

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

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COMMUNITY VISION

"We care for our Coast, our Country and for our Community"

"We will build on our foundations to be socially, environmentally and financially sound & sustainable"

Principal place of business:
Shire of Waroona
52 Hesse Street
WAROONA WA 6215

**SHIRE OF WAROONA
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 Waroona 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 Waroona at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the ELEVENTH day of OCTOBER 2018



Chief Executive Officer

Mr Ian Curley

Name of 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	19(a)	4,688,602	4,667,181	4,405,008
Operating grants, subsidies and contributions	2	1,492,570	1,193,915	2,383,260
Fees and charges	2	1,481,077	1,417,705	1,447,516
Service charges	19(b)	0	0	0
Interest earnings	2(a)	94,116	84,135	70,407
Other revenue		98,305	98,521	105,319
		7,854,670	7,461,457	8,411,511
Expenses				
Employee costs		(3,653,096)	(3,464,597)	(3,313,656)
Materials and contracts		(2,990,056)	(3,091,854)	(2,782,182)
Utility charges		(399,090)	(386,125)	(383,672)
Depreciation on non-current assets	9(b)	(3,480,388)	(3,518,150)	(3,485,324)
Interest expenses	2(a)	(13,719)	(12,813)	(17,145)
Insurance expenses		(189,634)	(209,703)	(201,870)
Other expenditure		(231,321)	(204,780)	(284,439)
		(10,957,304)	(10,888,022)	(10,468,288)
		(3,102,634)	(3,426,565)	(2,056,777)
Non-operating grants, subsidies and contributions	2	1,809,331	1,896,225	2,465,918
Profit on asset disposals	9(a)	7,177	13,890	294
(Loss) on asset disposals	9(a)	(20,015)	(29,065)	(30,957)
(Loss) on revaluation of Infrastructure - Footpaths	8(b)	(280,246)	0	0
Reversal of prior year loss on revaluation of Infrastructure - Other	8(b)	104,494	0	0
Reversal of prior year loss on revaluation of Infrastructure - Drainage	8(b)	1,973,235	0	0
		491,343	(1,545,515)	378,478
Other comprehensive income				
Changes on revaluation of non-current assets	10	(1,375,246)	0	4,892,390
		(1,375,246)	0	4,892,390
		(883,903)	(1,545,515)	5,270,868

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		158,619	145,590	145,735
General purpose funding		5,726,442	5,277,820	5,923,149
Law, order, public safety		109,809	101,100	123,587
Health		33,011	30,100	58,749
Education and welfare		150,989	132,667	52,509
Housing		17,081	17,680	14,300
Community amenities		1,121,899	1,076,243	1,343,151
Recreation and culture		319,139	477,687	430,675
Transport		96,535	94,325	215,312
Economic services		65,155	83,955	77,773
Other property and services		55,991	24,290	26,570
		7,854,670	7,461,457	8,411,510
Expenses				
	2(a)			
Governance		(1,392,469)	(1,412,192)	(1,379,546)
General purpose funding		(134,919)	(123,985)	(171,232)
Law, order, public safety		(872,597)	(695,105)	(605,251)
Health		(257,543)	(254,655)	(255,546)
Education and welfare		(312,721)	(306,263)	(200,907)
Housing		(8,515)	(9,385)	(21,166)
Community amenities		(1,565,642)	(1,653,698)	(1,504,703)
Recreation and culture		(2,797,744)	(2,833,483)	(2,836,597)
Transport		(3,052,234)	(3,039,724)	(2,921,385)
Economic services		(495,103)	(536,957)	(499,704)
Other property and services		(54,097)	(9,762)	(55,107)
		(10,943,584)	(10,875,209)	(10,451,143)
Finance Costs				
	2(a)			
General purpose funding		0	0	(104)
Recreation and culture		(13,719)	(12,813)	(17,041)
		(13,719)	(12,813)	(17,145)
		(3,102,633)	(3,426,565)	(2,056,778)
Non-operating grants, subsidies and contributions	2	1,809,331	1,896,225	2,465,918
Profit on disposal of assets	9(a)	7,177	13,890	294
(Loss) on disposal of assets	9(a)	(20,015)	(29,065)	(30,957)
(Loss) on revaluation of Infrastructure - Footpaths	8(b)	(280,246)	0	0
Reversal of prior year loss on revaluation of Infrastructure - Other	8(b)	104,494	0	0
Reversal of prior year loss on revaluation of Infrastructure - Drainage	8(b)	1,973,235	0	0
		3,593,976	1,881,050	2,435,255
Net result		491,343	(1,545,515)	378,478
Other comprehensive income				
Changes on revaluation of non-current assets	10	(1,375,246)	0	4,892,390
Total other comprehensive income		(1,375,246)	0	4,892,390
Total comprehensive income		(883,903)	(1,545,515)	5,270,868

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	3,922,610	3,406,427
Trade and other receivables	5	201,103	326,436
Inventories	6	10,146	8,181
TOTAL CURRENT ASSETS		4,133,859	3,741,044
NON-CURRENT ASSETS			
Other receivables	5	13,500	22,000
Property, plant and equipment	7	38,104,130	38,405,914
Infrastructure	8	91,845,038	92,326,547
TOTAL NON-CURRENT ASSETS		129,962,668	130,754,461
TOTAL ASSETS		134,096,527	134,495,505
CURRENT LIABILITIES			
Trade and other payables	11	513,961	330,897
Current portion of long term borrowings	12(a)	59,033	40,551
Provisions	13	966,748	822,365
TOTAL CURRENT LIABILITIES		1,539,742	1,193,813
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	365,431	224,486
Provisions	13	56,966	58,917
TOTAL NON-CURRENT LIABILITIES		422,397	283,403
TOTAL LIABILITIES		1,962,139	1,477,216
NET ASSETS		132,134,387	133,018,290
EQUITY			
Retained surplus		10,887,143	10,204,850
Reserves - cash backed	4	2,317,381	2,508,330
Revaluation surplus	10	118,929,864	120,305,110
TOTAL EQUITY		132,134,387	133,018,290

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

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

NOTE	RESERVES			TOTAL EQUITY
	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	
	\$	\$	\$	\$
Balance as at 1 July 2016	10,687,186	1,647,516	115,412,720	127,747,422
Comprehensive income				
Net result	378,478	0	0	378,478
Changes on revaluation of assets	10	0	4,892,390	4,892,390
Total comprehensive income	378,478	0	4,892,390	5,270,868
Transfers from/(to) reserves	(860,814)	860,814	0	0
Balance as at 30 June 2017	10,204,850	2,508,330	120,305,110	133,018,290
Comprehensive income				
Net result	491,343	0	0	491,343
Changes on revaluation of assets	10	0	(1,375,246)	(1,375,246)
Total comprehensive income	491,343	0	(1,375,246)	(883,903)
Transfers from/(to) reserves	190,949	(190,949)	0	0
Balance as at 30 June 2018	10,887,143	2,317,381	118,929,864	132,134,387

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		4,649,903	4,667,181	4,418,147
Operating grants, subsidies and contributions		1,665,102	1,385,929	2,741,056
Fees and charges		1,481,077	1,417,705	1,447,516
Interest earnings		94,116	84,135	70,407
Other revenue		98,307	132,798	105,321
		7,988,505	7,687,748	8,782,447
Payments				
Employee costs		(3,498,801)	(3,480,728)	(3,274,435)
Materials and contracts		(2,830,869)	(3,118,673)	(3,716,792)
Utility charges		(399,090)	(386,125)	(383,672)
Interest expenses		(3,670)	(12,893)	(3,646)
Insurance expenses		(189,634)	(209,703)	(201,870)
Other expenditure		(231,321)	(196,279)	(284,439)
		(7,153,385)	(7,404,401)	(7,864,854)
Net cash provided by (used in) operating activities	14	835,120	283,347	917,593
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		0	0	0
Payments for purchase of property, plant & equipment		(843,916)	(1,343,217)	(841,461)
Payments for construction of infrastructure		(1,648,643)	(1,752,543)	(1,768,303)
Advances to community groups		0	0	0
Non-operating grants, subsidies and contributions		1,809,331	1,896,225	2,465,918
Proceeds from sale of fixed assets		204,864	213,000	235,845
Proceeds from disposal of investments		0	0	0
Proceeds from advances		0	0	0
Net cash provided by (used in) investment activities		(478,364)	(986,535)	91,998
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(40,573)	(40,553)	(47,349)
Proceeds from low interest loans		0	8,500	8,500
Proceeds from new long term borrowings		200,000	0	0
Net cash provided by (used in) financing activities		159,427	(32,053)	(38,849)
Net increase (decrease) in cash held		516,183	(735,241)	970,742
Cash at beginning of year		3,406,427	3,407,397	2,435,687
Cash and cash equivalents at the end of the year	14	3,922,610	2,672,156	3,406,428

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)	814,087	820,794	211,518	
	814,087	820,794	211,518	
Revenue from operating activities (excluding rates)				
Governance	160,428	145,590	146,029	
General purpose funding	1,037,840	610,638	1,518,140	
Law, order, public safety	109,809	104,000	123,587	
Health	33,011	30,100	58,749	
Education and welfare	150,989	132,667	52,509	
Housing	17,081	17,680	14,300	
Community amenities	1,121,899	1,076,243	1,343,151	
Recreation and culture	319,139	477,687	430,675	
Transport	101,904	105,315	215,312	
Economic services	65,155	83,955	77,773	
Other property and services	55,991	24,290	26,570	
	3,173,246	2,808,165	4,006,795	
Expenditure from operating activities				
Governance	(1,399,169)	(1,424,552)	(1,389,211)	
General purpose funding	(134,919)	(123,985)	(171,336)	
Law, order, public safety	(872,597)	(695,105)	(605,251)	
Health	(257,543)	(254,655)	(255,546)	
Education and welfare	(312,721)	(306,263)	(200,907)	
Housing	(8,515)	(9,385)	(21,166)	
Community amenities	(1,566,981)	(1,655,928)	(1,506,067)	
Recreation and culture	(2,811,463)	(2,846,296)	(2,853,638)	
Transport	(3,059,392)	(3,050,389)	(2,936,358)	
Economic services	(499,921)	(540,767)	(504,659)	
Other property and services	(54,097)	(9,762)	(55,105)	
	(10,977,318)	(10,917,087)	(10,499,244)	
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(7,177)	(13,890)	(294)
Loss on disposal of assets	9(a)	20,015	29,065	30,957
Movement in employee benefit provisions		142,432	34,278	52,069
Depreciation and amortisation on assets	9(b)	3,480,388	3,518,150	3,485,324
Amount attributable to operating activities		(3,354,327)	(3,720,525)	(2,712,875)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,809,331	1,896,225	2,465,918
Proceeds from disposal of assets	9(a)	204,864	213,000	235,845
Purchase of land held for resale		0	0	0
Purchase of property, plant and equipment	7(b)	(843,916)	(1,343,217)	(841,461)
Purchase and construction of infrastructure	8(b)	(1,648,643)	(1,752,543)	(1,768,303)
Amount attributable to investing activities		(478,364)	(986,535)	91,999
FINANCING ACTIVITIES				
Advances to community groups		0	0	0
Repayment of advances to community groups		0	0	0
Repayment of long term borrowings	12(a)	(40,573)	(40,553)	(47,349)
Proceeds from new long term borrowings	12(b)	200,000	0	0
Proceeds from low interest loans		8,500	8,500	8,500
Unspent grants 1 July B/Fwd		79,229	81,256	8,848
Unspent grants 30 June C/Fwd		(255,645)	0	(79,229)
Transfers to reserves (restricted assets)	4	(392,583)	(339,325)	(905,230)
Transfers from reserves (restricted assets)	4	583,533	330,000	44,416
Amount attributable to financing activities		182,462	39,878	(970,045)
Surplus(deficiency) before general rates		(3,650,230)	(4,667,182)	(3,590,921)
Total amount raised from general rates	19	4,688,601	4,667,182	4,405,008
Net current assets at June 30 c/fwd - surplus/(deficit)	20	1,038,372	0	814,087

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

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

1. BASIS OF PREPARATION

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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 22 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.

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

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Significant revenue		
Increase on revaluation of Land & Building Assets		4,892,390
Increase on revaluation of Infrastructure Assets	1,797,483	
Fees and Charges		
Governance	31,662	29,824
General purpose funding	50,968	36,691
Law, order, public safety	38,548	38,237
Health	30,513	54,720
Education and welfare	410	410
Housing	16,502	14,300
Community amenities	922,014	887,393
Recreation and culture	289,349	304,142
Transport	150	90
Economic services	65,155	77,773
Other property and services	35,806	3,935
	1,481,077	1,447,516

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	122,957	111,911
General purpose funding	876,019	1,391,011
Law, order, public safety	71,261	85,351
Health	2,498	2,529
Education and welfare	150,579	52,099
Housing	579	452,758
Community amenities	196,885	126,466
Recreation and culture	29,790	138,500
Transport	21,848	0
Economic services	0	22,636
Other property and services	20,154	
	1,492,570	2,383,260
Non-operating grants, subsidies and contributions		
Governance	0	585,638
General purpose funding	399,282	0
Law, order, public safety	0	706,018
Community amenities	54,500	28,000
Recreation and culture	225,000	0
Transport	1,130,549	1,146,262
	1,809,331	2,465,918
Total grants, subsidies and contributions	3,301,901	4,849,178

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 18.

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 19(b))

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
- Reserve funds	62,623	52,120	44,955
- Other funds	31,493	32,015	25,452
	94,116	84,135	70,407
Other interest revenue (refer note 19(b))	50,168	37,150	60,321
	144,284	121,285	130,729

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2018	2017
	\$	\$
Significant expense		
Decrease on Infrastructure Asset Revaluation	1,375,246	
Auditors remuneration		
- Audit of the Annual Financial Report	7,910	8,220
- Interim Audit	2,500	3,390
- Other Services	1,880	2,580
	12,290	14,190
Interest expenses (finance costs)		
Long term borrowings (refer Note 12(a))	13,719	17,041
Interest on overdraft	0	104
	13,719	17,145
Rental charges		
- Operating leases	78,582	78,156
	78,582	78,156

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

3. CASH AND CASH EQUIVALENTS	NOTE	2018 \$	2017 \$
Unrestricted		1,349,584	818,867
Restricted - Cash		255,645	79,229
Restricted - Reserves		2,317,381	2,508,331
		3,922,610	3,406,427
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Emergency Assistance Reserve	4	101,130	38,925
Sports Reserve	4	51,232	39,984
Staff Leave Reserve	4	179,105	151,967
Waste Management Reserve	4	682,894	549,185
Rec Centre Building Reserve	4	110,956	95,570
Hamel Hall Reserve	4	30,358	29,618
Plant Replacement Reserve	4	593,438	564,350
Depot Redevelopment Reserve	4	76,606	74,740
Building Asset Maintenance Reserve	4	52,776	51,490
Strategic Planning Reserve	4	19,051	18,586
Council Building Construction Reserve	4	177,084	228,853
Preston Beach Volunteer Reserve	4	46,570	36,960
Information Technology Reserve	4	32,537	19,125
Footpath construction Reserve	4	30,407	29,666
Asset Management Reserve	4	117,645	114,780
History Book Reprint Reserve	4	6,796	5,952
Risk & Insurance Reserve	4	8,796	8,579
Fire Recovery Assitance Grant Reserve	4	0	450,000
Unspent grants	18	255,645	79,229
		2,573,026	2,587,559

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.

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Emergency Assistance Reserve	38,925	72,205	(10,000)	101,130	38,925	80,000	(10,000)	108,925	16,938	21,987		38,925
Sports Reserve	39,984	11,248		51,232	39,983	10,025		50,008	28,746	11,237		39,984
Staff Leave Reserve	151,967	33,794	(6,656)	179,105	151,968	30,000		181,968	119,492	35,260	(2,784)	151,967
Waste Management Reserve	549,185	133,709		682,894	549,185	120,000		669,185	372,522	176,663		549,185
Rec Centre Building Reserve	95,570	22,386	(7,000)	110,956	95,570	20,000		115,570	15,151	80,419		95,570
Hamel Hall Reserve	29,618	739		30,357	29,619			29,619	28,832	787		29,618
Plant Replacement Reserve	564,350	79,088	(50,000)	593,438	564,350	65,000	(50,000)	579,350	486,089	78,261		564,350
Depot Redevelopment Reserve	74,740	1,866		76,606	74,740			74,740	55,233	19,507		74,740
Building Asset Maintenance Reserve	51,490	1,285		52,776	51,491			51,491	50,123	1,367		51,490
Strategic Planning Reserve	18,586	465		19,051	18,586			18,586	24,590	671	(6,675)	18,586
Council Building Construction Reserve	228,853	5,713	(57,482)	177,084	228,854		(75,000)	153,854	222,776	6,078		228,853
Preston Beach Volunteer Reserve	36,960	12,005	(2,395)	46,570	36,961	11,300		48,261	30,404	11,857	(5,300)	36,960
Information Technology Reserve	19,125	13,412		32,537	19,125			19,125	18,617	508		19,125
Footpath construction Reserve	29,666	741		30,407	29,666			29,666	28,878	788		29,666
Asset Management Reserve	114,780	2,865		117,645	114,779			114,779	111,732	3,048		114,780
History Book Reprint Reserve	5,952	844		6,796	5,952	3,000		8,952	18,859	2,250	(15,157)	5,952
Risk & Insurance Reserve	8,579	216		8,795	8,579			8,579	18,537	4,543	(14,500)	8,579
Fire Recovery Assitance Grant Reserve	450,000		(450,000)	0	450,000		(195,000)	255,000	0	450,000		450,000
	2,508,331	392,583	(583,533)	2,317,381	2,508,331	339,325	(330,000)	2,517,656	1,647,517	905,230	(44,416)	2,508,331

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Emergency Assistance Reserve	on going	To provide funds to assist in emergency situations e.g.: major fire
Sports Reserve	on going	To provide funds for sporting facilities and equipment as determined by Council together with low interest loans applications
Staff Leave Reserve	on going	To be used to fund annual and long service leave requirements
Waste Management Reserve	on going	To be used to maintain operations at Buller Road Refuse Site
Rec Centre Building Reserve	on going	To be used for future building asset maintenance items at the Recreation Centre, particularly plant
Hamel Hall Reserve	on going	To provide funds for the upgrading of the Hamel Hall Amenities and surrounds.
Plant Replacement Reserve	on going	To be used for the purchase and replacement of major plant
Depot Redevelopment Reserve	on going	To provide funds for the provision of vehicle storage bays at Works Depot
Building Asset Maintenance Reserve	on going	To provide funds for future maintenance
Strategic Planning Reserve	on going	To provide funds for the future requirements of Council's Strategic Planning
Council Building Construction Reserve	on going	To provide funds for future capital construction works in accordance with Council's Long Term Financial & Community Strategic Plans
Preston Beach Volunteer Reserve	on going	To provide funds to assist in the operations of the volunteer ranger functions including replacement of equipment
Information Technology Reserve	on going	To be used to ensure that the network computer system is maintained including external site connections
Footpath construction Reserve	on going	To provide funds for future extension of Dual use path network
Asset Management Reserve	on going	To provide funds to renew existing Council assets in accordance with the adopted Asset Management Plan
History Book Reprint Reserve	on going	To be used to fund the update reprint of the 'Drakesbrook days and Waroona years' historical book
Risk & Insurance Reserve	on going	To be used for expenses associated with risk assessments and insurance adjustments or unforeseen expenses
Fire Recovery Assitance Grant Reserve	June 2019	To be used in accordance with the grant agreement 'Assistance for the fire affected farming and rural communities of Shire of Harvey and Waroona

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
Sundry debtors
Loans - Self Supporting
Loans - Low Interest
Accrued Income

Non-current

Rates outstanding - pensioners
Loans - Self Supporting
Loans - Low Interest

	2018	2017
	\$	\$
Rates outstanding	150,645	111,946
Sundry debtors	41,958	205,990
Loans - Self Supporting	0	0
Loans - Low Interest	8,500	8,500
Accrued Income	0	0
	201,103	326,436
Non-current		
Rates outstanding - pensioners	0	0
Loans - Self Supporting	0	0
Loans - Low Interest	13,500	22,000
	13,500	22,000

6. INVENTORIES

Current

Fuel and Materials
Kiosk

	2018	2017
	\$	\$
Fuel and Materials	9,056	7,086
Kiosk	1,090	1,095
	10,146	8,181

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.

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.

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 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017	17,926,000	17,926,000
- Additions after valuation at cost	0	0
- User defined	0	0
	17,926,000	17,926,000
Buildings at:		
- Independent valuation 2017	17,998,750	17,998,750
- Additions after valuation at cost	341,456	0
- User defined	0	0
Less: accumulated depreciation	(745,155)	0
	17,595,050	17,998,750
Total land and buildings	35,521,050	35,924,750
Furniture and equipment at:		
- Independent valuation 2016	213,920	213,920
- Additions after valuation at cost	62,989	31,566
- amendments & disposals	1,020	0
Less: accumulated depreciation	(64,009)	(31,024)
	213,920	214,462
Plant and equipment at:		
- Independent valuation 2016	2,220,840	2,220,840
- Additions after valuation at cost	673,552	202,515
- amendments & disposals	(245,198)	0
Less: accumulated depreciation	(280,035)	(156,653)
	2,369,160	2,266,702
Total property, plant and equipment	38,104,130	38,405,914

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	14,498,500	17,076,448	31,574,948	213,920	2,220,840	34,009,709
Additions		330,136	330,136	31,566	479,759	841,461
(Disposals)	(280,000)		(280,000)		(277,244)	(557,244)
Revaluation increments/ (decrements) transferred to revaluation surplus	3,707,500	1,184,890	4,892,390			4,892,390
Revaluation (loss)/ reversals transferred to profit or loss			0			0
Adjustments		280,933	280,933		(4,805)	276,128
Depreciation (expense)		(873,657)	(873,657)	(31,024)	(151,848)	(1,056,529)
Transfers			0			0
Carrying amount at 30 June 2017	17,926,000	17,998,750	35,924,750	214,462	2,266,702	38,405,914
Additions	0	341,456	341,456	31,423	471,038	843,916
(Disposals)			0	(1,875)	(245,198)	(247,073)
Revaluation increments/ (decrements) transferred to revaluation surplus			0			0
Revaluation (loss)/ reversals transferred to profit or loss			0			0
Depreciation (expense)	0	(745,155)	(745,155)	(30,090)	(123,382)	(898,627)
Transfers	0		0			0
Carrying amount at 30 June 2018	17,926,000	17,595,050	35,521,050	213,920	2,369,159	38,104,129

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2/3	Valuations were made on the basis of observable open markets of similar assets, adjusted for condition and comparability at their highest and best use	Independent registered valuer	June 2017	Market Value
Buildings - specialised	2/3	Valuations were made on the basis of observable open markets of similar assets, adjusted for condition and comparability at their highest and best use/ Cost Approach using depreciated replacement cost	Independent registered valuer	June 2017	Market Value / Depreciated Replacement cost
Furniture and equipment					
	3	Valuation were made on the basis of open market values on similar assets adjusted for condition and comparability	Management valuation	June 2016	Depreciated Replacement Cost
Plant and equipment					
Independent Valuation 2016	2	Valuation were made on the basis of open market values on similar assets adjusted for condition and comparability		June 2016	Market Value
Management Valuation 2016	3	Valuation were made on the basis of open market values on similar assets adjusted for condition and comparability	Management Valuation	June 2016	Depreciated Replacement Costs

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

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2015	0	84,191,051
- Management valuation 2018	74,821,812	0
- Additions after valuation at cost	0	2,801,546
Less: accumulated depreciation	0	(3,208,057)
	74,821,812	83,784,540
Infrastructure - Other		
- Management valuation 2015	0	940,198
- Management valuation 2018	1,192,648	0
- Additions after valuation at cost	0	112,904
- User defined	0	72,052
Less: accumulated depreciation	0	(147,664)
	1,192,648	977,490
Infrastructure - Bridges		
- Management valuation 2015	0	875,000
- Management valuation 2018	2,226,070	0
Less: accumulated depreciation	0	(120,837)
	2,226,070	754,163
Infrastructure - Parks & Ovals		
- Management valuation 2015	0	2,161,646
- Management valuation 2018	2,793,437	0
- Additions after valuation at cost	0	2,882
- Transfers	0	390,751
Less: accumulated depreciation	0	(378,139)
	2,793,437	2,177,139
Infrastructure - Drainage		
- Management valuation 2015	0	3,147,816
- Management valuation 2018	9,620,413	0
- Additions after valuation at cost	0	131,257
Less: accumulated depreciation	0	(158,447)
	9,620,413	3,120,626
Infrastructure - Footpaths		
- Management valuation 2015	0	1,636,857
- Management valuation 2018	1,190,659	0
- Additions after valuation at cost	0	26,419
Less: accumulated depreciation	0	(150,686)
	1,190,659	1,512,590
Total infrastructure	91,845,038	92,326,547

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

8 INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Other	Infrastructure - Bridges	Infrastructure - Parks & Ovals	Infrastructure - Drainage	Infrastructure - Footpaths	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	84,186,380	876,044	816,638	2,434,094	3,069,667	1,589,608	92,972,430
Additions	1,521,260	112,904		2,882	131,257		1,768,303
(Disposals)							0
Revaluation increments/ (decrements) transferred to revaluation surplus							0
Revaluation (loss)/ reversals transferred to profit or loss							0
Depreciation (expense)	(1,923,099)	(83,509)	(62,475)	(202,396)	(80,298)	(77,018)	(2,428,795)
Transfers		72,052		(57,442)			14,610
Carrying amount at 30 June 2017	83,784,540	977,490	754,163	2,177,139	3,120,626	1,512,590	92,326,547
Additions	1,523,635	21,458	0	9,147	55,281	39,121	1,648,643
(Disposals)			0				0
Revaluation increments/ (decrements) transferred to revaluation surplus	(8,449,201)	319,158	1,537,982	662,057	4,554,758		(1,375,246)
Revaluation (loss)/ reversals transferred to profit or loss		104,494			1,973,235	(280,246)	1,797,483
Adjustments							0
Depreciation (expense)	(2,037,163)	(78,222)	(66,074)	(213,186)	(83,487)	(74,256.31)	(2,552,389)
Transfers							0
Carrying amount at 30 June 2018	74,821,811	1,344,377	2,226,070	2,635,158	9,620,413	1,197,209	91,845,038

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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Depreciated Replacement costs	Independent Registered Valuer	June 2018	Construction costs ad current condition levels, residual valuaed and remaining useful life assessments
Infrastructure - Other	3	Depreciated Replacement costs	Independent Registered Valuer	June 2018	Construction costs ad current condition levels, residual valuaed and remaining useful life assessments
Infrastructure - Bridges	3	Depreciated Replacement costs	Independent Registered Valuer	June 2018	Construction costs ad current condition levels, residual valuaed and remaining useful life assessments
Infrastructure - Parks & Ovals	3	Depreciated Replacement costs	Independent Registered Valuer	June 2018	Construction costs ad current condition levels, residual valuaed and remaining useful life assessments
Infrastructure - Drainage	3	Depreciated Replacement costs	Independent Registered Valuer	June 2018	Construction costs ad current condition levels, residual valuaed and remaining useful life assessments
Infrastructure - Footpaths	3	Depreciated Replacement costs	Independent Registered Valuer	June 2018	Construction costs ad current condition levels, residual valuaed and remaining useful life assessments

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

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

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

9 FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

Land under control

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

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

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

9 FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
CEO Vehicle	33,646	35,455	1,809	0	32,870	30,000	0	(2,870)
DCEO Vehicle	32,216	28,182	0	(4,034)	32,620	27,000	0	(5,620)
MFS Vehicle	19,256	16,591	0	(2,666)	21,870	18,000	0	(3,870)
Community amenities								
DDS Vehicle	28,157	26,818	0	(1,339)	27,230	25,000	0	(2,230)
Transport								
DTS Vehicle	35,276	31,364	0	(3,912)	34,350	26,000	0	(8,350)
MWS Vehicle	28,700	25,455	0	(3,246)	27,095	25,000	0	(2,095)
Works Vehicle	8,177	9,545	1,369	0	8,220	8,000	0	(220)
Kubota Tractor	12,000	16,000	4,000	0	7,010	18,000	10,990	0
Economic services								
MDS Vehicle	20,273	15,455	0	(4,818)	19,810	16,000	0	(3,810)
	217,701	204,864	7,177	(20,015)	211,075	193,000	10,990	(29,065)

(b) Depreciation

	2018	2017
	\$	\$
Buildings	745,155	873,657
Furniture and equipment	30,090	31,024
Plant and equipment	123,382	151,848
Infrastructure - Roads	2,037,163	1,923,099
Infrastructure - Other	107,595	83,509
Infrastructure - Bridges	66,074	62,475
Infrastructure - Parks & Ovals	213,186	202,396
Infrastructure - Drainage	83,487	80,298
Infrastructure - Footpaths	74,256	77,018
	3,480,388	3,485,324

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Building	40-60 Years
Equipment	43,891 Years
Equipment	43,952 Years
Benches	15-25 Years
Piping	20-40 Years

Sealed Roads and Streets

Construction	45-55 Years
Seals	15-25 Years
Asphalt Seals	25-30 Years

Unformed Roads

Formed	10-15 Years
Gravel	12-15 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

10. REVALUATION SURPLUS

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing
	Balance	Increment	(Decrement)	Movement on	Balance	Balance	Increment	(Decrement)	Movement on	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land & Building	28,656,391	0	0	0	28,656,391	23,764,001	4,892,390	0	4,892,390	28,656,391
Furniture & Equipment	37,322	0	0	0	37,322	37,322	0	0	0	37,322
Plant & Equipment	655,570	0	0	0	655,570	655,570	0	0	0	655,570
Infrastructure - Roads	88,504,082	0	(8,449,201)	(8,449,201)	80,054,881	88,504,082	0	0	0	88,504,082
Infrastructure - Other	2,279,672	319,158	0	319,158	2,598,830	2,279,672	0	0	0	2,279,672
Infrastructure - Bridges	2,500	1,537,982	0	1,537,982	1,540,482	2,500	0	0	0	2,500
Infrastructure - Parks & Ovals	169,572	662,057	0	662,057	831,629	169,572	0	0	0	169,572
Infrastructure - Drainage	0	4,554,758	0	4,554,758	4,554,758	0	0	0	0	0
Infrastructure - Footpaths	0	0	0	0	0	0	0	0	0	0
	120,305,110	7,073,955	(8,449,201)	(1,375,246)	118,929,864	115,412,720	4,892,390	0	4,892,390	120,305,110

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

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

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages
Accrued interest on debentures
Accrued expenses

	2018	2017
	\$	\$
	408,308	247,156
	83,768	73,719
	1,885	905
	20,000	9,117
	513,961	330,897

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.

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

12. 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
	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture								
Loan 106 - Aquatic Centre	9,206.97		9,207	9,207	(0)	(0)	213	318
Loan 117 - Basketball Stadium	107,911.91		12,593	12,588	95,319	95,324	6,715	6,897
Loan 120 - Rec Centre Upgrade	147,917.65		18,771	18,758	129,146	129,160	5,587	5,599
Loan 121 - Memorial Hall Upgrade	0.00	200,000			200,000	0	1,204	0
	265,036.53	200,000	40,572	40,553	424,465	224,484	13,719	12,814

All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	59,033	40,551
Non-current	365,431	224,486
	424,464	265,037

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget					Actual	Budget	
	\$	\$			\$	%	\$	\$	
Loan 121 - Memorial Hall Upgrade	200,000	0	WATC	7	22,986	2.97%	(200,000)	0	0
	200,000	0			22,986		(200,000)	0	0

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	20,000	20,000
Credit card balance at balance date	0	0
Total amount of credit unused	520,000	520,000

Loan facilities

Loan facilities - current	59,033	40,551
Loan facilities - non-current	365,431	224,486

Total facilities in use at balance date

	424,464	265,037
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Unused loan facilities at balance date

	NIL	NIL
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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.

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

13. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	372,773	449,592	822,365
Non-current provisions	0	58,917	58,917
	372,773	508,509	881,282
Additional provision	39,480	114,162	153,643
Amounts used	(6,819)	(4,391)	(11,211)
Balance at 30 June 2018	405,434	618,280	1,023,714
Comprises			
Current	405,434	561,314	966,748
Non-current	0	56,966	56,966
	405,434	618,280	1,023,714

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	3,922,610	2,672,156	3,406,427

**Reconciliation of Net Cash Provided By
Operating Activities to Net Result**

Net result	491,343	(1,545,515)	378,478
Non-cash flows in Net result:			
Depreciation	3,480,388	3,518,150	3,485,324
(Profit)/loss on sale of asset	12,837	15,175	30,663
Changes in assets and liabilities:			
(Increase)/decrease in receivables	133,833	192,014	370,935
(Increase)/decrease in inventories	(1,965)	(1,819)	2,330
Increase/(decrease) in payables	183,064	(32,711)	(936,289)
Increase/(decrease) in provisions	142,432	34,278	52,069
Grants contributions for the development of assets	(1,809,331)	(1,896,225)	(2,465,918)
Net cash from operating activities	2,912,849	283,347	917,592

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

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	2,960,804	2,947,591
General purpose funding	4,073,080	3,518,198
Law, order, public safety	1,392,929	1,395,223
Health	1,834,757	1,810,739
Education and welfare	359,666	375,500
Housing	180,391	180,000
Community amenities	11,087,224	4,537,421
Recreation and culture	31,309,651	29,594,880
Transport	77,924,545	87,178,750
Economic services	1,013,952	975,463
Other property and services	1,102,529	1,124,740
Unallocated	857,000	857,000
	134,096,527	134,495,506

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

16. LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but

Payable:

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

	2018	2017
	\$	\$
	78,582	78,156
	54,699	102,456
	0	0
	133,281	180,613

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

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

17. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	73,600	73,600	72,000
President's allowance	9,700	9,700	9,500
Deputy President's allowance	2,300	2,300	2,200
Travelling expenses	1,278	3,000	2,808
Telecommunications allowance	6,800	6,800	6,800
IT Allowance	4,000	4,000	4,000
	<u>97,678</u>	<u>99,400</u>	<u>97,308</u>

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:

	2018	2017
	\$	\$
Short-term employee benefits	1,037,628	1,036,446
Post-employment benefits	123,133	118,362
Other long-term benefits	39,230	14,010
Termination benefits	0	0
	<u>1,199,991</u>	<u>1,168,819</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions 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	0	0
Purchase of goods and services	19,861	0

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

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

18. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
Dept Fire & Emergency Services 16/17	3,848	25,223	(29,071)	0	0	0	0
Dept Fire & Emergency Services 18/19 1st Quarter Payment	0	0	0	0	10,153	0	10,153
AWARE Grant - Office of Emergency Management	0	0	0	0	4,000	0	4,000
AWARE Grant - SOW Reserve Transfer	0	0	0	0	10,000	0	10,000
WA State Govt - Fire Recovery Grant	0	0	0	0	450,000	(420,545)	29,455
Education and welfare							
Alcoa Youth Activities	5,000	10,000	(10,000)	5,000	5,000	(5,000)	5,000
DLGC Community Development Scholarship	0	10,000	(3,703)	6,297	0	(6,297)	0
Waroon Karate Club Grant	0	1,720	0	1,720	0	(1,720)	0
WA Primary Health Association Grant	0	10,000	0	10,000	90,000	(99,747)	253
Summer Events	0	0	0	0	10,500	(5,000)	5,500
Mental Health Commission Suicide Prevention Grant	0	0	0	0	5,618	0	5,618
Aloca Community Spaces Grant	0	0	0	0	7,500	0	7,500
WAPHA Community Consultation Grant	0	0	0	0	7,000	(2,000)	5,000
Australian Alcohol Drug Foundation Local Drug Action Team Grant	0	0	0	0	10,000	0	10,000
NAIDOC Week Grant	0	0	0	0	2,000	0	2,000
Community amenities							
Coastwest funding - Dune Management 201728	0	8,082	(8,082)	0	0	0	0
Landowner Support for Fire Recovery Grant	0	28,000	(24,864)	3,136	54,500	(57,570)	66
Coastwest funding - Dune Management 201820	0	0	0	0	13,356	(13,356)	0
Recreation and culture							
Kids Sport Grant	0	14,000	(14,000)	0	0	0	0
DLGC Youth Development Scholarship	0	4,016	(940)	3,076	(2,846)	0	230
Preston Beach Community Centre (PDC, R4R & SOW)	0	50,000	0	50,000	157,482	(46,611)	160,871
Total	8,848	161,041	(90,659)	79,229	834,262	(657,846)	255,645

Notes:

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

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

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

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

19. 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 Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
Waroono GRV	0.097477	1,396	22,327,842	2,176,451	18,959		2,195,410	2,176,451	0	0	2,176,451
Unimproved valuations											
Waroono UV	0.007369	547	226,453,000	1,668,732	2,279		1,671,011	1,668,732	0	0	1,668,732
Sub-Total		1,943	248,780,842	3,845,183	21,238	0	3,866,421	3,845,184	0	0	3,845,184
Minimum payment	\$										
Gross rental valuations											
Waroono GRV	1,065	680	4,515,288	724,200			724,200	724,018	0	0	724,018
Unimproved valuations											
Waroono UV	1,065	92	7,312,993	97,980			97,980	97,980	0	0	97,980
Sub-Total		772	11,828,281	822,180	0	0	822,180	821,998	0	0	821,998
		2,715	260,609,123	4,667,363	21,238	0	4,688,601	4,667,182	0	0	4,667,182
Totals							4,688,601				4,667,182

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

19. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	22-Sep-17	0		11.00%
Option Two				
First instalment	22-Sep-17	0	5.50%	11.00%
Second instalment	22-Jan-18	10	5.50%	11.00%
Option Three				
First instalment	22-Sep-17	0	5.50%	11.00%
Second instalment	22-Nov-17	10	5.50%	11.00%
Third instalment	22-Jan-18	10	5.50%	11.00%
Fourth instalment	22-Mar-18	10	5.50%	11.00%
			2018	2018
			\$	\$
Interest on unpaid rates			34,728	21,700
Interest on instalment plan			15,441	15,450
Charges on instalment plan			20,670	19,640
			70,838	56,790

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

20. NET CURRENT ASSETS

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

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	1,038,372	814,088	814,088
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,349,584	818,867	818,867
Restricted - Cash	255,645	79,229	79,229
Restricted - Reserves	2,317,381	2,508,331	2,508,331
Receivables			
Rates outstanding	150,645	111,946	111,946
Sundry debtors	41,958	205,990	205,990
Accrued Income	0	0	0
Inventories			
Fuel and Materials	9,056	7,086	7,086
Kiosk	1,090	1,095	1,095
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(408,308)	(247,156)	(247,156)
Accrued salaries and wages	(83,768)	(73,719)	(73,719)
Accrued interest on debentures	(1,885)	(905)	(905)
Accrued expenses	(20,000)	(9,117)	(9,117)
Unadjusted net current assets	3,611,398	3,401,647	3,401,647
Adjustments			
Less: Reserves - restricted cash	(2,317,381)	(2,508,330)	(2,508,330)
Less: Restricted cash	(255,645)	(79,229)	(79,229)
Adjusted net current assets - surplus/(deficit)	1,038,372	814,088	814,088

Difference

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

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

21. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,922,610	3,406,427	3,922,610	3,406,427
Receivables	214,603	348,436	214,603	348,436
	4,137,213	3,754,863	4,137,213	3,754,863
Financial liabilities				
Payables	513,961	330,897	513,961	330,897
Borrowings	424,464	265,037	424,464	265,037
	938,425	595,934	938,425	595,934

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.

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

21. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	2018	2017
Impact of a 1% ⁽¹⁾ movement in interest rates on cash	\$	\$
- Equity	39,226	34,064
- Statement of Comprehensive Income	39,226	34,064

Notes:

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

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

21. 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	97.04%	97.06%
- Overdue	2.96%	2.94%
Percentage of other receivables		
- Current	66.71%	93.25%
- Overdue	33.29%	6.75%

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

21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	513,961	0	0	513,961	513,961
Borrowings	59,033	261,794	103,638	424,465	424,464
	572,994	261,794	103,638	938,426	938,425
2017					
Payables	330,897	0	0	330,897	330,897
Borrowings	40,551	142,102	82,410	265,062	265,037
	371,448	142,102	82,410	595,959	595,934

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	(59,033)	(61,483)	(64,046)	(66,728)	(69,537)	(103,638)	(424,465)	4.07%
Weighted average Effective interest rate	4.10%	4.12%	4.14%	4.16%	4.18%	3.83%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	(40,551)	(32,926)	(34,594)	(36,352)	(38,230)	(82,410)	(265,062)	5.10%
Weighted average Effective interest rate	5.42%	5.00%	5.02%	5.03%	5.05%	5.07%		

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

22. 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
	\$	\$	\$	\$
BCITF Levy	0	11,313	(11,313)	0
Builders Registration Board	0	15,754	(15,754)	0
Hall Deposits	4,626	1,530	(1,601)	4,555
Landcare EOY Balance	56,879	69,786	(56,879)	69,786
Nomination Deposits	0	560	(560)	0
Retentions	64,641	0	(58,704)	5,938
Roadworks/Footpath Bonds	7,925	0	0	7,925
Subdivision Bonds	64,910	0	0	64,910
Sundry Items	244,852	59,558	(59,932)	244,478
Vehicle Licensing Plates	0	800	(800)	0
Extractive Industries	65,501	83,831	(700)	148,632
Public Open Space	43,022	7,000	0	50,022
Alcoa Waroona Sustainability	1,581,616	263,305	(82,074)	1,762,847
	<u>2,133,973</u>			<u>2,359,092</u>

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

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

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

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

Notes:

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

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

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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

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

24. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

25. 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.	Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centres. Provision and maintenance of home and community care programs and youth services
HOUSING	To provide and maintain elderly residents housing.	Provision and maintenance of elderly residents housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social well being of the community.	Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
TRANSPORT	To provide safe, effective and efficient transport services to the community	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
ECONOMIC SERVICES	To help promote the shire and its economic wellbeing.	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.
OTHER PROPERTY AND SERVICES	To monitor and control the Shire's overhead operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

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

26. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.1470	1.1072	0.7511
Asset consumption ratio	0.8140	0.6972	0.6975
Asset renewal funding ratio	0.9020	0.9650	1.1734
Asset sustainability ratio	0.5320	0.5015	0.6777
Debt service cover ratio	6.9740	21.9759	(7.3907)
Operating surplus ratio	(0.4970)	(0.3524)	(0.6149)
Own source revenue coverage ratio	0.5710	0.5642	0.4986

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.

27. SUBSEQUENT EVENTS

Subsequent to 30 June 2018 the Shire of Waroona entered into a number of contracts for the capital upgrade of the Preston Beach Community Centre. The project expense is estimated at \$703,000 which includes provisions for construction, surveyors, demolition, architect and project management fees. This project is anticipated to be completed by June 2019

28. EMPLOYEE NUMBERS

	2018	2017
The number of full-time equivalent employed at balance date	40	42



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INDEPENDENT AUDITOR'S REPORT

To the Electors of the Shire of Waroona

Report on the Audit of the Financial Report

Opinion

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

In our opinion the annual financial report of the Shire of Waroona:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire of Waroona 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 of Waroona in accordance with the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report. 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 Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling Shire of Waroona'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.

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

The Chief Executive Officer (CEO) of the Shire of Waroona 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 of Waroona'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 of Waroona.

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of our 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 Australian Auditing Standards, we exercise professional judgment 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, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire of Waroona'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 of Waroona'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.
- 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 report that:

- (i) In our opinion, the following matters indicate significant adverse trends in the financial position or the financial management practices of the Shire of Waroona:
 - a. Asset sustainability ratio as reported in Note 26 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of 0.8 for the last three years (2016: 0.677, 2017: 0.502 and 2018: 0.532); and
 - b. Operating surplus ratio as reported in Note 26 of the financial report is below the below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.615, 2017: -0.352 and 2018: -0.497).

- (ii) There were no instances of non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our 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 Shire of Waroona for the year ended 30 June 2018 included on the Shire of Waroona's website. Shire of Waroona's management is responsible for the integrity of the Shire of Waroona website. This audit does not provide assurance on the integrity of the Shire of Waroona'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.

AMD Chartered Accountants



TIM PARTRIDGE

Director

28-30 Wellington Street, Bunbury, Western Australia Dated this 14th day of November 2018