

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	47

COMMUNITY VISION

A welcoming and friendly community recognising our rich heritage and embracing economic opportunity, whilst nurturing our natural and built environment.

Principal place of business:
Hack Street
Sandstone
WA 6639

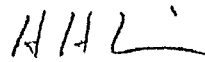
SHIRE OF SANDSTONE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Sandstone 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 Sandstone 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 25TH day of OCTOBER 2018



Chief Executive Officer

Harry Hawkins
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	18(a)	1,019,760	1,044,337	974,423
Operating grants, subsidies and contributions	2(a)	6,562,713	7,780,157	6,772,941
Fees and charges	2(a)	164,788	207,226	206,174
Interest earnings	2(a)	157,823	142,598	161,035
Other revenue	2(a)	539,616	435,653	752,107
		<u>8,444,700</u>	<u>9,609,971</u>	<u>8,866,680</u>
Expenses				
Employee costs		(1,056,909)	(993,253)	(1,035,379)
Materials and contracts		(5,791,061)	(7,726,542)	(4,863,895)
Utility charges		(112,440)	(118,569)	(110,301)
Depreciation on non-current assets	9(b)	(1,332,415)	(1,401,333)	(1,315,367)
Insurance expenses		(138,306)	(140,214)	(126,177)
Other expenditure		(32,356)	(93,784)	(126,146)
		<u>(8,463,487)</u>	<u>(10,473,695)</u>	<u>(7,577,265)</u>
		(18,787)	(863,724)	1,289,415
Non-operating grants, subsidies and contributions				
Non-operating grants, subsidies and contributions	2(a)	421,838	347,870	514,977
Profit on asset disposals	9(a)	0	0	3,818
(Loss) on asset disposals	9(a)	(106,919)	0	(234,715)
		<u>314,919</u>	<u>347,870</u>	<u>284,080</u>
Net result		<u>296,132</u>	<u>(515,854)</u>	<u>1,573,495</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	1,219,355	0	355,009
Total other comprehensive income		<u>1,219,355</u>	<u>0</u>	<u>355,009</u>
Total comprehensive income		<u>1,515,487</u>	<u>(515,854)</u>	<u>1,928,504</u>

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)			
General purpose funding		3,105,795	2,211,530	4,096,867
Law, order, public safety		13,315	11,699	9,842
Health		0	0	160
Housing		0	5,145	3,121
Community amenities		5,982	15,178	34,052
Recreation and culture		8,150	10,726	10,250
Transport		4,568,872	6,743,734	4,068,008
Economic services		650,618	555,594	569,406
Other property and services		91,968	56,365	74,974
		<u>8,444,700</u>	<u>9,609,971</u>	<u>8,866,680</u>
Expenses	2(b)			
Governance		(210,468)	(213,032)	(288,218)
General purpose funding		(58,493)	(132,366)	(128,302)
Law, order, public safety		(103,362)	(137,759)	(92,164)
Health		(28,065)	(37,624)	(32,404)
Housing		(258,529)	(361,367)	(366,730)
Community amenities		(159,154)	(154,313)	(137,706)
Recreation and culture		(525,823)	(533,534)	(638,313)
Transport		(5,750,177)	(7,815,377)	(5,056,631)
Economic services		(979,326)	(928,541)	(1,061,540)
Other property and services		(390,090)	(159,782)	224,743
		<u>(8,463,487)</u>	<u>(10,473,695)</u>	<u>(7,577,265)</u>
		(18,787)	(863,724)	1,289,415
Non-operating grants, subsidies and contributions	2(a)	421,838	347,870	514,977
Profit on disposal of assets	9(a)	0	0	3,818
(Loss) on disposal of assets	9(a)	(106,919)	0	(234,715)
		<u>314,919</u>	<u>347,870</u>	<u>284,080</u>
Net result		<u>296,132</u>	<u>(515,854)</u>	<u>1,573,495</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	1,219,355	0	355,009
Total other comprehensive income		<u>1,219,355</u>	<u>0</u>	<u>355,009</u>
Total comprehensive income		<u>1,515,487</u>	<u>(515,854)</u>	<u>1,928,504</u>

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	6,286,057	5,732,047
Trade and other receivables	5	343,639	509,044
Inventories	6	156,377	137,168
TOTAL CURRENT ASSETS		6,786,073	6,378,259
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,244,233	9,703,433
Infrastructure	8	37,148,749	35,607,267
TOTAL NON-CURRENT ASSETS		46,392,982	45,310,700
TOTAL ASSETS		53,179,055	51,688,959
CURRENT LIABILITIES			
Trade and other payables	11	510,969	560,372
Provisions	13	108,715	98,247
TOTAL CURRENT LIABILITIES		619,684	658,619
NON-CURRENT LIABILITIES			
Provisions	13	26,108	12,564
TOTAL NON-CURRENT LIABILITIES		26,108	12,564
TOTAL LIABILITIES		645,792	671,183
NET ASSETS		52,533,263	51,017,776
EQUITY			
Retained surplus		33,975,478	33,391,863
Reserves - cash backed	4	4,965,772	5,253,255
Revaluation surplus	10	13,592,013	12,372,658
TOTAL EQUITY		52,533,263	51,017,776

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	32,007,606	5,064,017	12,017,649	49,089,272
Comprehensive income				
Net result	1,573,495	0	0	1,573,495
Total other comprehensive income				
Changes on revaluation of assets	10 0	0	355,009	355,009
Total comprehensive income	1,573,495	0	355,009	1,928,504
Transfers from/(to) reserves	(189,238)	189,238	0	0
Balance as at 30 June 2017	33,391,863	5,253,255	12,372,658	51,017,776
Comprehensive income				
Net result	296,132	0	0	296,132
Total other comprehensive income				
Changes on revaluation of assets	10 0	0	1,219,355	1,219,355
Total comprehensive income	296,132	0	1,219,355	1,515,487
Transfers from/(to) reserves	287,483	(287,483)	0	0
Balance as at 30 June 2018	33,975,478	4,965,772	13,592,013	52,533,263

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,140,498	1,158,719	993,900
Operating grants, subsidies and contributions		6,395,631	7,780,157	6,691,698
Fees and charges		164,788	207,226	206,173
Interest earnings		157,823	142,598	161,036
Goods and services tax		329,695	325,000	0
Other revenue		539,616	435,653	752,107
		<u>8,728,051</u>	<u>10,049,353</u>	<u>8,804,914</u>
Payments				
Employee costs		(1,137,925)	(993,214)	(863,506)
Materials and contracts		(5,774,235)	(7,505,724)	(4,776,230)
Utility charges		(112,440)	(118,569)	(110,301)
Interest expenses		(396)	0	0
Insurance expenses		(138,306)	(140,214)	(126,177)
Goods and services tax		(97,960)	(125,000)	(156,756)
Other expenditure		(32,356)	(83,166)	(121,191)
		<u>(7,293,618)</u>	<u>(8,965,887)</u>	<u>(6,154,161)</u>
Net cash provided by operating activities	14	<u>1,434,433</u>	<u>1,083,466</u>	<u>2,650,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(456,196)	(352,870)	(1,933,957)
Payments for construction of infrastructure		(1,008,338)	(1,594,281)	(2,445,675)
Non-operating grants, subsidies and contributions		421,838	347,870	514,977
Proceeds from sale of fixed assets		162,273	0	391,531
Net cash provided (used in) investing activities		<u>(880,423)</u>	<u>(1,599,281)</u>	<u>(3,473,124)</u>
Net increase (decrease) in cash held		554,010	(515,815)	(822,371)
Cash at beginning of year		5,732,047	5,831,763	6,554,418
Cash and cash equivalents at the end of the year	14	<u><u>6,286,057</u></u>	<u><u>5,315,948</u></u>	<u><u>5,732,047</u></u>

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		564,632	680,620	1,589,888
		564,632	680,620	1,589,888
Revenue from operating activities (excluding rates)				
General purpose funding		2,086,035	1,167,193	3,122,444
Law, order, public safety		13,315	11,699	9,842
Health		0	0	160
Housing		0	5,145	3,121
Community amenities		5,982	15,178	34,052
Recreation and culture		8,150	10,726	10,250
Transport		4,568,872	6,743,734	4,071,826
Economic services		650,618	555,594	569,406
Other property and services		91,968	56,365	74,974
		7,424,940	8,565,634	7,896,075
Expenditure from operating activities				
Governance		(210,468)	(213,032)	(288,218)
General purpose funding		(58,493)	(132,366)	(128,302)
Law, order, public safety		(103,362)	(137,759)	(92,164)
Health		(28,065)	(37,624)	(32,404)
Housing		(258,529)	(361,367)	(366,730)
Community amenities		(159,154)	(154,313)	(137,706)
Recreation and culture		(537,823)	(533,534)	(638,313)
Transport		(5,845,096)	(7,815,377)	(5,291,346)
Economic services		(979,326)	(928,541)	(1,061,540)
Other property and services		(390,090)	(159,782)	224,743
		(8,570,406)	(10,473,695)	(7,811,980)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	0	0	(3,818)
Loss on disposal of assets	9(a)	106,919	0	234,715
Movement in employee benefit provisions		24,012	0	32,324
Depreciation and amortisation on assets	9(b)	1,332,415	1,401,333	1,315,367
Amount attributable to operating activities		882,512	173,892	3,252,571
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		421,838	347,870	514,977
Proceeds from disposal of assets	9(a)	162,273	0	391,531
Purchase of property, plant and equipment	7(b)	(456,196)	(352,870)	(1,933,957)
Purchase and construction of infrastructure	8(b)	(1,008,338)	(1,594,281)	(2,445,675)
Amount attributable to investing activities		(880,423)	(1,599,281)	(3,473,124)
FINANCING ACTIVITIES				
Transfers to reserves (restricted assets)	4	(132,517)	(100,948)	(1,334,238)
Transfers from reserves (restricted assets)	4	420,000	482,000	1,145,000
Amount attributable to financing activities		287,483	381,052	(189,238)
Surplus(deficiency) before general rates		289,572	(1,044,337)	(409,791)
Total amount raised from general rates	18	1,019,760	1,044,337	974,423
Net current assets at June 30 c/fwd - surplus/(deficit)	19	1,309,332	0	564,632

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 affect 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 21 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		
WA Local Government Grants Commission made an early payment of the subsequent years Financial Assistance grant allocation in June 2017 and 2018. In accordance with Australian Accounting Standards this amount was recognised in operating grants, subsidies and contributions in the year it was received.	1,022,435	1,764,158
Flood damage reimbursement. This amount was recognised in operating grants, subsidies and contributions.	4,271,214	3,631,998
Other revenue		
Reimbursements and recoveries	5,160	0
Other	534,456	752,107
	<u>539,616</u>	<u>752,107</u>
Fees and Charges		
General purpose funding	1,746	809
Law, order, public safety	582	932
Health	0	160
Community amenities	5,761	34,052
Recreation and culture	250	250
Economic services	153,319	162,323
Other property and services	3,130	7,648
	<u>164,788</u>	<u>206,174</u>

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		
General purpose funding	1,924,974	2,944,773
Law, order, public safety	12,733	8,910
Housing	0	3,121
Recreation and culture	7,900	10,000
Transport	4,568,871	3,785,794
Economic services	0	10,000
Other property and services	48,235	10,343
	<u>6,562,713</u>	<u>6,772,941</u>
Non-operating grants, subsidies and contributions		
Housing	(1,923)	0
Transport	423,761	514,977
	<u>421,838</u>	<u>514,977</u>
Total grants, subsidies and contributions	<u>6,984,551</u>	<u>7,287,918</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)
a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 17. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	129,336	105,964	121,939
- Other funds	9,552	26,015	12,709
Other interest revenue (refer note 18(c))	18,935	10,619	26,387
	<u>157,823</u>	<u>142,598</u>	<u>161,035</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2018	2017
	\$	\$
Significant expense		
Flood damage expenditure	4,308,748	3,914,213
This amount was recognised in materials and contracts in the year it was expensed.		
 Auditors remuneration		
- Audit of the Annual Financial Report	16,281	29,130
- Other services	4,140	14,500
	<u>20,421</u>	<u>43,630</u>

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		1,211,787	477,044
Restricted		5,074,270	5,255,003
		6,286,057	5,732,047
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee entitlements reserve	4	214,394	209,205
Plant reserve	4	1,107,593	1,156,376
Building reserve	4	1,284,561	1,253,102
Airport reserve	4	280,478	274,532
Road and flood damage reserve	4	754,641	736,700
Information technology reserve	4	46,075	74,233
Refuse disposal reserve	4	59,621	58,177
Housing reserve	4	286,858	581,438
Community development reserve	4	931,551	909,492
Unspent grants	17	108,498	1,748
		5,074,270	5,255,003

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and 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		2018		2018		2018		2018		2017		2017	
	Actual	Transfer to	Actual	Transfer (from)	Budget	Budget Transfer to	Budget	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Opening Balance	Actual Transfer (from)	Actual Closing Balance
Employee entitlements reserve	209,205	5,189	0	0	209,205	4,791	0	0	213,996	203,878	5,327	0	0	209,205
Plant reserve	1,156,376	31,217	(80,000)	0	406,377	8,047	0	0	414,424	1,083,634	467,742	(395,000)	(395,000)	1,156,376
Building reserve	1,253,102	31,459	0	0	2,003,102	43,311	(50,000)	0	1,996,413	1,860,596	142,506	(750,000)	(750,000)	1,253,102
Airport reserve	274,532	5,946	0	0	274,532	3,997	0	0	278,529	170,088	104,444	0	0	274,532
Road and flood damage reserve	736,700	17,941	0	0	736,700	14,008	0	0	750,708	598,812	137,888	0	0	736,700
Information technology reserve	74,233	1,842	(30,000)	0	74,233	1,700	0	0	75,933	72,343	1,890	0	0	74,233
Refuse disposal reserve	58,177	1,444	0	0	58,177	1,332	0	0	59,509	56,696	1,481	0	0	58,177
Housing reserve	581,438	15,420	(310,000)	0	581,438	13,315	(272,000)	0	322,753	569,187	12,251	0	0	581,438
Community development reserve	909,492	22,059	0	0	909,492	10,447	(160,000)	0	759,939	448,783	460,709	0	0	909,492
	5,253,255	132,517	(420,000)	0	5,253,256	100,948	(482,000)	0	4,872,204	5,064,017	1,334,238	(1,145,000)	(1,145,000)	5,253,255

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
Employee entitlements reserve	ongoing	to be used to fund annual and long service leave requirements
Plant reserve	ongoing	to be used for the purchase of plant
Building reserve	ongoing	to be used for the construction and maintenance of council buildings
Airport reserve	ongoing	to be used to fund Sandstone Airport upgrades
Road and flood damage reserve	ongoing	to be used to fund road infrastructure and rehabilitation of borrow pits and to fund flood damage
Information technology reserve	ongoing	to be used to maintain and replace computer systems
Refuse disposal reserve	ongoing	to be used to fund the development of refuse disposal
Housing reserve	ongoing	to be used to fund maintenance and replacement of council employee housing requirements
Community development reserve	ongoing	to be used for projects to benefit the community a determined from time to time

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

5. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Current		
Rates outstanding	5,505	166,243
Sundry debtors	564	51,932
GST receivable	84,635	296,384
Accrued income/payments in advance	252,935	38,485
Provision for doubtful debts	0	(44,000)
	<u>343,639</u>	<u>509,044</u>

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

Rates outstanding

Includes:

Not past due and not impaired	1,425	1,258
- 1 to 5 years	4,080	164,985
	<u>5,505</u>	<u>166,243</u>

Sundry debtors outstanding

Includes:

Not past due and not impaired	564	51,932
	<u>564</u>	<u>51,932</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

	2018	2017
	\$	\$
Current		
Fuel, oil & materials on hand	156,377	137,168
	<u>156,377</u>	<u>137,168</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

Land and buildings	2018	2017
	\$	\$
Land at:		
- Independent valuation 2017 - level 2	387,800	387,800
- Independent valuation 2017 - level 3	50,500	50,500
- Additions after valuation	20,000	0
	458,300	438,300
Buildings at:		
- Independent valuation 2017 - level 3	5,769,218	5,733,600
- Independent valuation 2018 - level 3	123,553	0
- Additions after valuation	356,990	35,618
Less: accumulated depreciation	(277,246)	0
	5,972,515	5,769,218
Total land and buildings	6,430,815	6,207,518
Furniture and equipment at:		
- Independent valuation 2016 - level 2	591,200	591,200
Less: accumulated depreciation	(537,699)	(526,000)
	53,501	65,200
Plant and equipment at:		
- Independent valuation 2016 - level 2	1,905,050	2,199,550
- Additions after valuation	1,835,413	1,756,207
Less: accumulated depreciation	(980,546)	(525,042)
	2,759,917	3,430,715
Total property, plant and equipment	9,244,233	9,703,433

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	Buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	590,000	5,666,638	6,256,638	79,700	2,565,300	8,901,638
Additions	0	177,750	177,750	0	1,756,207	1,933,957
(Disposals)	0	0	0	0	(622,428)	(622,428)
Revaluation increments/ (decrements) transferred to revaluation surplus	(151,700)	506,709	355,009	0	0	355,009
Depreciation (expense)	0	(485,604)	(485,604)	(14,500)	(268,364)	(768,468)
Transfers	0	(96,275)	(96,275)			(96,275)
Carrying amount at 30 June 2017	438,300	5,769,218	6,207,518	65,200	3,430,715	9,703,433
Additions	20,000	356,990	376,990	0	79,206	456,196
(Disposals)	0	0	0	0	(257,192)	(257,192)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	123,553	123,553	0	0	123,553
Depreciation (expense)	0	(277,246)	(277,246)	(11,699)	(492,812)	(781,757)
Carrying amount at 30 June 2018	458,300	5,972,515	6,430,815	53,501	2,759,917	9,244,233

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	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate
Land	3	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Management valuation	June 2017	Price per hectare / market borrowing rate
Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2017/18	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment	2	Market approach using recent observable market data for similar assets (Gross Valuation method)	Independent registered valuers	June 2016	Market price per item
Plant and equipment	2	Market approach using recent observable market data for similar assets (Gross Valuation method)	Independent registered valuers	June 2016	Market price per item

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 2014 - level 3	37,392,653	37,392,653
- Additions after valuation	6,482,474	5,504,117
Less: accumulated depreciation	<u>(8,699,728)</u>	<u>(8,285,700)</u>
	35,175,399	34,611,070
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	0	1,388,375
- Management valuation 2018 - level 3	924,750	0
Less: accumulated depreciation	<u>0</u>	<u>(665,582)</u>
	924,750	722,793
Infrastructure - footpaths		
- Management valuation 2014 - level 3	131,807	131,807
Less: accumulated depreciation	<u>(48,557)</u>	<u>(44,788)</u>
	83,250	87,019
Infrastructure - other		
- Management valuation 2015 - level 3	0	477,600
- Management valuation 2018 - level 3	213,300	0
Less: accumulated depreciation	<u>0</u>	<u>(315,886)</u>
	213,300	161,714
Infrastructure - airport		
- Management valuation 2015 - level 3	0	104,000
- Management valuation 2018 - level 3	752,050	0
Less: accumulated depreciation	<u>0</u>	<u>(79,329)</u>
	752,050	24,671
Total infrastructure	<u>37,148,749</u>	<u>35,607,267</u>

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 - parks and ovals	Infrastructure - footpaths	Infrastructure - other	Infrastructure - airport	WIP	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	32,348,180	724,923	90,789	182,307	34,773	231,244	33,612,216
Additions	2,445,675						2,445,675
Depreciation (expense)	(414,029)	(98,405)	(3,770)	(20,593)	(10,102)	0	(546,899)
Transfers	231,244	96,275	0	0	0	(231,244)	96,275
Carrying amount at 30 June 2017	34,611,070	722,793	87,019	161,714	24,671	0	35,607,267
Additions	978,357	29,981	0	0	0	0	1,008,338
(Disposals)	0	(12,000)	0	0	0	0	(12,000)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	286,142	0	72,179	737,481	0	1,095,802
Depreciation (expense)	(414,028)	(102,166)	(3,769)	(20,593)	(10,102)	0	(550,658)
Carrying amount at 30 June 2018	35,175,399	924,750	83,250	213,300	752,050	0	37,148,749

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	Cost approach using depreciated replacement cost (Gross Valuation Method)	Management valuation	June 2014	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Management valuation	June 2014	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - other	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - airport	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

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

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 but no more than five years, in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulations 1996, 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) Regulations 1996, 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								
Recreation and culture								
Playground shade structure	12,000	0	0	(12,000)	0	0	0	0
Transport								
Vehicle - Kenworth Prime Mover	95,778	77,273	0	(18,505)	0	0	0	0
BOMAG Multi Tyred Roller	132,239	85,000	0	(47,239)	0	0	0	0
Other property and services								
Bore Boss Unit	29,175	0	0	(29,175)	0	0	0	0
	<u>269,192</u>	<u>162,273</u>	<u>0</u>	<u>(106,919)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

(b) Depreciation

	2018	2017
	\$	\$
Buildings	277,246	485,604
Furniture and equipment	11,699	14,500
Plant and equipment	492,812	268,364
Infrastructure - roads	414,028	414,029
Infrastructure - parks and ovals	102,166	98,405
Infrastructure - footpaths	3,769	3,770
Infrastructure - other	20,593	20,593
Infrastructure - airport	10,102	10,102
	<u>1,332,415</u>	<u>1,315,367</u>

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets - formation	not depreciated
Sealed roads and streets - pavement	50 years
Sealed roads and streets - bituminous seal	20 years
Sealed roads and streets - asphalt seal	25 years
Gravel roads - formation	not depreciated
Gravel roads - pavement	50 years
Gravel roads - gravel sheet	12 years
Formed roads (unsealed) - formation	not depreciated
Formed roads (unsealed) - pavement	50 years
Footpaths - slab	40 years

Depreciation (Continued)

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

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

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

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

10. REVALUATION SURPLUS

	2018		2018		2017		2017		2017	
	Opening Balance	Revaluation Increment	Closing Balance	Revaluation Increment	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	2017 Closing Balance
Revaluation surplus - Land	\$ 269,022	0	\$ 269,022	0	\$ 420,722	0	\$ (151,700)	\$ (151,700)	\$ 269,022	\$ 269,022
Revaluation surplus - Buildings	1,314,173	123,553	1,437,726	123,553	807,464	506,709	0	506,709	1,314,173	1,314,173
Revaluation surplus - Furniture and equipment	9,111	0	9,111	0	9,111	0	0	0	9,111	9,111
Revaluation surplus - Infrastructure - roads	10,319,105	0	10,319,105	0	10,319,105	0	0	0	10,319,105	10,319,105
Revaluation surplus - Infrastructure - parks and ovals	325,576	286,142	611,718	286,142	325,576	0	0	0	325,576	325,576
Revaluation surplus - Infrastructure - other	135,671	72,179	207,850	72,179	135,671	0	0	0	135,671	135,671
Revaluation surplus - Infrastructure - airport	0	737,481	737,481	737,481	0	0	0	0	0	0
	12,372,658	1,219,355	13,592,013	1,219,355	12,017,649	506,709	(151,700)	355,009	12,372,658	12,372,658

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

	2018	2017
	\$	\$
Current		
Sundry creditors	248,023	411,521
Accrued expenses	225,873	6,750
Accrued salaries and wages	15,394	0
ATO liabilities	21,679	142,101
	<u>510,969</u>	<u>560,372</u>

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) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

Total amount of credit unused

	2018	2017
	\$	\$
	0	0
	0	0
	20,000	20,000
	(2,758)	(2,052)
	17,242	17,948

Unused loan facilities at balance date

NIL

NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

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	75,194	23,053	98,247
Non-current provisions	0	12,564	12,564
	<u>75,194</u>	<u>35,617</u>	<u>110,811</u>
Additional provision	89,612	17,040	106,652
Amounts used	(79,462)	(3,178)	(82,640)
Balance at 30 June 2018	<u>85,344</u>	<u>49,479</u>	<u>134,823</u>
Comprises			
Current	85,344	23,371	108,715
Non-current	0	26,108	26,108
	<u>85,344</u>	<u>49,479</u>	<u>134,823</u>

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

	2018 \$	2017 \$
Within 12 months of the end of the reporting period	85,344	75,194
More than 12 months after the end of the reporting period	0	0
	<u>85,344</u>	<u>75,194</u>

(a) Long service leave liabilities: Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018 \$	2017 \$
Within 12 months of the end of the reporting period	23,371	23,053
More than 12 months after the end of the reporting period	26,108	12,564
	<u>49,479</u>	<u>35,617</u>

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	6,286,057	5,315,948	5,732,047
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	296,132	(515,854)	1,573,495
Non-cash flows in Net result:			
Depreciation	1,332,415	1,401,333	1,315,367
(Profit)/loss on sale of asset	106,919	0	230,897
Changes in assets and liabilities:			
(Increase)/decrease in receivables	165,405	325,000	(218,522)
(Increase)/decrease in inventories	(19,209)	90,000	(3,744)
Increase/(decrease) in payables	(49,403)	130,857	235,913
Increase/(decrease) in provisions	24,012	0	32,324
Grants contributions for the development of assets	(421,838)	(347,870)	(514,977)
Net cash from operating activities	1,434,433	1,083,466	2,650,753

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
	\$	\$
General purpose funding	5,505	646,925
Law, order, public safety	209,580	243,707
Housing	1,998,208	2,033,438
Community amenities	994,298	80,677
Recreation and culture	3,312,458	5,706,337
Transport	38,834,403	37,293,370
Economic services	872,458	1,484,432
Other property and services	3,545,939	2,760,222
Unallocated	3,406,206	1,439,851
	<u>53,179,055</u>	<u>51,688,959</u>

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

16. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President.			
Meeting Fees	14,530	16,000	16,171
President's allowance	4,375	8,156	4,375
Travelling expenses	4,006	4,000	4,441
Telecommunications allowance	2,909	3,000	2,864
	25,820	31,156	27,851

Key Management Personnel (KMP) Compensation Disclosure

	2018	2017
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	247,831	217,277
Post-employment benefits	0	5,000
Termination benefits	0	962
	247,831	223,239

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

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

The following transactions occurred with related parties:	2018	2017
	\$	\$
Sale of goods and services	0	140
Purchase of goods and services		
- companies	135,699	8,920
Short-term employee benefits	3,512	5,961
Amounts payable to related parties:		
Trade and other payables	41,182	6,250

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the proportionate consolidation method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting.

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

17. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
ESL Operating Grant	0	8,910	(8,910)	0	9,927	(9,927)	0
ESL Admin Grant	0	0	0	0	2,805	(2,805)	0
Housing							
Regional CLGF 2011/12 Staff Housing	91,880	0	(90,132)	1,748	0	(1,748)	0
Community amenities							
Department of planning - Local planning Strategy	16,142	0	(16,142)	0	0	0	0
Recreation and culture							
Grant Water playground	0	10,000	(10,000)	0	0	0	0
Transport							
Flood damage funding	0	3,914,213	(3,914,213)	0	4,508,164	(4,508,164)	0
Roads to recovery	423,125	277,732	(700,857)	0	277,143	(168,645)	108,498
MRWA Project	0	237,245	(237,245)	0	146,618	(146,618)	0
MRWA Direct	0	153,206	(153,206)	0	59,847	(59,847)	0
Total	531,147	4,601,306	(5,130,705)	1,748	5,004,504	(4,897,754)	108,498

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

18. 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 Total Revenue
Differential general rate / general rate	\$		\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations										
Townsite	0.0629	34	227,812	14,329	0	(16)	14,313	15,943	0	15,943
Transient workforce accommodation	0.3558	4	72,020	25,622	0	0	25,622	25,622	0	25,622
Unimproved valuations										
Rural	0.0582	19	700,188	40,770	0	0	40,770	40,770	0	40,770
Mining	0.2572	111	3,569,708	918,158	18,127	29	936,314	921,397	25,000	946,397
Sub-Total		168	4,569,728	998,879	18,127	13	1,017,019	1,003,732	25,000	1,028,732
Minimum payment										
Gross rental valuations										
Townsite	200	31	16,774	6,200	0	0	6,200	5,800	0	5,800
Transient workforce accommodation	200	0	0	0	0	0	0	0	0	0
Unimproved valuations										
Rural	315	8	8,429	2,520	0	0	2,520	2,205	0	2,205
Mining	315	39	26,240	12,285	300	0	12,585	12,600	0	12,600
Sub-Total		78	51,443	21,005	300	0	21,305	20,605	0	20,605
Discounts/concessions (refer note 18(b))										
		246	4,621,171	1,019,884	18,427	13	1,038,324	1,024,337	25,000	1,049,337
Total amount raised from general rate										
							(18,564)			(5,000)
							1,019,760			1,044,337

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

18. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Discount on early payment	3.50%		18,564		Early payment of rates within 14 days of the date 5,000 of issue of the rate notice.

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	05/10/2017	0	0.00%	11.00%
Option Two				
First Instalment	05/10/2017	0	0.00%	11.00%
Second Instalment	06/02/2018	10	5.50%	11.00%
Option Three				
First Instalment	05/10/2017	0	0.00%	11.00%
Second instalment	05/12/2017	10	5.50%	11.00%
Third instalment	06/02/2018	10	5.50%	11.00%
Fourth Instalment	06/04/2018	10	5.50%	11.00%
			2018	2018
			2018	Budget
			\$	\$
Interest on unpaid rates			16,797	10,619
Interest on instalment plan			2,138	0
			18,935	10,619

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

19. 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 brought forward	1,309,332	564,632	564,632
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,211,787	477,044	477,044
Restricted	5,074,270	5,255,003	5,255,003
Receivables			
Rates outstanding	5,505	166,243	166,243
Sundry debtors	564	51,932	51,932
GST receivable	84,635	296,384	296,384
Accrued income/payments in advance	252,935	38,485	38,485
Provision for doubtful debts	0	(44,000)	(44,000)
Inventories			
Fuel, oil & materials on hand	156,377	137,168	137,168
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(248,023)	(411,521)	(411,521)
Accrued expenses	(225,873)	(6,750)	(6,750)
Accrued salaries and wages	(15,394)	0	0
ATO liabilities	(21,679)	(142,101)	(142,101)
Provisions			
Provision for annual leave	(85,344)	(75,194)	(75,194)
Provision for long service leave	(23,371)	(23,053)	(23,053)
Unadjusted net current assets	6,166,389	5,719,640	5,719,640
Adjustments			
Less: Reserves - restricted cash	(4,965,772)	(5,253,255)	(5,253,255)
Add: Cash backed employee provisions	108,715	98,247	98,247
Adjusted net current assets - surplus/(deficit)	1,309,332	564,632	564,632

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

20. 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	6,286,057	5,732,047	6,286,057	5,732,047
Receivables	343,639	509,044	343,639	509,044
	<u>6,629,696</u>	<u>6,241,091</u>	<u>6,629,696</u>	<u>6,241,091</u>
Financial liabilities				
Payables	510,969	560,372	510,969	560,372
	<u>510,969</u>	<u>560,372</u>	<u>510,969</u>	<u>560,372</u>

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

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

20. 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.

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) Regulations 1996, Regulation 19C*

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	62,861	57,320
- Statement of Comprehensive Income	62,861	57,320

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

20. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	<u>2018</u>	<u>2017</u>
	%	%
Percentage of rates and annual charges		
- Current	25.89%	0.00%
- Overdue	74.11%	100.00%
Percentage of other receivables		
- Current	100.00%	100.00%
- Overdue	0.00%	0.00%

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

20. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Payables are 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 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	510,969	0	0	510,969	510,969
	510,969	0	0	510,969	510,969
2017					
Payables	560,372	0	0	560,372	560,372
	560,372	0	0	560,372	560,372

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

21. 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
	\$	\$	\$	\$
Council nomination deposits	0	400	(400)	0
BCITF Training Levy	56	0	(56)	0
Building Commission	(56)	56	0	0
Housing bonds	6,276	2,300	(2,000)	6,576
Department of Transport - Licensing	588	22,360	(22,200)	748
	<u>6,864</u>			<u>7,324</u>

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

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

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

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

Title	Issued / Compiled	Applicable (1)	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	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

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

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	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.

Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

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

23. 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 end of the reporting period.

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

24. 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, 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	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 centre. Provision and maintenance of home and
HOUSING	To provide and maintain elderly residents housing.	Provision and maintenance of elderly residents housing.
COMMUNITY AMMENITIES	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 scheme, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources 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, efficient transport services to the community.	Construction and maintenance of roads, street, 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 AND SERVICES	To monitor and control the Shire's overheads 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

25. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	3.35	2.00	4.26
Asset consumption ratio	0.82	0.81	0.70
Asset renewal funding ratio	1.05	0.98	0.74
Asset sustainability ratio	0.71	3.33	1.67
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	(0.09)	0.79	(1.09)
Own source revenue coverage ratio	0.16	0.17	0.22

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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

26. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed with the Income Statement.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of Sandstone

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Shire of Sandstone:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position or the financial management practices of the Shire:
 - a. The Asset Sustainability and the Operating Surplus Ratios are below the Department of Local Government, Sport and Cultural Industries standard in the current year.
 - b. The Own Source Revenue Coverage Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the last three years. The financial ratios are reported at Note 25 of the financial report.

- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law were identified during the course of my audit:
 - a. For approximately 35% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained, to test the market, and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 25 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
30 October 2018