12(b)	(5,040)	0	(3,780)
Total other comprehensive income		138,686,410	0	(1,736,094)
Total comprehensive income		140,131,836	3,071,363	3,204,763

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

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

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	21,775,333	24,589,346
Trade and other receivables	6	2,261,385	1,960,726
Inventories	7	26,947	61,421
TOTAL CURRENT ASSETS		24,063,665	26,611,493
NON-CURRENT ASSETS			
Other receivables	6	149,504	149,784
Investments	4	17,885	22,925
Property, plant and equipment	8(a)	43,173,116	43,124,169
Infrastructure	9(a)	358,609,486	214,921,372
Investment Property	10	747,182	0
TOTAL NON-CURRENT ASSETS		402,697,173	258,218,250
TOTAL ASSETS		426,760,838	284,829,743
CURRENT LIABILITIES			
Trade and other payables	13	1,798,376	2,123,421
Current portion of long term borrowings	14(a)	668,942	408,519
Provisions	15	1,703,605	1,926,618
TOTAL CURRENT LIABILITIES		4,170,923	4,458,558
NON-CURRENT LIABILITIES			
Long term borrowings	14(a)	3,048,421	955,439
Provisions	15	246,248	252,336
TOTAL NON-CURRENT LIABILITIES		3,294,669	1,207,775
TOTAL LIABILITIES		7,465,592	5,666,333
NET ASSETS		419,295,246	279,163,410
EQUITY			
Retained surplus		95,912,567	92,336,281
Reserves - cash/investment backed	5	17,223,437	19,354,297
Revaluation surplus	12(a)	306,173,582	167,482,132
Financial assets revaluation surplus	12(b)	(14,340)	(9,300)
TOTAL EQUITY		419,295,246	279,163,410

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	RETAINED SURPLUS	RESERVES CASH/INVESTMENT BACKED	REVALUATION SURPLUS	FINANCIAL ASSETS REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$		\$
Balance as at 1 July 2016		100,646,210	6,103,511	169,214,446	(5,520)	275,958,647
Comprehensive income						
Net result		4,940,857	0	0	0	4,940,857
Changes on revaluation of assets	12(a)	0	0	(1,732,314)	(3,780)	(1,736,094)
Total comprehensive income		4,940,857	0	(1,732,314)	(3,780)	3,204,763
Transfers from/(to) reserves		(13,250,786)	13,250,786	0	0	0
Balance as at 30 June 2017		92,336,281	19,354,297	167,482,132	(9,300)	279,163,410
Comprehensive income						
Net result		1,445,426	0	0	0	1,445,426
Changes on revaluation of assets	12(a)	0	0	138,691,450	(5,040)	138,686,410
Total comprehensive income		1,445,426	0	138,691,450	(5,040)	140,131,836
Transfers from/(to) reserves		2,130,860	(2,130,860)	0	0	0
Balance as at 30 June 2018		95,912,567	17,223,437	306,173,582	(14,340)	419,295,246

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		20,779,682	22,165,297	20,022,881
Operating grants, subsidies and contributions		3,619,996	2,136,123	5,565,139
Fees and charges		6,184,900	6,744,274	5,651,354
Interest earnings		941,738	754,000	834,114
Goods and services tax		2,505,522	0	1,331,399
Other revenue		832,322	871,067	1,032,863
		<u>34,864,160</u>	<u>32,670,761</u>	<u>34,437,750</u>
Payments				
Employee costs		(14,144,842)	(15,271,506)	(13,041,879)
Materials and contracts		(13,156,288)	(14,339,555)	(12,112,023)
Utility charges		(974,300)	(934,423)	(1,154,264)
Interest expenses		(69,329)	(118,160)	(85,791)
Insurance expenses		(421,982)	(411,916)	(449,482)
Goods and services tax		(2,526,088)	0	(1,351,942)
Other expenditure		(910,769)	(1,205,723)	(133,047)
		<u>(32,203,598)</u>	<u>(32,281,283)</u>	<u>(28,328,428)</u>
Net cash provided by (used in) operating activities	16	<u>2,660,562</u>	<u>389,478</u>	<u>6,109,322</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of Investment Property		(747,182)	0	0
Payments for purchase of property, plant & equipment		(1,992,041)	(2,484,274)	(1,529,000)
Payments for construction of infrastructure		(9,584,144)	(19,610,703)	(3,626,581)
Non-operating grants, subsidies and contributions		4,325,601	7,646,905	4,839,778
Proceeds from sale of fixed assets		169,786	449,000	308,340
Net cash provided by (used in) investment activities		<u>(7,827,980)</u>	<u>(13,999,072)</u>	<u>(7,463)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(408,519)	(547,756)	(386,723)
Proceeds from new long term borrowings		2,761,924	2,761,924	0
Net cash provided by (used in) financing activities		<u>2,353,405</u>	<u>2,214,168</u>	<u>(386,723)</u>
Net increase (decrease) in cash held		<u>(2,814,013)</u>	<u>(11,395,426)</u>	<u>5,715,136</u>
Cash at beginning of year		24,589,346	24,012,456	18,874,210
Cash and cash equivalents at the end of the year	16	<u><u>21,775,333</u></u>	<u><u>12,617,030</u></u>	<u><u>24,589,346</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)		3,105,535	2,735,736	2,235,294
		3,105,535	2,735,736	2,235,294
Revenue from operating activities (excluding rates)				
Governance		160	0	0
General purpose funding		3,915,876	2,346,260	5,184,309
Law, order, public safety		704,875	548,474	559,042
Health		160,286	185,307	174,811
Education and welfare		8,190	500	621
Community amenities		4,870,964	5,222,813	4,120,029
Recreation and culture		625,392	385,565	400,371
Transport		316,057	511,751	488,536
Economic services		647,253	791,968	774,114
Other property and services		344,910	477,510	467,697
		11,593,963	10,470,148	12,169,530
Expenditure from operating activities				
Governance		(1,673,355)	(2,211,075)	(2,653,532)
General purpose funding		(741,428)	(860,398)	(750,706)
Law, order, public safety		(2,654,004)	(2,656,432)	(2,108,167)
Health		(980,947)	(1,112,124)	(854,845)
Education and welfare		(41,295)	(20,639)	(21,526)
Community amenities		(9,497,892)	(10,583,434)	(8,216,396)
Recreation and culture		(8,494,115)	(8,010,246)	(6,248,150)
Transport		(8,570,732)	(8,401,904)	(8,767,840)
Economic services		(2,495,962)	(2,726,943)	(2,385,050)
Other property and services		(373,202)	(427,795)	(445,708)
		(35,522,932)	(37,010,990)	(32,451,920)
Operating activities excluded				
(Profit) on disposal of assets	11(a)	(4,305)	(49,686)	(5,553)
Loss on disposal of assets	11(a)	58,915	27,788	77,430
Prior year transfer between Capital Works in Progress and Inventory		31,881	0	0
Movement in deferred pensioner rates (non-current)		280	0	(6,752)
Movement in employee benefit provisions (non-current)		(6,088)	0	(5,725)
Depreciation and amortisation on assets	11(b)	6,306,178	5,305,661	5,601,257
Amount attributable to operating activities		(14,436,573)	(18,521,343)	(12,386,439)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		4,325,601	7,646,905	4,839,778
Proceeds from disposal of assets	11(a)	169,786	449,000	308,340
Purchase of investment property		(747,182)	0	0
Purchase of property, plant and equipment	8(b)	(1,992,041)	(2,484,274)	(1,529,000)
Purchase and construction of infrastructure	9(b)	(9,584,144)	(19,610,703)	(3,626,581)
Amount attributable to investing activities		(7,827,980)	(13,999,072)	(7,463)
FINANCING ACTIVITIES				
Repayment of long term borrowings	14(a)	(408,519)	(547,756)	(386,723)
Proceeds from new long term borrowings	14(b)	2,761,924	2,761,924	0
Increase/(decrease) in financial asset		(5,040)	0	(3,780)
Transfers to reserves (restricted assets)	5	(4,893,992)	(4,513,176)	(14,951,556)
Transfers from reserves (restricted assets)	5	7,024,852	12,849,867	1,700,770
Transfers to restricted cash		(2,145,924)	0	(1,980,439)
Transfers from restricted cash		9,458	0	10,737,695
Amount attributable to financing activities		2,342,759	10,550,859	(4,884,033)
Surplus(deficiency) before general rates		(19,921,794)	(21,969,556)	(17,277,935)
Total amount raised from general rates	21	21,048,793	21,965,297	20,383,470
Net current assets at June 30 c/fwd - surplus/(deficit)	22	1,126,999	(4,259)	3,105,535

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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. 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 24 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under roads

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

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

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Other revenue		
Reimbursements and recoveries	831,162	925,032
Other	1,160	113,612
	832,322	1,038,644
Fees and Charges		
General purpose funding	195,343	235,069
Law, order, public safety	173,729	152,183
Health	72,809	63,311
Education and welfare	811	621
Community amenities	4,870,964	4,114,762
Recreation and culture	71,777	71,499
Transport	162,455	237,294
Economic services	622,989	764,921
Other property and services	14,023	11,694
	6,184,900	5,651,354

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 revenues in the Statement of Comprehensive Income:

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	2,572,362	3,846,202
Law, order, public safety	530,081	403,114
Education and welfare	7,379	0
Community amenities	0	5,266
Recreation and culture	361,027	125,883
Transport	150,881	250,207
Economic services	8,968	9,193
	<u>3,630,698</u>	<u>4,639,865</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	431,382	753,470
Community amenities	112,273	520,542
Recreation and culture	50,000	296,468
Transport	3,731,946	3,269,298
	<u>4,325,601</u>	<u>4,839,778</u>
	<u>7,956,299</u>	<u>9,479,643</u>

Total grants, subsidies and contributions

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

Interest earnings

- Reserve funds
- Other funds
Other interest revenue (refer note 26(e))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
	389,827	260,000	304,895
	171,503	200,000	201,653
	380,408	294,000	327,566
	<u>941,738</u>	<u>754,000</u>	<u>834,114</u>

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2018	2017
	\$	\$
Auditors remuneration		
- Audit of the Annual Financial Report	21,146	30,820
- Consultancy Services	20,764	61,664
- Other Services	5,925	7,571
	47,835	100,055
Interest expenses (finance costs)		
Long term borrowings (refer Note 14(a))	79,796	85,681
	79,796	85,681
Rental charges		
- Operating leases	882,665	864,282
	882,665	864,282

**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		2,340,648	5,165,307
Restricted Cash		19,434,685	19,424,039
		21,775,333	24,589,346
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed - Administration Building	5	135,201	296,173
Reserves cash backed - Briggs Park	5	156,097	162,431
Reserves cash backed - Buildings Asset Management	5	841,036	851,169
Reserves cash backed - Byford BMX Track	5	273,004	330,594
Reserves cash backed - Byford Developer Contribution Fund	5	7,035,645	7,480,762
Reserves cash backed - Byford Locality Funding	5	0	33,505
Reserves cash backed - Car Parking Reserve	5	87,273	0
Reserves cash backed - Committed Works	5	81,017	1,212,470
Reserves cash backed - Community Facilities	5	283,227	278,176
Reserves cash backed - Community Grants	5	425,399	0
Reserves cash backed - Drainage Asset Management Reserve	5	285,138	0
Reserves cash backed - Emergency Management Fund	5	254,540	250,000
Reserves cash backed - Fire Asset Management Reserve	5	28,307	0
Reserves cash backed - Footpaths Asset Management	5	40,879	0
Reserves cash backed - Investment	5	664,229	651,419
Reserves cash backed - Jarrahdale Communications Tower	5	179,662	157,358
Reserves cash backed - Jarrahdale Community Infrastructure	5	50,000	0
Reserves cash backed - Jarrahdale Locality Funding	5	0	96,455
Reserves cash backed - Keysbrook Locality Funding	5	0	63,461
Reserves cash backed - Leave Reserve	5	315,607	309,978
Reserves cash backed - Light Fleet & Plant Acquisition	5	1,271,515	1,023,081
Reserves cash backed - Miscellaneous Developer Contribution	5	955,321	1,150,683
Reserves cash backed - Multi Use Trails	5	17,765	17,448
Reserves cash backed - Mundijong Locality Funding	5	0	93,915
Reserves cash backed - Mundijong Whitby Shire Contribution	5	201,816	100,000
Reserves cash backed - Oakford Locality Funding	5	0	128,530
Reserves cash backed - Parks & Gardens Asset Management	5	199,558	65,630
Reserves cash backed - Public Art	5	17,500	0
Reserves cash backed - Renewable Energy	5	33,150	32,559
Reserves cash backed - Road Asset Management	5	776,987	365,728
Reserves cash backed - Serpentine Jarrahdale Locality Funding	5	27,274	26,788
Reserves cash backed - Serpentine Jarrahdale Sporting Precinct	5	392,837	385,831
Reserves cash backed - Serpentine Locality Funding	5	0	100,572
Reserves cash backed - Tourism	5	14,373	8,156
Reserves cash backed - Unspent Grants & Contributions	5	0	1,475,773
Reserves cash backed - Waste	5	2,161,220	2,122,675
Reserves cash backed - Workers Compensation Premium	5	0	60,077
Unspent Borrowings	14	517,737	0
Unspent Grants, Contributions & Subsidies	20	1,711,371	92,642
		19,434,685	19,424,039

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk

Cash and cash equivalents (Continued)

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

4. INVESTMENTS

Available for Sale Financial Assets Comprises of:

Unlisted Investments
Listed Investments

At the beginning of the year
Revaluation to revaluation reserve
Other property and services

At the end of the year

The following restrictions have been imposed by regulations or other externally imposed requirements:

Investment 5
Tourism 5

	2018	2017
	\$	\$
	10,025	10,025
	7,860	12,900
	17,885	22,925
	22,925	26,705
	(5,040)	(3,780)
	(5,040)	(3,780)
	17,885	22,925

	10,000	10,000
	7,860	12,900
	17,860	22,900

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

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

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

(ii) Held-to-maturity investments

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

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

(iii) Available-for-sale financial assets

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

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

Impairment

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

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

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments and any reduction for impairment; and
- 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.

5 RESERVES - CASH/INVESTMENT BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reserves cash backed - Administration Building	296,173	5,378	(166,350)	135,201	279,011	3,756	(270,000)	12,767	1,809	324,389	(30,025)	296,173
Reserves cash backed - Briggs Park	162,431	2,950	(9,284)	156,097	162,431	2,187	(100,000)	64,618	0	180,813	(18,382)	162,431
Reserves cash backed - Buildings Asset Management	851,169	205,680	(215,813)	841,036	846,605	201,621	(340,224)	708,002	761,687	120,348	(30,866)	851,169
Reserves cash backed - Byford BMX Track	330,594	6,003	(63,593)	273,004	328,613	4,424	(20,000)	313,037	330,787	8,836	(9,029)	330,594
Reserves cash backed - Byford Developer Contribution Fund	7,480,762	314,845	(759,962)	7,035,645	7,511,190	101,115	(5,036,809)	2,575,496	0	7,480,762	0	7,480,762
Reserves cash backed - Byford Locality Funding	33,505	0	(33,505)	0	33,485	0	(33,485)	0	3,414	30,091	0	33,505
Reserves cash backed - Car Parking Reserve	0	87,273	0	87,273	0	0	0	0	0	0	0	0
Reserves cash backed - Committed Works	1,212,470	0	(1,131,453)	81,017	1,332,599	0	(1,332,599)	0	0	1,212,470	0	1,212,470
Reserves cash backed - Community Facilities	278,176	5,051	0	283,227	276,553	3,723	0	280,276	270,938	7,238	0	278,176
Reserves cash backed - Community Grants	0	523,482	(98,083)	425,399	0	590,115	(214,000)	376,115	0	0	0	0
Reserves cash backed - Drainage Asset Management Reserve	0	450,000	(164,862)	285,138	0	451,481	(340,000)	111,481	0	0	0	0
Reserves cash backed - Emergency Management Fund	250,000	4,540	0	254,540	250,000	3,365	0	253,365	130,024	119,976	0	250,000
Reserves cash backed - Fire Asset Management Reserve	0	46,652	(18,345)	28,307	0	53,076	(20,000)	33,076	0	0	0	0
Reserves cash backed - Footpaths Asset Management	0	140,800	(99,921)	40,879	0	140,800	(140,800)	0	0	125,000	(125,000)	0
Reserves cash backed - Investment	661,419	12,810	0	674,229	657,355	8,849	0	666,204	643,625	17,794	0	661,419
Reserves cash backed - Jarrahdale Communications Tower	157,358	64,852	(42,548)	179,662	155,031	53,787	(43,130)	165,688	141,135	58,071	(41,848)	157,358
Reserves cash backed -Jarrahdale Community Infrastructure	0	50,000	0	50,000	0	0	0	0	0	0	0	0
Reserves cash backed - Jarrahdale Locality Funding	96,455	0	(96,455)	0	96,067	0	(96,067)	0	64,726	31,729	0	96,455
Reserves cash backed - Keysbrook Locality Funding	63,461	0	(63,461)	0	63,265	0	(63,265)	0	32,590	30,871	0	63,461
Reserves cash backed - Leave Reserve	309,978	5,629	0	315,607	358,455	4,825	(250,000)	113,280	459,652	12,279	(161,953)	309,978
Reserves cash backed - Light Fleet & Plant Acquisition	1,023,081	486,646	(238,212)	1,271,515	740,763	451,914	(509,200)	683,477	800,699	436,409	(214,027)	1,023,081
Reserves cash backed - Miscellaneous Developer Contribution	1,150,683	46,510	(241,872)	955,321	972,089	13,083	(25,000)	960,172		1,150,683	0	1,150,683
Reserves cash backed - Multi Use Trails	17,448	317	0	17,765	17,346	234	0	17,580	16,994	454	0	17,448
Reserves cash backed - Mundijong Locality Funding	93,915	0	(93,915)	0	93,542	0	(93,542)	0	62,252	31,663	0	93,915
Reserves cash backed - Mundijong Whitby Shire Contribution	100,000	101,816	0	201,816	100,000	101,346	0	201,346	0	100,000	0	100,000
Reserves cash backed - Oakford Locality Funding	128,530	0	(128,530)	0	127,955	0	(127,955)	0	95,966	32,564	0	128,530
Reserves cash backed - Parks & Gardens Asset Management	65,630	226,792	(92,864)	199,558	215,630	228,503	(225,600)	218,533	0	105,000	(39,370)	65,630
Reserves cash backed - Public Art	0	17,500	0	17,500	0	0	0	0	0	0	0	0
Reserves cash backed - Renewable Energy	32,559	591	0	33,150	32,369	436	0	32,805	31,712	847	0	32,559
Reserves cash backed - Road Asset Management	365,728	2,040,661	(1,629,402)	776,987	595,485	2,042,036	(2,034,020)	603,501	0	1,387,348	(1,021,620)	365,728
Reserves cash backed - Serpentine Jarrahdale Locality Funding	26,788	486	0	27,274	26,632	357	0	26,989	26,091	697	0	26,788
Reserves cash backed - Serpentine Jarrahdale Sporting Precinct	385,831	7,006	0	392,837	384,018	5,169	0	389,187	302,744	83,087	0	385,831
Reserves cash backed - Serpentine Locality Funding	100,572	0	(100,572)	0	108,760	0	(108,760)	0	77,161	32,061	(8,650)	100,572
Reserves cash backed - Tourism	21,056	1,177	0	22,233	13,125	177	(13,302)	0	16,680	4,376	0	21,056
Reserves cash backed - Unspent Grants & Contributions	1,475,773	0	(1,475,773)	0	1,327,281	17,867	(1,277,382)	67,766	0	1,475,773	0	1,475,773
Reserves cash backed - Waste	2,122,675	38,545	0	2,161,220	2,149,078	28,930	(75,000)	2,103,008	1,774,312	348,363	0	2,122,675
Reserves cash backed - Workers Compensation Premium	60,077	0	(60,077)	0	59,727	0	(59,727)	0	58,514	1,563	0	60,077
	19,354,297	4,893,992	(7,024,852)	17,223,437	19,314,460	4,513,176	(12,849,867)	10,977,769	6,103,512	14,951,556	(1,700,770)	19,354,297

All of the reserve accounts are supported by available for sale investments and/or money held in financial institutions and match the restricted cash in Note 3 and restricted investments in Note 4 of this financial report.

5 RESERVES - CASH/INVESTMENT BACKED (continued)

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Reserves cash backed - Administration Building	Ongoing	To provide for the building accommodation requirements of the Administration.
Reserves cash backed - Briggs Park	2019	To provide for the future Briggs Park development as per the Briggs Park Master Plan.
Reserves cash backed - Buildings Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.
Reserves cash backed - Byford BMX Track		To provide for the future Byford BMX track.
Reserves cash backed - Byford Developer Contribution Fund	Future Date	To provide for future community infrastructure funded from the Byford Developer Contribution Plan.
Reserves cash backed - Byford Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Reserves cash backed - Car Parking Reserve	Future Date	To provide for future public car parking infrastructure funded from Developer contributions for cash-in-lieu of car parking.
Reserves cash backed - Committed Works	2019	To transfer unspent municipal funded expenditure on specific projects, to enable identification of carryover expenditure into the next financial year.
Reserves cash backed - Community Facilities	2019	This reserve is for the establishment of additional facilities in the community
Reserves cash backed - Community Grants	Future Date	To provide funds for individuals and community groups to build capacity within the community, encourage volunteering and youth development, and deliver sustainable, accessible and demonstrated social, environmental and economic benefits.
Reserves cash backed - Drainage Asset Management Reserve	Ongoing	To ensure minimal funding gap to asset management plan requirements.
Reserves cash backed - Emergency Management Fund	Ongoing	To provide for unanticipated significant emergency services events or plant repairs
Reserves cash backed - Fire Asset Management Reserve	Ongoing	To provide for the future additions and maintenance required for fire fighting assets and mitigation strategies.
Reserves cash backed - Footpaths Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.
Reserves cash backed - Investment	Future Date	To support economic, subdivision and tourism development opportunities for the Shire.
Reserves cash backed - Jarrahdale Communications Tower	Future Date	To provide for the upgrades and maintenance of the tower when required.
Reserves cash backed - Jarrahdale Community Infrastructure	Future Date	To provide funds for the upgrade, renewal or replacement of community assets in the Jarrahdale locality.
Reserves cash backed - Jarrahdale Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Reserves cash backed - Keysbrook Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Reserves cash backed - Leave Reserve	2019	To be used to fund annual, sick (including depot EBA) and long service leave requirements.
Reserves cash backed - Light Fleet & Plant Acquisition	Ongoing	To provide for the replacement of Light Fleet, Plant and Equipment as required under the replacement and acquisition program.
Reserves cash backed - Miscellaneous Developer Contribution	Future Dates	To be used to fund capital works and administration as per each agreement
Reserves cash backed - Multi Use Trails	Future Date	To allow for the construction of Multi Use Trails.
Reserves cash backed - Mundijong Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Reserves cash backed - Mundijong Whitby Shire Contribution	Future Dates	To provide towards the future contribution requirements of the Mundijong Whitby Community Development Contribution Scheme.
Reserves cash backed - Oakford Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Reserves cash backed - Parks & Gardens Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.
Reserves cash backed - Public Art	Future Date	Public art development and provision.
Reserves cash backed - Renewable Energy	Future Date	This reserve is to allow Council to undertake renewable energy projects.
Reserves cash backed - Road Asset Management	Ongoing	To provide for asset renewal expenditure for assets that have reached the end of their useful life.

5 RESERVES - CASH/INVESTMENT BACKED (continued)

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

Reserves cash backed - Serpentine Jarrahdale Locality Funding	Future Date	Council initiated townscape related projects in the Serpentine Jarrahdale Shire.
Reserves cash backed - Serpentine Jarrahdale Sporting Precinct	Closed	To provide funds for the Serpentine Jarrahdale Regional Sporting Precinct when grant applications require contribution funding.
Reserves cash backed - Serpentine Locality Funding	Closed	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Reserves cash backed - Tourism	Future Date	To fund the implementation of the tourism strategy and development of tourism throughout the district and region.
Reserves cash backed - Unspent Grants & Contributions	Closed	To restrict unspent grants & contributions.
Reserves cash backed - Waste	Future Date	To provide for waste management requirements and future waste infrastructure.
Reserves cash backed - Workers Compensation Premium	Closed	To transfer any surplus funds returned to the Shire as a result of good performance from the workers compensation insurer to assist in funding possible future compensation claims that exceed budget allocation.

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
Sundry debtors
GST receivable
Prepayments

Non-current

Rates outstanding - pensioners

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

Rates outstanding

Includes:

Past due and not impaired
Impaired

Sundry debtors

Includes:

Past due and not impaired
Impaired

	2018	2017
	\$	\$
Rates outstanding	1,723,830	1,454,439
Sundry debtors	234,545	214,907
GST receivable	259,448	238,882
Prepayments	43,562	52,498
	2,261,385	1,960,726
Rates outstanding - pensioners	149,504	149,784
	149,504	149,784
Past due and not impaired	1,723,830	1,454,439
Impaired	0	0
Past due and not impaired	79,498	46,635
Impaired	0	0

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

7. INVENTORIES

	2018	2017
	\$	\$
Current		
Fuel & Materials	9,539	9,562
History Books	2,321	2,321
Inventory	15,087	49,538
	26,947	61,421

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:		
- Independent valuation 2017 - level 3	5,870,000	5,870,000
- Independent valuation 2017 - level 2	280,000	280,000
	<u>6,150,000</u>	<u>6,150,000</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	760,000	760,000
	<u>760,000</u>	<u>760,000</u>
Total land	<u>6,910,000</u>	<u>6,910,000</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	31,597,125	31,597,125
- Management valuation 2017 - level 3	837,444	115,440
Less: accumulated depreciation	(1,250,630)	0
	<u>31,183,939</u>	<u>31,712,565</u>
Total buildings	<u>31,183,939</u>	<u>31,712,565</u>
Total land and buildings	<u>38,093,939</u>	<u>38,622,565</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	40,876	14,712
Less: accumulated depreciation	(14,712)	(14,712)
	<u>26,164</u>	<u>0</u>
Plant and equipment at:		
- Management valuation 2016 - level 3	1,653,443	1,515,081
- Independent valuation 2016 - level 2	590,400	590,400
- Independent valuation 2016 - level 3	1,289,101	1,289,101
Less: accumulated depreciation	(587,868)	(284,062)
	<u>2,945,076</u>	<u>3,110,520</u>

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

8 (a). PROPERTY, PLANT AND EQUIPMENT (Continued)

	2018	2017
	\$	\$
Motor Vehicles at:		
- Management valuation 2016 - level 2	1,236,748	975,468
- Independent valuation 2016 - level 2	120,000	120,000
- Independent valuation 2016 - level 3	411,000	411,000
Less: accumulated depreciation	(218,659)	(115,384)
	1,549,089	1,391,084
Computer Equipment at:		
- Management valuation 2016 - level 3	1,200	1,200
Less: accumulated depreciation	(1,200)	(1,200)
	0	0
Capital Works in Progress at:		
- Additions after valuation - cost	558,848	0
Less: accumulated depreciation	0	0
	558,848	0
Total property, plant and equipment	43,173,116	43,124,169

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	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Motor Vehicles	Computer Equipment	Capital Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	6,693,750	907,628	7,601,378	32,957,752	32,957,752	40,559,130	14,712	2,429,483	1,619,328	1,200	175,853	44,799,706
Additions	0	0	0	280,970	280,970	280,970	0	1,053,861	194,169	0	0	1,529,000
(Disposals)	0	0	0	0	0	0	0	(127,054)	(253,163)	0	0	(380,217)
Revaluation increments/ (decrements) transferred to revaluation surplus	(543,750)	(147,628)	(691,378)	(1,040,936)	(1,040,936)	(1,732,314)	0	0	0	0	0	(1,732,314)
Depreciation (expense)	0	0	0	(523,496)	(523,496)	(523,496)	(14,712)	(292,770)	(122,250)	(1,200)	0	(954,428)
Transfers	0	0	0	38,275	38,275	38,275	0	47,000	(47,000)	0	(175,853)	(137,578)
Carrying amount at 30 June 2017	6,150,000	760,000	6,910,000	31,712,565	31,712,565	38,622,565	0	3,110,520	1,391,084	0	0	43,124,169
Additions	0	0	0	722,004	722,004	722,004	26,164	296,995	388,030	0	558,848	1,992,041
(Disposals)	0	0	0	0	0	0	0	(119,458)	(104,938)	0	0	(224,396)
Depreciation (expense)	0	0	0	(1,250,630)	(1,250,630)	(1,250,630)	0	(342,981)	(125,087)	0	0	(1,718,698)
Transfers	0	0	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2018	6,150,000	760,000	6,910,000	31,183,939	31,183,939	38,093,939	26,164	2,945,076	1,549,089	0	558,848	43,173,116

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	3	Cost approach	Independent Valuers	Jun-17	Improvements to land using construction costs and current condition (level 2) , residual values and remaining useful life assessments (level 3) inputs.
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent Valuers	Jun-17	Price per hectare
Land - vested in and under the control of Council	3	Cost approach	Independent Valuers	Jun-17	Improvements to land using construction costs and current condition (level 2) , residual values and remaining useful life assessments (level 3) inputs.
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent Valuers/ Management Valuation	Jun-17	Construction costs and curret 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	Jun-16	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Plant and equipment					
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management Valuation/ Independent Valuation	Jun-16	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
- Independent valuation 2016	2	Sales comparison approach	Independent Valuers	Jun-16	Comparison to sales of similar items that have been transacted in the market
Motor Vehicles	2	Market approach using recent observable market data for similar assets	Management Valuation/ Independent Valuation	Jun-16	Price per item

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
Computer Equipment	3	Cost approach using depreciated replacement cost	Management Valuation	Jun-16	Purchase 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 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 2015 - level 3	0	179,843,403
- Management valuation 2018 - level 3	239,582,831	0
Less: accumulated depreciation	0	(7,787,712)
	<u>239,582,831</u>	<u>172,055,691</u>
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	0	10,999,338
- Management valuation 2018 - level 3	19,361,079	0
Less: accumulated depreciation	0	(355,226)
	<u>19,361,079</u>	<u>10,644,112</u>
Infrastructure - Drainage		
- Management valuation 2015 - level 3	0	18,755,936
- Management valuation 2018 - level 3	68,988,411	0
Less: accumulated depreciation	0	(547,205)
	<u>68,988,411</u>	<u>18,208,731</u>
Infrastructure - Parks & Ovals		
- Management valuation 2015 - level 3	0	14,571,964
- Management valuation 2018 - level 3	30,677,165	0
Less: accumulated depreciation	0	(559,126)
	<u>30,677,165</u>	<u>14,012,838</u>
Total infrastructure	<u>358,609,486</u>	<u>214,921,372</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 - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks & Ovals	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2016	172,583,486	10,621,411	18,482,355	14,148,671	215,835,923
Additions	3,387,483	201,658	0	37,440	3,626,581
Depreciation (Expense)	(3,915,278)	(178,957)	(273,624)	(278,970)	(4,646,829)
Transfers	0	0	0	105,697	105,697
Carrying amount at 30 June 2017	172,055,691	10,644,112	18,208,731	14,012,838	214,921,372
Additions	8,920,891	256,131	176,774	230,348	9,584,144
Increments/(Decrements) Transferred to Revaluation Surplus	62,478,434	8,642,447	50,876,530	16,694,039	138,691,450
Depreciation (Expense)	(3,872,185)	(181,611)	(273,624)	(260,060)	(4,587,480)
Carrying amount at 30 June 2018	239,582,831	19,361,079	68,988,411	30,677,165	358,609,486

9. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	Jun-18	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	Jun-18	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	Jun-18	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost	Management Valuation	Jun-18	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs

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

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

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

10. INVESTMENT PROPERTY

Investment property

Movements in Carrying Amounts

Balance at the beginning of the year

Additions

Fair value gains/(losses)

	2018	2017
	\$	\$
Investment property	747,182	0
Balance at the beginning of the year	0	0
Additions	747,182	0
Fair value gains/(losses)	0	0
	747,182	0

11. 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. See Note 12(a) for further details in relation to initial recognition of assets contributed by developers.

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 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.

Investment Property

The local government values its investment property at fair value being the amounts which the properties could be exchanged, at arm's length, between knowledgeable and willing parties whom are not over-eager, based on current prices and reflecting market conditions at reporting date.

11. 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, equipment & motor vehicles								
Governance								
Plant & Motor Vehicles	0	0	0	0	24,482	23,200	0	(1,282)
Law, order, public safety								
Plant & Motor Vehicles	55,137	36,000	0	(19,137)	63,842	73,300	10,715	(1,257)
Health								
Plant & Motor Vehicles	0	0	0	0	19,543	23,200	3,657	0
Community amenities								
Plant & Motor Vehicles	0	0	0	0	73,594	69,000	5,659	(10,253)
Recreation and culture								
Plant & Motor Vehicles	0	0	0	0	49,286	46,400	0	(2,886)
Transport								
Plant & Motor Vehicles	58,461	31,000	1,791	(29,252)	76,156	77,800	7,699	(6,055)
Economic services								
Plant & Motor Vehicles	0	0	0	0	15,902	23,200	7,298	0
Other property and services								
Plant & Motor Vehicles	110,798	102,786	2,514	(10,526)	104,297	112,900	14,658	(6,055)
	224,396	169,786	4,305	(58,915)	427,102	449,000	49,686	(27,788)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - specialised	1,250,630	523,496
Furniture and equipment	0	14,712
Plant and equipment	342,981	292,770
Motor Vehicles	125,087	122,250
Computer Equipment	0	1,200
Infrastructure - Roads	3,872,185	3,915,278
Infrastructure - Footpaths	181,611	178,957
Infrastructure - Drainage	273,624	273,624
Infrastructure - Parks & Ovals	260,060	278,970
	6,306,178	5,601,257

11. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Land	Not depreciated
Buildings	
Structural	50 - 100 years
Internal Fit-Out	15 - 25 years
Mechanical Services	25 – 35 years
Security	15 years
Fire systems	15 years
Other Building Structures	15 – 25 years
Plant and Equipment	5 – 15 years
Motor Vehicles	2 – 5 years
Furniture and Equipment	4 – 10 years
Computer Equipment	2 – 5 years
Roads	
Subgrade	Not depreciated
Pavement	
Unsealed	5 - 10 years
Urban and Regional	60 - 100 years
Surface	5 – 20 years
Surface Water Channel	
Kerbing	20 - 40 years
Drains	8 - 15 years
Drainage	
Culvert	80 years
Stormwater Drainage	50 - 100 years
Footpaths	40 – 80 years
Parks and Reserves	
Land	Not depreciated
Softscapes	50 years
Hardscapes	40 – 80 years
Reticulation	10 - 20 years
Parks Furniture	10 – 20 years
Lighting	15 – 25 years
Other Structures	10 – 40 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

12(a). REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	5,381,214	0	0	0	5,381,214	6,072,592	0	(691,378)	(691,378)	5,381,214
Revaluation surplus - Buildings - non-specialised	12,081,190	0	0	0	12,081,190	13,122,126	0	(1,040,936)	(1,040,936)	12,081,190
Revaluation surplus - Furniture and equipment	45,243	0	0	0	45,243	45,243	0	0	0	45,243
Revaluation surplus - Plant and equipment	17,648	0	0	0	17,648	17,648	0	0	0	17,648
Revaluation surplus - Computer Equipment	6,246	0	0	0	6,246	6,246	0	0	0	6,246
Revaluation surplus - Infrastructure - Roads	114,062,446	62,478,434	0	62,478,434	176,540,880	114,062,446	0	0	0	114,062,446
Revaluation surplus - Infrastructure - Footpaths	8,103,689	8,642,447	0	8,642,447	16,746,136	8,103,689	0	0	0	8,103,689
Revaluation surplus - Infrastructure - Drainage	17,051,509	50,876,530	0	50,876,530	67,928,039	17,051,509	0	0	0	17,051,509
Revaluation surplus - Infrastructure - Parks & Ovals	10,732,947	16,694,039	0	16,694,039	27,426,986	10,732,947	0	0	0	10,732,947
	167,482,132	138,691,450	0	138,691,450	306,173,582	169,214,446	0	(1,732,314)	(1,732,314)	167,482,132

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.

The revaluation increment includes assets contributed by developers in the current and previous years. Accounting Standard AASB 1004 - Contributions paragraph 12(c) allows recognition of contributions as income when, and only when, the amount of the contribution can be measured reliably. As council's systems have historically not recorded sufficient information to identify contributed assets and their fair value at the point of transfer, initial recognition of contributed assets has been deferred until a valuation exercise was completed in June 2018.

Whilst contributed assets have been measured reliably in total at 30 June 2018, as the allocation between financial years is not possible, the revenue for any given financial year does not meet the criteria for revenue recognition in AASB 1004 paragraph 12(c).

12(b). REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets	(9,300)	0	(5,040)	(5,040)	(14,340)	(5,520)	0	(3,780)	(3,780)	(9,300)
	(9,300)	0	(5,040)	(5,040)	(14,340)	(5,520)	0	(3,780)	(3,780)	(9,300)

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings

	2018	2017
	\$	\$
	1,787,360	2,122,872
	11,016	549
	1,798,376	2,123,421

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.

14. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
Loan 117 Council Chambers Refurbishment	753,802	0	112,486	113,627	641,316	640,175	34,098	31,181
Recreation and culture								
Loan 91 Recreation Centre	610,156	0	296,033	296,033	314,123	314,123	35,064	31,742
Transport								
Loan 121 Abernethy Road	0	2,761,924	0	138,096	2,761,924	2,623,828	10,634	55,238
	1,363,958	2,761,924	408,519	547,756	3,717,363	3,578,126	79,796	118,161

All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	668,942	408,519
Non-current	3,048,421	955,439
	3,717,363	1,363,958

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
Construction of Abernethy Road	2,761,924	2,761,924	WATC	Debenture	10	10,634	3.20%	2,244,187	2,761,924	517,737
	2,761,924	2,761,924				10,634		2,244,187	2,761,924	517,737

(c) Unspent Borrowings

Particulars	Date Borrowed	Balance 1 July 17	Borrowed During Year	Expended During Year	Balance 30 June 18
Construction of Abernethy Road	May 18	0	2,761,924	(2,244,187)	517,737
		0	2,761,924	(2,244,187)	517,737

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
	\$	\$
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	25,000	29,000
Credit card balance at balance date	(1,264)	(2,089)
Total amount of credit unused	123,736	126,911

Loan facilities

Loan facilities - current	668,942	408,519
Loan facilities - non-current	3,048,421	955,439
Total facilities in use at balance date	3,717,363	1,363,958

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.

15. PROVISIONS

	Provision for Annual Leave	Provision for Sick Leave	Provision for Long Service Leave	Total
	\$		\$	\$
Opening balance at 1 July 2017				
Current provisions	989,908	130,001	806,709	1,926,618
Non-current provisions	0	0	252,336	252,336
	989,908		1,059,045	2,178,954
Additional provision	(6,089)	(43,650)	(179,362)	(229,101)
Balance at 30 June 2018	983,819	86,351	879,683	1,949,853
Comprises				
Current	983,819	86,351	633,435	1,703,605
Non-current	0	0	246,248	246,248
	983,819	86,351	879,683	1,949,853

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate

Other long-term employee benefits (Continued)

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

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

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.

16. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	21,775,333	12,617,030	24,589,346
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	1,445,426	3,071,363	4,940,857
Non-cash flows in Net result:			
Depreciation	6,306,178	5,305,661	5,601,257
(Profit)/loss on sale of asset	54,610	(21,898)	71,877
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(300,379)	285,000	538,361
(Increase)/decrease in inventories	34,474	12,100	(20,662)
Increase/(decrease) in payables	(325,045)	(248,861)	(491,013)
Increase/(decrease) in provisions	(229,101)	(366,982)	308,423
Grants contributions for the development of assets	(4,325,601)	(7,646,905)	(4,839,778)
Net cash from operating activities	2,660,562	389,478	6,109,322

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

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	2,220,223	3,487,951
General purpose funding	9,827,461	12,753,734
Law, order, public safety	4,229,554	4,019,525
Health	500,000	500,000
Education and welfare	24,600	25,035
Community amenities	11,442,106	3,349,332
Recreation and culture	58,495,107	41,395,758
Transport	333,472,018	215,519,806
Economic services	621,307	614,511
Other property and services	5,928,462	3,164,091
	426,760,838	284,829,743

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

18. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

	2018	2017
	\$	\$
	9,054,944	12,111,635
	0	0
	9,054,944	12,111,635

The capital expenditure contracted but not yet spent at the end of the current reporting period relates to the following projects:

Percy's Park Toilet	0	25,546
Abernethy Road - Relocation of Services (Telstra)	0	2,569,575
Briggs Park Skate Park	15,739	315,043
Abernethy Road Upgrade Construction - WBHO Tender	8,032,526	9,201,471
Kalimna Cricket Net	20,676	0
Rowley Road - East of Blair Road	37,302	0
Wright Road	43,410	0
Rowley Road - West of Blair Road	24,081	0
Masters Road - South of Rowley Road	36,546	0
Kargotich Road - North of Lowlands Road	19,747	0
Abernethy Road - Downer EDI	824,917	0
	9,054,944	12,111,635

(b) Operating Lease Commitments

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

Payable:

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

	437,655	603,164
	366,523	576,866
	0	0
	804,178	1,180,030

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the Mayor/President.			
Meeting Fees	169,007	214,814	150,375
Mayor/President's allowance	50,600	62,727	36,591
Deputy Mayor/President's allowance	12,692	15,682	9,148
Travelling expenses	10,844	35,000	17,763
Telecommunications allowance	30,389	31,500	30,632
	273,532	359,723	244,509

Key Management Personnel (KMP) Compensation Disclosure

	2018	2017
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	985,323	830,913
Post-employment benefits	82,364	146,544
Other long-term benefits	19,348	10,996
Termination benefits	0	341,175
	1,087,035	1,329,628

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Sale of goods and services	1,996	187,190
Purchase of goods and services	70	66,965

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence.

Significant influence may be gained by share ownership, statute or agreement.

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

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Governance							
Byford Youth Forum	9,323	134	0	9,457	285	(9,742)	0
Law, order, public safety							
Emergency Services - Cadets	3,906	0	0	3,906	0	0	3,906
Emergency Services - Family Fun Day	5,844	1,800	0	7,644	0	0	7,644
FESA Operating Grant Q1 16/17	97,593	0	(97,593)	0	0	0	0
Fire Contributions from Developers	70,868	0	(30,000)	40,868	0	(40,868)	0
Royalties for Regions - Peel Development Commission	0	116,350	0	116,350	0	(116,350)	0
Fire Services Grant	0	0	0	0	200,000	(5,150)	194,850
DFES Operating Grant Q1 18/19	0	0	0	0	99,373	0	99,373
Community amenities							
Environmental Works - TTREE Transfer	69,556	0	0	69,556	0	0	69,556
Briggs Park - Local Jobs, Local Projects	0	0	0	0	200,000	0	200,000
Public Art Fund	0	0	0	0	17,500	0	17,500
Recreation and culture							
Byford & Districts Country Club	0	5,836	0	5,836	0	(5,836)	0
Darling Downs Developer Cont	11,202	216	(11,418)	0	0	0	0
Senior's Grant	0	0	0	0	10,000	0	10,000
SJ Rec Centre - Byford Sports & Rec Council	2,079	0	0	2,079	0	0	2,079
Transport							
17 Clifton St. Byford - Laneway Cont	23,344	598	0	23,942	178	0	24,120
Blackspot Funding	28,373	0	(25,965)	2,408	0	0	2,408
Byford by the Scarp	208,989	0	(7,985)	201,004	0	(201,004)	0
Byford Central Stage 6A	13,527	353	0	13,880	3,846	0	17,726
Byford Developer Contributions	6,955,242	602,980	(77,460)	7,480,762	314,844	(759,962)	7,035,644
Drainage Cont - Thomas Road (Rivermoon)	66,330	1,716	0	68,046	506	0	68,552
L3 Thomas Road, Byford - Maint Landscaping	28,283	725	0	29,008	216	0	29,224
L3 Thomas Road, Byford - Maint Water Quality	73,109	1,873	0	74,982	558	0	75,540
L40 Beenyup Road, Byford - Laneway cont	29,724	775	0	30,499	218	0	30,717
L7 Beenyup Road, Byford - Laneway cont	29,858	777	0	30,635	218	0	30,853
L88 South West Hwy - Laneway cont	30,030	770	0	30,800	229	0	31,029
Thomas Road Design - Main Roads Grant	17,713	0	(11,869)	5,844	0	(5,844)	0
Regional Road Group Funding	439,282	0	(324,088)	115,194	0	(115,194)	0
Rivermoon Drainage Contribution	133,262	3,422	0	136,684	0	0	136,684
Rivermoon Landscape Contribution	458,361	11,973	0	470,334	638	0	470,972

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

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS (continued)

Grant/Contribution	Opening			Closing			Closing
	Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Special Projects - Bridges	0	917,208	0	917,208	0	(66,668)	850,540
Roads to Recovery Medulla Road	0	48,946	0	48,946	0	(48,946)	0
Roads to Recovery Kiln Road	0	73,000	0	73,000	0	(73,000)	0
Roads to Recovery Linton Street	0	85,000	0	85,000	25,000	(110,000)	0
Roads to Recovery Gossage Road	0	84,299	0	84,299	391,826	(350,540)	125,585
Megara Fifteen - Turning Point Soldiers/Abernethy Road	0	21,688	0	21,688	0	(21,688)	0
Regional Road Group Soliders Road - Daisy & Bushlar	0	0	0	0	145,431	0	145,431
Roads to Recovery Marsh Road	0	0	0	0	22,770	(22,770)	0
Cash in Lieu Car Parking	0	0	0	0	87,273	0	87,273
L12 Gull Road	0	0	0	0	10,035	0	10,035
Huizenga - Corbel Lane, Byford	0	0	0	0	1,420	0	1,420
Economic services							
Tourism WA Camping Dump Point	44,100	0	(44,100)	0	0	0	0
Total	8,849,898	1,980,439	(630,478)	10,199,859	1,532,364	(1,953,562)	9,778,661

	Note	2017	2018
Portion of unexpended grants/contributions held in Reserve Funds		10,107,217	8,067,290
Portion of unexpended grants/contributions held in Municipal Funds	3	92,642	1,711,371
		10,199,859	9,778,661

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.

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rates \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
GRV Improved	0.0876	6,526	135,025,657	11,457,746	625,263	0	12,083,009	11,757,068	1,100,000	0	12,857,068
GRV Vacant	0.1342	151	3,401,980	456,440	14,467	0	470,907	619,285	0	0	619,285
Unimproved valuations											
UV General	0.0036	2,838	1,828,440,000	6,390,837	271,912	0	6,662,749	6,621,136	0	0	6,621,136
Sub-Total		9,515	1,966,867,637	18,305,023	911,642	0	19,216,665	18,997,489	1,100,000	0	20,097,489
Minimum payment	Minimum \$										
Gross rental valuations											
GRV Improved	1,200	289	3,519,544	346,800	0	0	346,800	342,000	0	0	342,000
GRV Vacant	1,300	834	4,660,840	1,084,200	0	0	1,084,200	1,092,000	0	0	1,092,000
Unimproved valuations											
UV General	1,300	485	133,621,908	630,500	0	0	630,500	663,000	0	0	663,000
Sub-Total		1,608	141,802,292	2,061,500	0	0	2,061,500	2,097,000	0	0	2,097,000
		11,123	2,108,669,929	20,366,523	911,642	0	21,278,165	21,094,489	1,100,000	0	22,194,489
Discounts/concessions (refer note 20 (b))							(229,372)				(229,192)
Total amount raised from general rate							21,048,793				21,965,297

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.

21. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
General rates	0.00%	2,000	2,000	2,000	Two prizes of \$1000 each, for payment of rates in full by 4.30 on 14th September 2017. By paying on time rate payers automatically go in the draw to win.
			2,000	2,000	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
UV General	Farmland Concession	31.00%	0	226,753	226,573
UV General	Conservation Concession	50.00%	0	619	619
				227,372	227,192

21. RATING INFORMATION (Continued)

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

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
UV General - Farmland Concession	Where properties meet the Council SEG1 farmland Concession Policy criteria.	Council considers ratepayers eligible for the concession and maintain the rural character of the area in line with the strategic goals of Council.	This concession is in line with the vision category Financial Sustainability, Council provides a rate concession to properties maintaining genuine farming interests. It ensures that Council is protecting and developing appropriate agricultural and horticultural industries and pursuits within the Shire.
UV General - Conservation Concession	Where properties meet the conservation eligibility criteria.	Conservation zoning allows landowners with areas of high conservation value to receive reductions in council rates. The initiative has been established by Council to reward landowners who have retained and maintained bushland and wetland.	Council recognises that nature conservation on private land is essential to maintaining the quality of life that all residents of the Shire and Serpentine River Catchment area enjoy. Landowners must demonstrate to Council that their bush land and/or wetland area is of high conservation value by meeting the criteria.

21. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	14-Sep-17	0	0.00%	0.00%
Option Two				
First instalment	14-Sep-17	0	0.00%	0.00%
Second instalment	14-Nov-17	10	5.50%	11.00%
Option Three				
First instalment	14-Sep-17	0	0.00%	0.00%
Second instalment	14-Nov-17	10	5.50%	11.00%
Third instalment	16-Jan-18	10	5.50%	11.00%
Fourth instalment	20-Mar-18	10	5.50%	11.00%

	2018	
	2018	Budget
	\$	\$
Interest on unpaid rates	263,517	179,000
Interest on instalment plan	116,891	115,000
Charges on instalment plan	108,303	125,000
	<u>488,711</u>	<u>419,000</u>

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

22. NET CURRENT ASSETS

Composition of net current assets

	2018 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	1,126,999	3,105,535	3,105,535
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	2,340,648	5,165,307	5,165,307
Restricted - Reserves	17,205,577	19,331,397	19,331,397
Restricted cash - unspent borrowings	517,737	0	0
Restricted cash - unspent grants, contributions & subsidies	1,711,371	92,642	92,642
Receivables			
Rates outstanding	1,723,830	1,454,439	1,454,439
Sundry debtors	234,545	214,907	214,907
GST receivable	259,448	238,882	238,882
Prepayments	43,562	52,498	52,498
Inventories			
Fuel & Materials	9,539	9,562	9,562
History Books	2,321	2,321	2,321
Inventory	15,087	17,657	17,657
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(1,787,360)	(2,122,871)	(2,122,871)
Accrued interest on long term borrowings	(11,016)	(549)	(549)
Current portion of long term borrowings	(668,942)	(408,519)	(408,519)
Provisions			
Provision for annual leave	(983,819)	(989,908)	(989,908)
Provision for sick leave	(86,351)	(130,001)	(130,001)
Provision for long service leave	(633,435)	(806,709)	(806,709)
Unadjusted net current assets	19,892,742	22,121,055	22,121,055
Adjustments			
Less: Reserves	(17,205,577)	(19,331,397)	(19,331,397)
Less: Restricted cash - unspent borrowings	(517,737)	0	0
Less: Restricted cash - unspent grants, contributions & subsidies	(1,711,371)	(92,642)	(92,642)
Add: Current portion of long term borrowings	668,942	408,519	408,519
Adjusted net current assets - surplus/(deficit)	1,126,999	3,105,535	3,105,535

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.

23. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	21,775,333	24,589,346	21,775,333	24,589,346
Investments	17,885	22,925	17,885	22,925
Receivables	2,410,889	2,110,510	2,410,889	2,110,510
	<u>24,204,107</u>	<u>26,722,781</u>	<u>24,204,107</u>	<u>26,722,781</u>
Financial liabilities				
Payables	1,798,376	2,123,421	1,798,376	2,123,421
Borrowings	3,717,363	1,363,958	3,852,675	1,437,102
	<u>5,515,739</u>	<u>3,487,379</u>	<u>5,651,051</u>	<u>3,560,523</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.

23. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Available-for-sale financial assets

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 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	1,789	2,293
- Statement of Comprehensive Income	1,789	2,293
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	217,753	245,893
- Statement of Comprehensive Income	217,753	245,893

Notes:

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

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	61.58%	78.30%
- Overdue	38.42%	21.70%

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	1,798,376	0	0	1,798,376	1,798,376
Borrowings	796,412	1,878,432	1,624,605	4,299,449	3,717,363
	<u>2,594,788</u>	<u>1,878,432</u>	<u>1,624,605</u>	<u>6,097,825</u>	<u>5,515,739</u>
2017					
Payables	2,123,421	0	0	2,123,421	2,123,420
Borrowings	473,183	907,604	144,807	1,525,594	1,363,958
	<u>2,596,604</u>	<u>907,604</u>	<u>144,807</u>	<u>3,649,015</u>	<u>3,487,378</u>

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	314,123	0	0	0	641,316	2,761,924	3,717,363	3.64%
Weighted average Effective interest rate	6.02%	0.00%	0.00%	0.00%	4.36%	3.20%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	0	610,156	0	0	0	753,802	1,363,958	5.10%
Weighted average Effective interest rate	0.00%	6.02%	0.00%	0.00%	0.00%	4.36%		

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

24. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Maintenance Bonds	67,731	95,780	(17,909)	145,602
Builders Registration Board Levy	15,040	196,315	(211,355)	0
BCTIF Collections	10,662	194,968	(205,630)	0
Footpath Bonds	417,768	435,979	(411,364)	442,383
Halls / Ovals Bonds	25,035	39,150	(38,850)	25,335
Sundry Bonds	21,801	11,334	(8,166)	24,969
Road Closures / Street Events	2,180	0	0	2,180
Fence Bonds	906	0	0	906
Excavation Bonds	28,242	256	0	28,498
Cash in Lieu of Public Open Space	299,527	2,707	0	302,234
Capital Projects Retention Funds	156,498	312,968	(123,324)	346,142
Temporary Accommodation	1,000	2,000	0	3,000
Development Assessment Panel	0	22,740	(22,740)	0
Subdivision Clearance Bonds	3,600	281,129	(195,310)	89,419
SJ Tourism Association Trust	4,566	41	0	4,607
	1,054,556	1,595,367	(1,234,648)	1,415,275

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

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

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

	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	<p>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.</p> <p>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.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>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.</p> <p>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.</p>

Notes:

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

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

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

Notes:

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

Adoption of New and Revised Accounting Standar

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

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

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

26. 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

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

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 statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

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 an asset at its current service capacity.

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

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 such as roads, drains, public buildings and the like, no annual assessment 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.

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Members of Council and Chief Executive Office.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rate revenue, late payment penalty, general purpose grants, untied road grants, commissions, interest on investments, reimbursements and banking costs.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Volunteer bushfire brigades, fire prevention, animal control, emergency management and public safety.
HEALTH	To provide an operational framework for environmental and community health.	Health services including infant health, inspection of premises, pest control, and preventative maintenance.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Pre-schools, community services and family centres.
COMMUNITY AMENITIES	To provide services required by the community.	Waste management including household refuse and recycling, bulk verge green and hard waste collections, environmental and sustainability, town planning, public conveniences and cemeteries.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social wellbeing of the community.	Provision of facilities and support of organisations with leisure activities and sport including halls, sports grounds, parks and gardens, community development and the Mundijong Library.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, bridges, footpaths, Council depot, purchases of plant and equipment and engineering design.
ECONOMIC SERVICES	To help promote the shire and its economic wellbeing.	Rural services such as weed control of reserves, tourism and area promotion, management of building applications and economic development.
OTHER PROPERTY AND SERVICES	To monitor and control overhead operating accounts.	Private works, public works overheads, plant operation, Jarrahdale Heritage Park development, finance and administration costs.

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

28. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.28	1.73	1.55
Asset consumption ratio	0.77	0.96	0.98
Asset renewal funding ratio	0.46	0.67	0.56
Asset sustainability ratio	0.66	0.64	0.71
Debt service cover ratio	7.18	12.25	8.90
Operating surplus ratio	(0.10)	0.00	(0.06)
Own source revenue coverage ratio	0.82	0.86	0.87

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.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	1,361,462	1,334,613	0
Amount of Financial Assistance Grant received in prior year relating to current year.	1,334,613	0	1,229,318

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

	2018	2017	2016
Current ratio	0.90	1.41	1.25
Debt service cover ratio	7.12	9.43	11.50
Operating surplus ratio	(0.10)	(0.04)	(0.01)

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF SERPENTINE JARRAHDALE

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion, the financial report of the Shire of Serpentine Jarrahdale:

- a) is based on proper accounts and reports; and
- b) 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

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

Emphasis of Matters

Basis of Preparation

We draw attention to Note 1 to the financial report, which describes the basis of preparation. 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. Our opinion is not modified in respect of this matter.

Recognition of Assets Contributed by Developers

We draw attention to Note 12 (a) to the financial report, which describes the reason for the recognition of assets contributed by developers through the revaluation surplus rather than revenue as prescribed by paragraph 12 of *AASB 1004: Contributions*. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF SERPENTINE JARRAHDALE (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL REPORT (CONTINUED)

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 Responsibilities for the Audit of the Financial Report

Our objectives of the 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 our 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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, misrepresentation, 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF SERPENTINE JARRAHDALE (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- 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.

We 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 we identify during our audit

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) In our opinion, the following matters indicate a significant adverse trend in the financial position of the Shire:
 - i) The Operating Surplus Ratio, the Asset Sustainability Ratio and the Asset Renewal Funding Ratio have been below the DLGSCI standard for the past 3 years; and
 - i) The Current Ratio for 2017-18 is below the DLGSCI standard, below its level for the 2 prior years and is more than 10% below last year's ratio.
- b) All required information and explanations were obtained by us.
- c) All audit procedures were satisfactorily completed in conducting our audit
- d) In my opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions

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 Serpentine Jarrahdale 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.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



GREG GODWIN
PARTNER

Date: 6 November 2018
Perth, WA