

SHIRE OF WANDERING AGENDA



**18 October
2018**

AUDIT COMMITTEE MEETING

Agenda for the Audit Committee Meeting to be held on Thursday

18 October, 2018 in the Council Chambers commencing at 11.00am.

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Notice of Meeting

The Audit Committee Meeting of the Shire of Wandering will be held on Thursday 18 October, 2018 in the Council Chambers, 22 Watts Street, Wandering commencing at 11.00am.

Amanda O'Halloran
Chief Executive Officer

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1. DECLARATION OF OPENING

2. RECORD OF ATTENDANCE

2.1 Present

2.2 Apologies

2.3 Approved Leave of Absence

3. ANNOUNCEMENT OF VISITORS

Mr Marius Van Der Merwe, Audit Director, Butler Settineri will be presenting by Video Conference and available for questions.

4. DECLARATION BY MEMBERS

That Councillors have given due consideration to all matters contained in the Agenda presently before the meeting

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

5.1 PREVIOUS COUNCIL MEETINGS AND BUSINESS ARISING FROM MINUTES

5.1.1 ORDINARY COUNCIL MEETING

Minutes of the Shire of Wandering Audit Committee Meeting held on Thursday 15 February 2018

ATTACHMENT 5.1.1

OFFICER'S RECOMMENDATION

That the Minutes of the Shire of Wandering Ordinary Council Meeting held on Thursday 15 February 2018 (Attachment 5.1.1) be confirmed as a true and correct record.

6. TERMS OF REFERENCE

Under the Local Government Act 1995 (LGA), Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit Committee is to provide guidance and assistance to the Local Government - as to the carrying out of its functions in relation to audits conducted under Part 7 of the LGA and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management (clause 16 Local Government (Audit) regulations 1996).

Meeting cycle: At least once a year to recommend adoption of the Annual Financial Statements and Report.

7. AGENDA ITEMS

7.1 PRESENTATION OF 2017/18 INDEPENDENT AUDIT REPORT AND ANNUAL FINANCIAL STATEMENTS

File Reference:	10.1.6
Proponents:	N/A
Disclosure of Interest:	Nil
Date:	9 October, 2018
Previously Before Council:	N/A
Authors Name & Position:	Amanda O'Halloran CEO
ATTACHMENT:	7.1.1 Annual Financial Statements and Management Letter

SUMMARY

The Auditor's Report and Audited Financial Statements of the Shire of Wandering for the financial year ended 30 June 2018 have been received by the shire on the 12 October 2018.

After receiving the auditor reports, the audit committee is to examine the report of the auditor and determine if any matters raised by the report require action to be taken and ensure appropriate action is taken in future.

BACKGROUND

The Shire's Auditors Butler Settineri have audited the 2017/18 Annual Financial Statements and have provided an Independent Auditor's Report as required under the relevant provisions of the *Local Government Act 1995* (LGA). The Auditor's Report and Annual Financial Statements are now presented to the audit committee for their information.

ATTACHMENT 7.1.1

COMMENT/ DETAILS

The Shire of Wandering's Audit Report as presented was qualified, meaning there was one matter of significance raised by the Auditor and the Shire where the Shire has not complied with Section 6.4 (2) of the Local Government Act 1995 and Regulation 50 of the Local Government (Financial Management) Regulation 1996. At this time the Shire has not adopted their Community Strategic Plan and has not completed the associated Asset Management Plan, this prevented the Shire from completing the asset renewal ratio.

It all other matters the Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and the Auditors in their opinion found no material matters that indicate significant adverse trends in the financial position or the financial management practices of the Shire.

The independent Audit Report offers the following comments regarding the Shire's financial position;

Audit Report	Officer Response
<u>Segregation of Duties</u> Management oversees all the functions within the entity. There is an inherent risk of lack of segregation of duties within the financial administrative process – it is recommended that this should be continually considered by the management in designing compensating controls.	Due to the nature and size of the Shire it is difficult to segregate duties. The Shire Administration has implemented procedures and protocols where possible to protect Council and the Shire.

<p><u>Purchase orders raised after the invoice is received</u> 2 instances were noted where purchase orders were raised after the invoice was received from the supplier. This is not in accordance with the Shires policy. It is recommended that the Shire implement internal controls to ensure compliance.</p>	<p>Internal controls will be reviewed and implemented to improve compliance in this matter.</p>
<p><u>Changes in Rate Valuations</u> Monthly reconciliation be performed for all changes in GRV and UV valuations</p>	<p>The Shire has introduced a formal reconciliation process that commenced in July.</p>
<p><u>Infrastructure Fixed Asset Register</u> The Fixed Asset Register is updated on a monthly basis and reconciled to the accounting records.</p>	<p>The Fixed Asset Register not being updated to include the impairment adjustment from the previous year and the additions for the current year, was an oversight that occurred during the time that the Shire considered its internal Financial Management Arrangements. This will be rectified going forward.</p>

Despite the above Auditor's comments, Council's management and internal control systems are sound.

In addition to being monitored internally on a daily and monthly basis, they are also strengthened by an independent assessment each year on the Shire's financial management systems and external audit reporting. The independent assessment reviews Council's financial position, financial management practices and compliance with the requirements of the Local Government Act, the Local Government (Financial Management) Regulations, and Accounting Standards.

CONSULTATION

Finance Manager
Finance Officer
Department of Local Government

STATUTORY/ LEGAL ENVIRONMENT

Local Government Act 1995 Section 7.12(A).
Local Government Audit Regulations 1996 Regulation 16
Local Government Financial Management Regulations 1996

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Implementing the recommendations of the Report will have a financial impact that will be processed through normal budgetary processes.

STRATEGIC IMPLICATIONS

Community Strategic Plan 2013-2023

Goal 5 – A strong and effective Organisation

Strategic Community Plan			
Outcome	Strategies	Strategies	
5.2	Accountable decision making and resource allocation through effective governance.	5.2.1	Ensure the Council's decision making process is effective and transparent.
		5.2.2:	Ensure that the organisation's governance structure, policies and procedures are current and relevant.

VOTING REQUIREMENT

Absolute Majority

OFFICER RECOMMENDATION

That the Audit Committee:

1. Receive the Auditors Report and Management Report from Butler Settineri (Audit) Pty Ltd for the 2017/18 financial year;
2. Recommend the receipt of the Auditors Report and Management Report from Butler Settineri (Audit) Pty Ltd for the 2017/18 financial year to Council

7.2 REGULATION 17 2018 UPDATE

File Reference:	1.1.16.1
Proponents:	N/A
Disclosure of Interest:	Nil
Date:	9 October, 2018
Previously Before Council:	N/A
Authors Name & Position:	Amanda O'Halloran CEO
ATTACHMENT:	7.2.1 Regulation 17 2018 Update

SUMMARY

The Local Government Act 1995 Audit Regulations require that the Shire undertakes a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in accordance with the Local Government (Audit) Regulations 1996, Regulation 17 no less than once in every three financial years.

This agenda item is an update to the Audit Committee to provide a clear understanding as to the process being undertaken to ensure the Shire meets the Audit requirements and give an indication of the appropriateness and effectiveness of the Shire's current systems and processes and articulate any areas of improvement.

BACKGROUND

The Shire has been working with Civic Legal under their *AWARE* program to ensure adequate legal oversight in the facilitation of the Regulation 17 review. The Program supports an internal undertaking of the Regulation 17 requirements, facilitating an increase in knowledge though out the organisation, building the Councils capacity throughout the process. Many Councils undertake the review by sourcing a contractor undertake the audit over a number of days, culminating in the presentation of a report which outlines issues and compliance levels, it is the CEO's opinion that the *AWARE* program provides better value for money and will translate to better governance overall as staff are intimately involved and learning throughout the ongoing process.

In order to adequately satisfy the Regulation 17 requirements 12 topics across the required areas of

- ✓ Risk management
- ✓ Internal controls, and
- ✓ Legislative compliance

will be reviewed annually, culminating in over 30 areas reviewed over the 3 year statutory timeframe.

It is noteworthy that the *AWARE* Methodology which has been developed and implemented in response to Regulation 17, is but one of many measures that regularly monitors and reports on the Shires legislative compliance and internal controls, including for example the following regulated reviews and processes:

1. The Independent Auditor's Report to the Ratepayers of the Shire – the Shires Auditor has again this year provided an opinion that the annual financial report of the Shire
 - Gives a true and fair view of the financial position of the Shire as at 30 June 2018, and
 - Complies with the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* and the *Australian Accounting Standards*;
2. The last completed Compliance Audit Return March 2018 (pursuant to Regulation 15 of the Audit Regulations) which identified no areas of non-compliance; and

The Shires strict practice of reviewing one third of its Policies every year and the annual review of the Delegations Register to ensure such matters remain legislatively compliant and satisfy current organisational operations and requirements

COMMENT/ DETAILS

In assessing the Council's risk management, internal controls and legislative compliance a risk based approach has been applied. Appended to the agenda is an update which describes the risk assessment that has been undertaken to assert identifiable risks from the following areas;

- ✓ Risk management
- ✓ Internal controls, and
- ✓ Legislative compliance

The assessment undertaken looked at potential causes of risk to Council within each of these areas, the key controls which currently exist to mitigate the risk, an assessment of the quality of the controls and an overall assessment of the risk rating for the area. There are a number of areas highlighted within the update that have been assessed as requiring either updating or improvement.

Further work is required to be undertaken to identify the actions required to improve areas which are deemed inadequate or requiring attention.

The CEO will present a formal detailed report of the Regulation 17 activities over the coming months prior to the commencement of the 2019 activities being undertaken. To date the assessment has identified that the many of the areas examined were considered to be inappropriate and ineffective. Importantly this does not mean that the Shire is inappropriate or ineffective in complying with the relevant legislation, but rather that the systems and processes in place are either lacking or lacking in consistency, currency or completeness. This is largely attributable to scarce resourcing options available to the Shire both financially and in regards to accessing a skilled Local Government workforce.

CONSULTATION

Civic Legal Representatives
Finance Manager
Finance Officer
Manager of Communities

STATUTORY/ LEGAL ENVIRONMENT

Local Government (Audit) Regulations 1996 Section 17 sets out the following:

17. CEO to review certain systems and procedures
 1. The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - a) risk management; and
 - b) internal control; and
 - c) legislative compliance.
 2. The review may relate to any or all of the matters referred to in sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review no less than once every 3 financial years.
 3. The CEO is to report to the audit committee the results of that review.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Cost have been budgeted for in the 2018/19 Annual Budget

STRATEGIC IMPLICATIONS

Community Strategic Plan 2013-2023

Goal 5 – A strong and effective Organisation

Strategic Community Plan			
Outcome	Strategies	Strategies	
5.2	Accountable decision making and resource allocation through effective governance.	5.2.1	Ensure the Council's decision making process is effective and transparent.
		5.2.2:	Ensure that the organisation's governance structure, policies and procedures are current and relevant.

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

That Council notes the direction and progress made by the Shire Administration to fulfil Council's Audit Regulation 17 obligations.

8 NEXT MEETING

The next Audit and Risk Committee Meeting will be held at a time to be determined.

9 CLOSURE OF MEETING

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



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COMMUNITY VISION

Wandering is a community of responsible, resilient and adaptable residents thriving in our scenic, economically diverse environment.

Principal place of business:
22 Watts St
WANDERING WA 6308

**SHIRE OF WANDERING
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 Wandering 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 Wandering 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 11th day of October 2018



Chief Executive Officer

AMANDA O'HALLORAN

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)	941,846	936,766	873,876
Operating grants, subsidies and contributions	2.	814,816	2,030,919	1,107,511
Fees and charges	2.	690,524	633,381	660,017
Service charges	18.(c)	0	0	0
Interest earnings	2.(a)	12,613	12,594	10,584
Other revenue	2.(a)	77,158	40,500	43,285
		2,536,957	3,654,160	2,695,273
Expenses				
Employee costs		(486,928)	(1,333,295)	(640,634)
Materials and contracts		(1,067,949)	(2,054,508)	(1,047,792)
Utility charges		(44,965)	(45,902)	(44,228)
Depreciation on non-current assets	9.(b)	(670,112)	(707,691)	(693,069)
Interest expenses	2.(a)	(13,466)	(9,721)	(8,644)
Insurance expenses		(102,190)	(112,155)	(112,383)
Other expenditure		(4,000)	(14,025)	(5,411)
		(2,389,610)	(4,277,297)	(2,552,161)
		147,347	(623,137)	143,112
Non-operating grants, subsidies and contributions	2.	1,412,125	498,820	900,981
Profit on asset disposals	9.(a)	0	0	0
(Loss) on asset disposals	9.(a)	(19,327)	0	(54,243)
Loss on valuation of Land Held for Resale	6.	(63,050)	0	0
Net result		1,477,095	(124,317)	989,850
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10.	(3,542,545)	0	(1,660,450)
Total other comprehensive income		(3,542,545)	0	(1,660,450)
Total comprehensive income		(2,065,450)	(124,317)	(670,601)

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		0	0	2,016
General purpose funding		1,467,689	1,429,024	1,759,109
Law, order, public safety		48,561	37,520	44,404
Health		5,031	1,000	1,912
Education and welfare		0	0	0
Housing		40,036	40,300	36,536
Community amenities		49,587	41,150	44,757
Recreation and culture		715	1,500	1,097
Transport		88,129	1,377,430	1,102
Economic services		795,854	695,786	742,964
Other property and services		41,355	30,450	61,377
		2,536,957	3,654,160	2,695,273
Expenses				
	2.(a)			
Governance		(156,574)	(184,857)	(175,965)
General purpose funding		(82,403)	(85,262)	(80,943)
Law, order, public safety		(140,012)	(141,232)	(152,671)
Health		(32,148)	(30,642)	(34,209)
Education and welfare		(1,482)	(3,770)	(1,632)
Housing		(22,834)	(57,661)	(39,258)
Community amenities		(179,329)	(208,582)	(196,754)
Recreation and culture		(159,544)	(194,332)	(158,943)
Transport		(728,248)	(2,474,499)	(788,226)
Economic services		(863,068)	(802,656)	(941,937)
Other property and services		(10,502)	(85,283)	27,020
		(2,376,144)	(4,268,776)	(2,543,518)
Finance Costs				
	2.(a)			
General purpose funding		(5,473)	0	0
Housing		(7,993)	(8,521)	(8,644)
		(13,466)	(8,521)	(8,644)
		147,347	(623,137)	143,111
Non-operating grants, subsidies and contributions	2.	1,412,125	498,820	900,981
Profit on disposal of assets	9.(a)	0	0	0
(Loss) on disposal of assets	9.(a)	(19,327)	0	(54,243)
Loss on valuation of Land Held for Resale	6.	(63,050)	0	0
		1,329,748	498,820	846,738
Net result		1,477,095	(124,317)	989,849
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10.	(3,542,545)	0	(1,660,450)
Total other comprehensive income		(3,542,545)	0	(1,660,450)
Total comprehensive income		(2,065,450)	(124,317)	(670,601)

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.	798,571	566,178
Trade and other receivables	5.	993,895	139,142
Inventories	6.	73,722	42,975
TOTAL CURRENT ASSETS		1,866,188	748,295
NON-CURRENT ASSETS			
Inventories	6.	421,950	485,000
Property, plant and equipment	7.	5,822,440	5,986,943
Infrastructure	8.	50,629,436	52,622,283
TOTAL NON-CURRENT ASSETS		56,873,826	59,094,226
TOTAL ASSETS		58,740,014	59,842,521
CURRENT LIABILITIES			
Trade and other payables	11.	416,662	51,751
Current portion of long term borrowings	12.(a)	721,710	69,957
Provisions	13.	109,563	105,115
TOTAL CURRENT LIABILITIES		1,247,935	226,823
NON-CURRENT LIABILITIES			
Long term borrowings	12.(a)	73,507	145,217
Provisions	13.	27,505	13,961
TOTAL NON-CURRENT LIABILITIES		101,012	159,178
TOTAL LIABILITIES		1,348,947	386,001
NET ASSETS		57,391,067	59,456,519
EQUITY			
Retained surplus		20,034,436	18,558,343
Reserves - cash backed	4.	284,707	283,702
Revaluation surplus	10.	37,071,924	40,614,472
TOTAL EQUITY		57,391,067	59,456,519

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

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

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED SURPLUS	CASH/INVESTMENT BACKED	REVALUATION SURPLUS	
		\$	\$	\$	\$
Balance as at 1 July 2016		17,505,733	346,465	42,274,922	60,127,119
Comprehensive income					
Net result		989,849	0	0	989,849
Changes on revaluation of assets	10.	0	0	(1,660,450)	(1,660,450)
Total comprehensive income		989,849	0	(1,660,450)	(670,601)
Transfers from/(to) reserves		62,763	(62,763)	0	0
Balance as at 30 June 2017		18,558,343	283,702	40,614,472	59,456,519
Comprehensive income					
Net result		1,477,095	0	0	1,477,095
Changes on revaluation of assets	10.	0	0	(3,542,545)	(3,542,545)
Total comprehensive income		1,477,095	0	(3,542,545)	(2,065,450)
Transfers from/(to) reserves		(1,005)	1,005	0	0
Balance as at 30 June 2018		20,034,436	284,707	37,071,924	57,391,070

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		947,987	951,766	859,589
Operating grants, subsidies and contributions		(46,799)	2,080,546	1,189,442
Fees and charges		690,524	633,381	660,017
Service charges		0	0	0
Interest earnings		12,613	12,594	10,584
Goods and services tax		92,129	(25,000)	(3,991)
Other revenue		77,158	40,500	43,285
		1,773,612	3,693,787	2,758,926
Payments				
Employee costs		(473,744)	(1,323,295)	(677,881)
Materials and contracts		(731,765)	(2,022,646)	(1,128,464)
Utility charges		(44,965)	(45,902)	(44,228)
Interest expenses		(10,678)	(9,721)	(8,644)
Insurance expenses		(102,190)	(112,155)	(112,383)
Goods and services tax		(91,408)	0	0
Other expenditure		(4,000)	(14,025)	(5,411)
		(1,458,750)	(3,527,744)	(1,977,011)
Net cash provided by (used in)				
operating activities	14.	314,862	166,043	781,915
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(53,200)	(9,000)	(272,494)
Payments for construction of infrastructure		(2,021,437)	(848,724)	(1,292,239)
Non-operating grants, subsidies and contributions		1,412,125	498,820	900,981
Proceeds from sale of fixed assets		0	0	132,868
Net cash provided by (used in)				
investment activities		(662,512)	(358,904)	(530,884)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(319,957)	(69,957)	(68,247)
Proceeds from self supporting loans		0	0	1,250
Proceeds from new long term borrowings		900,000	0	0
Net cash provided by (used in)				
financing activities		580,043	(69,957)	(66,997)
Net increase (decrease) in cash held		232,393	(262,818)	184,034
Cash at beginning of year		566,178	566,178	382,142
Cash and cash equivalents				
at the end of the year	14.	798,571	303,360	566,180

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)		346,590	346,590	47,739
		346,590	346,590	47,739
Revenue from operating activities (excluding rates)				
Governance		0	0	2,016
General purpose funding		528,535	494,950	887,726
Law, order, public safety		48,561	37,520	44,404
Health		5,031	1,000	1,912
Education and welfare		0	0	0
Housing		40,036	40,300	36,536
Community amenities		49,587	41,150	44,757
Recreation and culture		715	1,500	1,097
Transport		88,129	1,377,430	1,102
Economic services		795,854	695,786	742,964
Other property and services		41,355	30,450	61,377
		1,597,803	2,720,086	1,823,891
Expenditure from operating activities				
Governance		(156,574)	(184,857)	(175,965)
General purpose funding		(87,876)	(85,262)	(80,943)
Law, order, public safety		(140,012)	(141,232)	(152,671)
Health		(32,148)	(30,642)	(34,209)
Education and welfare		(1,482)	(3,770)	(1,632)
Housing		(30,827)	(66,182)	(47,902)
Community amenities		(179,329)	(208,582)	(196,754)
Recreation and culture		(169,461)	(194,332)	(158,943)
Transport		(728,748)	(2,474,499)	(802,851)
Economic services		(863,068)	(802,656)	(942,801)
Other property and services		(19,412)	(85,283)	(12,597)
		(2,408,937)	(4,277,297)	(2,607,268)
Operating activities excluded				
(Profit) on disposal of assets	9.(a)	0	0	0
Loss on disposal of assets	9.(a)	19,327	0	54,243
Loss on revaluation of fixed assets	8.(b)	0	0	0
Movement in Leave Reserve		138	0	0
Movement in employee benefit provisions (non-current)		13,545	0	(1,348)
Depreciation and amortisation on assets	9.(b)	670,112	707,691	693,069
Amount attributable to operating activities		238,577	(502,930)	10,326
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,412,125	498,820	900,981
Proceeds from disposal of assets	9.(a)	0	0	132,868
Purchase of land held for resale		0	0	0
Purchase of property, plant and equipment	7.(b)	(53,200)	(9,000)	(272,494)
Purchase and construction of infrastructure	8.(b)	(2,021,437)	(848,724)	(1,292,239)
Amount attributable to investing activities		(662,512)	(358,904)	(530,884)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12.(a)	(319,957)	(69,957)	(68,247)
Proceeds from new long term borrowings	12.(b)	900,000	0	0
Proceeds from self supporting loans	12.(a)	0	0	1,250
Transfers to reserves (restricted assets)	4.	(1,005)	(2,283)	(3,470)
Transfers from reserves (restricted assets)	4.	0	0	66,233
Amount attributable to financing activities		579,038	(72,240)	(4,234)
Surplus(deficiency) before general rates		155,103	(934,074)	(524,793)
Total amount raised from general rates	18.	939,154	934,074	871,383
Net current assets at June 30 c/fwd - surplus/(deficit)	19.	1,094,257	0	346,590

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

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities and 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 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.

2. REVENUE AND EXPENSES

	2018 Actual	2017 Actual
	\$	\$
(a) Revenue		
Significant revenue		
Early Payment of Federal Assistance Grant	264,784	255,521
Other revenue		
Reimbursements and recoveries	38,447	0
Other	38,711	43,285
	77,158	43,285
Fees and Charges		
Governance	0	1
General purpose funding	3,768	2,815
Law, order, public safety	10,795	5,847
Health	5,031	1,912
Education and welfare	0	0
Housing	40,036	36,536
Community amenities	48,069	44,757
Recreation and culture	715	1,097
Transport	2,084	1,102
Economic services	573,666	541,424
Other property and services	6,362	24,526
	690,524	660,017

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	500,201	869,654
Law, order, public safety	30,618	29,775
Transport	86,046	0
Economic services	197,952	198,082
Other property and services	0	10,000
	814,816	1,107,511
Non-operating grants, subsidies and contributions		
General purpose funding	19,000	0
Transport	1,393,125	873,127
Economic services	0	27,854
	1,412,125	900,981
Total grants, subsidies and contributions	2,226,941	2,008,492

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.

Interest earnings

- Loans receivable - clubs/institutions
- Reserve funds
- Other funds
Other interest revenue (refer note 18.(e))

2018 Actual	2018 Budget	2017 Actual
\$	\$	\$
0	0	0
1,005	3,500	3,470
3,316	9,094	719
8,292	0	6,394
12,613	12,594	10,584

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Expenses	2018	2017
	\$	\$
Significant expense		
During the year the Shire incurred expenditure for reinstatement of flood damaged roads, as a result of two (2) separate flood damage 'events occurring in February 2017 and June 2017.	1,228,769	
This expenditure is subject to reimbursement from WANDRRA funding.		
Auditors remuneration		
- Audit of the Annual Financial Report	8,755	12,070
- Disbursement	1,932	2,618
- Grants Acquital Audits		800
	10,687	15,488
Interest expenses (finance costs)		
Long term borrowings (refer Note 12(a))	13,466	8,644
	13,466	8,644

**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		369,593	148,726
Restricted		428,978	417,452
		798,571	566,178
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4.	39,001	38,864
Plant Replacement Reserve	4.	205,482	204,757
Land & Building Reserve	4.	5,459	5,440
Office Equipment Reserve	4.	34,765	34,642
Unspent grants	17.	144,271	133,750
		428,978	417,453

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	38,864	138	0	39,002	38,864	385	0	39,249	38,479	385	0	38,864
Plant Replacement Reserve	204,756	725	0	205,481	204,757	1,500	0	206,257	268,302	2,687	(66,233)	204,756
Land & Building Reserve	5,440	19	0	5,459	5,440	54	0	5,494	5,386	54	0	5,440
Office Equipment Reserve	34,642	123	0	34,765	34,642	344	0	34,985	34,298	344	0	34,642
	283,702	1,005	0	284,707	283,703	2,283	0	285,985	346,465	3,470	(66,233)	283,702

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	For the payment of long service leave and termination leave.
Plant Replacement Reserve	2018/2019	For the purchase and replacement of plant and vehicles.
Land & Building Reserve	Ongoing	For the purchase of land and buildings and major repairs/upgrading of existing buildings.
Office Equipment Reserve	2018/2019	For the replacement of office equipment.

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
Sundry debtors
GST receivable
Accrued Revenue

2018	2017
\$	\$
28,773	34,914
144,773	79,830
23,677	24,398
796,672	0
993,895	139,142

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

Current

Fuel & Oils
History Books
Gravel

Non-current

Land held for resale - cost
 Cost of acquisition
Revaluation adjustment

2018	2017
\$	\$
37,815	39,305
3,707	3,670
32,200	0
73,722	42,975
485,000	485,000
(63,050)	0
421,950	485,000

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.

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for sale (Continued)

Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

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

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 - freehold land at:		
- Independent valuation 2017- level 3	599,000	599,000
Total land	599,000	599,000
Buildings - non-specialised at:		
- Independent valuation 2017 - level 3	1,668,000	1,668,000
Additons after Valuation - cost	5,950	0
Less: accumulated depreciation	(33,360)	0
	1,640,590	1,668,000
Buildings - specialised at:		
- Independent valuation 2017 - level 3	1,913,500	1,913,500
Additons after Valuation - cost	9,400	0
Less: accumulated depreciation	(38,131)	0
	1,884,769	1,913,500
Total buildings	3,525,359	3,581,500
Total land and buildings	4,124,359	4,180,500
Furniture and equipment at:		
- Independent valuation 2016 - level 2	40,122	63,869
Additons after Valuation - cost	8,261	0
Less: accumulated depreciation	(21,400)	(13,160)
	26,983	50,709
Plant and equipment at:		
- Independent valuation 2016 - level 2	1,857,603	1,868,594
Additons after Valuation - cost	29,589	0
Less: accumulated depreciation	(216,094)	(112,860)
	1,671,098	1,755,734
Total property, plant and equipment	5,822,440	5,986,943

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	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	688,000	688,000	1,891,247	2,112,147	4,003,394	4,691,394	63,869	1,870,217	6,625,480
Additions	0	0	0	87,005	87,005	87,005	0	185,488	272,493
(Disposals)	0	0	0		0	0	0	(197,602)	(197,602)
Revaluation increments/ (decrements) transferred to revaluation surplus	(89,000)	(89,000)	(177,440)	(233,390)	(410,830)	(499,830)	0	0	(499,830)
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0		0	0	0	0	0
Impairment (losses)/reversals	0	0	0		0	0	0	0	0
Depreciation (expense)	0	0	(45,807)	(52,262)	(98,069)	(98,069)	(13,160)	(112,860)	(224,089)
Transfers	0	0			0	0		10,491	10,491
Carrying amount at 30 June 2017	599,000	599,000	1,668,000	1,913,500	3,581,500	4,180,500	50,709	1,755,734	5,986,943
Additions	0	0	5,950	9,400	15,350	15,350	8,261	29,589	53,200
(Disposals)	0	0	0	0	0	0	(18,827)	(500)	(19,327)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	0	0
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	0	0	0
Impairment (losses)/reversals	0	0	0	0	0	0	0	0	0
Depreciation (expense)	0	0	(33,360)	(38,131)	(71,491)	(71,491)	(13,160)	(113,725)	(198,376)
Transfers	0	0			0	0			0
Carrying amount at 30 June 2018	599,000	599,000	1,640,590	1,884,769	3,525,359	4,124,359	26,983	1,671,098	5,822,440

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	Level 3	Replacement Cost	Independent Valuation	June 2017	Unobservable inputs for assets or liabilities.
Buildings - non-specialised	Level 3	Replacement Cost	Independent Valuation	June 2017	Unobservable inputs for assets or liabilities.
Buildings - specialised	Level 3	Replacement Cost	Independent Valuation	June 2017	Unobservable inputs for assets or liabilities.
Furniture and equipment	Level 2	Current Market Price	Management Valuation	June 2016	Inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.
Plant and equipment	Level 2	Current Market Price	Management Valuation	June 2016	Inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

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

Infrastructure - Roads

- Management valuation 2016 - level 3

- Management valuation 2018 - level 3

Additions after Valuation - cost

Less: accumulated depreciation

Infrastructure - Bridges

- Management valuation 2016 - level 3

- Management valuation 2018 - level 3

Less: accumulated depreciation

Infrastructure - Drainage

- Management valuation 2017 - level 3

- Management valuation 2018 - level 3

Less: accumulated depreciation

Infrastructure - Footpaths

- Management valuation 2016 - level 3

- Management valuation 2018 - level 3

Less: accumulated depreciation

Infrastructure - Recreation

- Management valuation 2017 - level 3

Less: accumulated depreciation

Infrastructure - Other

- Management valuation 2017 - level 2

Additions after valuation - cost

Less: accumulated depreciation

Total infrastructure

2018	2017
\$	\$
0	41,519,464
34,626,960	0
0	1,265,802
0	(297,525)
34,626,960	42,487,741
0	7,876,947
10,467,365	0
0	(101,890)
10,467,365	7,775,057
0	303,853
3,442,625	0
0	(4,041)
3,442,625	299,812
0	121,755
215,696	0
0	(3,319)
215,696	118,436
1,267,700	1,267,700
(40,185)	0
1,227,515	1,267,700
647,100	647,100
26,437	26,437
(24,262)	0
649,275	673,537
50,629,436	52,622,283

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 - Bridges	Infrastructure - Drainage	Infrastructure - Footpaths	Infrastructure - Recreation	Infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	42,828,962	7,876,947	303,853	121,755	1,303,880	524,245	52,959,642
Additions	1,265,802	0	0	0	0	26,437	1,292,239
(Disposals)	0	0	0	0	0	0	0
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	5,061	143,818	148,879
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	0
Impairment (losses)/reversals	(1,309,498)	0	0	0	0	0	(1,309,498)
Depreciation (expense)	(297,525)	(101,890)	(4,041)	(3,319)	(41,241)	(20,963)	(468,979)
Transfers							0
Carrying amount at 30 June 2017	42,487,741	7,775,057	299,812	118,436	1,267,700	673,537	52,622,283
Additions	2,021,437	0	0	0	0	0	2,021,437
(Disposals)	0	0	0	0	0	0	0
Revaluation increments/ (decrements) transferred to revaluation surplus	(9,588,674)	2,798,366	3,146,854	100,906	0	0	(3,542,548)
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	0
Impairment (losses)/reversals	0	0	0	0	0	0	0
Depreciation (expense)	(293,543)	(106,058)	(4,041)	(3,646)	(40,185)	(24,262)	(471,736)
Transfers							0
Carrying amount at 30 June 2018	34,626,960	10,467,365	3,442,625	215,696	1,227,515	649,275	50,629,436

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	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Bridges	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 2), and remaining useful life assessments (Level 3) inputs.
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Footpaths	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (Level 2), and remaining useful life assessments (Level 3) inputs.
Infrastructure - Recreation	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2017	Unobservable inputs for assets or liabilities.
Infrastructure - Other	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2017	Unobservable inputs for assets or liabilities.

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.

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.

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	\$	\$	\$	\$	\$	\$	\$	\$
Transport								
Air Compressor	500	0	0	(500)	0	0	0	0
Plant and Equipment								
Recreation & Culture								
CCTV - Community Centre	(9,917)	0	0	(9,917)	0	0	0	0
Other property and services								
CCTV - Shire Office	(8,910)	0	0	(8,910)	0	0	0	0
	(18,327)	0	0	(19,327)	0	0	0	0

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	33,360	45,807
Buildings - specialised	38,131	52,262
Furniture and equipment	13,160	13,160
Plant and equipment	113,725	112,860
Infrastructure - Roads	293,543	297,525
Infrastructure - Bridges	106,058	101,890
Infrastructure - Drainage	4,041	4,041
Infrastructure - Footpaths	3,646	3,319
Infrastructure - Recreation	40,185	41,241
Infrastructure - Other	24,262	20,963
	670,112	693,069

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	40 - 50 years
Furniture and Equipment	3 - 10 years
Plant and Equipment	3 - 10 years
Sealed roads and streets	
- clearing and earthworks	not depreciated
- construction/road base	30 years
- original surfacing and major re-surfacing	
- bituminous seals	20 years
- asphalt seals	25 years
Gravel roads	
- clearing and earthworks	not depreciated
- construction/road base	50 years
- gravel sheet	5 - 7 years
Formed roads (unsealed)	
- clearing and earthworks	not depreciated
- construction/road base	50 years
Footpaths – slab	20 years
Storm water & drainage systems	40 years
Sewerage piping	40 years
Water supply piping	25 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.

10. REVALUATION SURPLUS

	2018					2017				
	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)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Asset Revaluation Reserve	1,511,773	0	0	0	1,511,773	1,600,773	0	(89,000)	(89,000)	1,511,773
Revaluation surplus -Land - freehold land	(287,434)	0	0	0	(287,434)	(287,434)	0	0	0	(287,434)
Revaluation surplus -Buildings - non-specialised	515,716	0	0	0	515,716	693,156	0	(177,440)	(177,440)	515,716
Revaluation surplus -Buildings - specialised	527,587	0	0	0	527,587	760,977	0	(233,390)	(233,390)	527,587
Revaluation surplus -Furniture and equipment	0	0	0	0	0	0	0	0	0	0
Revaluation surplus -Plant and equipment	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Infrastructure - Roads	37,774,275	0	(9,588,674)	(9,588,674)	28,185,600	39,083,773	0	(1,309,498)	(1,309,498)	37,774,275
Revaluation surplus - Infrastructure - Bridges	0	2,798,366	0	2,798,366	2,798,366	0	0	0	0	0
Revaluation surplus - Infrastructure - Drainage	303,853	3,146,854	0	3,146,854	3,450,707	303,853	0	0	0	303,853
Revaluation surplus - Infrastructure - Footpaths	(56,820)	100,906	0	100,906	44,086	(56,820)	0	0	0	(56,820)
Revaluation surplus - Infrastructure - Recreation	15,642	0	0	0	15,642	10,581	5,061	0	5,061	15,642
Revaluation surplus - Infrastructure - Other	309,881	0	0	0	309,881	166,063	143,818	0	143,818	309,881
	40,614,472	6,046,126	(9,588,674)	(3,542,548)	37,071,924	42,274,922	148,879	(1,809,328)	(1,660,449)	40,614,472

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.

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
ATO liabilities
Accrued Expenses

2018	2017
\$	\$
370,133	1,713
2,788	0
18,988	23,796
24,753	26,242
416,662	51,751

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.

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	\$	\$	Actual	Budget	Actual	Budget	Actual	Budget
General purpose funding								
WANDRRA - Short-term Lending Facility	0	900,000	250,000	0	650,000	0	5,473	0
Housing								
5 Dunmall Drive	215,174	0	69,957	69,957	145,217	145,217	7,993	8,521
	215,174	900,000	319,957	69,957	795,217	145,217	13,466	8,521

Borrowings

	2018	2017
	\$	\$
Current	721,710	69,957
Non-current	73,507	145,217
	795,217	215,174

12. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
WANDRAA - Short- Term Lending	250,000	0	Treasury	Short-Term	4 months	1,736	2.13%	250,000	0	0
WANDRAA - Short- Term Lending	100,000	0	Treasury	Short-Term	4 months	756	2.34%	100,000	0	0
WANDRAA - Short- Term Lending	300,000	0	Treasury	Short-Term	6 months	3,724	2.41%	300,000	0	0
WANDRAA - Short- Term Lending	250,000	0	Treasury	Short-Term	9 months	4,375	2.34%	250,000	0	0
	900,000	0				10,592		900,000	0	0

(c) Unspent Borrowings

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

	2018	2017
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	200,000	200,000
Bank overdraft at balance date	0	0
Credit card limit	20,000	20,000
Credit card balance at balance date	(11,656)	0
Total amount of credit unused	208,344	220,000
Loan facilities		
Loan facilities - current	721,710	69,957
Loan facilities - non-current	73,507	145,217
Total facilities in use at balance date	795,217	215,174
Unused loan facilities at balance date	NIL	NIL

12. INFORMATION ON BORROWINGS (Continued)

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.

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions

Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2018

Comprises

Current

Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Current provisions	53,370	51,745	105,115
Non-current provisions	0	13,961	13,961
	53,370	65,706	119,076
Additional provision	51,870	18,912	70,782
Amounts used	(31,549)	(21,241)	(52,790)
	73,691	63,377	137,068
Comprises			
Current	73,691	35,872	109,563
Non-current	0	27,505	27,505
	73,691	63,377	137,068

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.

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	798,571	303,360	566,178
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	1,477,095	(124,317)	989,850
Non-cash flows in Net result:			
Depreciation	670,112	707,691	693,069
(Profit)/loss on sale of asset	19,327	0	54,243
Loss on revaluation of land held for resale	63,050	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(854,753)	39,627	63,653
(Increase)/decrease in inventories	(30,747)	(500)	(555)
Increase/(decrease) in payables	364,911	42,362	(104,394)
Increase/(decrease) in provisions	17,992	0	(12,970)
Grants contributions for the development of assets	(1,412,125)	(498,820)	(900,981)
Net cash from operating activities	314,862	166,043	781,915

**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	0	0
General purpose funding	24,855	748,295
Law, order, public safety	662,214	531,931
Health	950	0
Education and welfare	0	12,500
Housing	1,648,383	2,281,000
Community amenities	449,541	570,910
Recreation and culture	1,867,194	2,005,330
Transport	50,350,901	51,399,646
Economic services	865,360	617,268
Other property and services	2,326,873	1,675,641
Unallocated	543,743	0
	58,740,014	59,842,521

16. 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	0	500	0
President's allowance	4,000	4,000	4,000
Travelling expenses	431	0	0
	4,431	4,500	4,000

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	385,660	381,714
Post-employment benefits	53,922	9,905
Other long-term benefits	38,662	36,309
Termination benefits	0	12,110
	478,244	440,038

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	109,580	65,596

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

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 \$
Transport							
Special Grants-Bridges	0	137,750	(37,750)	100,000	0	0	100,000
Economic services							
Trainee & Community Development Grant	0	33,750	0	33,750	36,041	(48,750)	21,041
Wheatbelt Development Commission Grant	7,093	0	(7,093)	0	0	0	0
NRM - Feral Pig Funding				0	20,000	0	20,000
NRM - Action Grant				0	8,587	(5,357)	3,230
Total	7,093	171,500	(44,843)	133,750	64,628	(54,107)	144,271

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.

18. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value	Rate Revenue	Interim Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Total Revenue
Differential general rate / general rate			\$	\$	\$	\$	\$	\$	\$
Gross rental valuations									
Residential	0.09129	41	471,224	43,018	0	43,018	43,018	0	43,018
Special Use	0.11010	3	157,820	17,376	0	17,376	17,376	0	17,376
Unimproved valuations									
Rural Residential	0.01230	56	5,412,500	66,574	0	66,574	66,574	0	66,574
Rural	0.00665	126	100,136,000	665,904	1,047	666,951	665,904	0	665,904
Mining	0.00665	0	0	0	0	0	0	0	0
Sub-Total		226	106,177,544	792,872	1,047	793,919	792,872	0	792,872
Minimum payment	\$								
Gross rental valuations									
Residential	902	38	151,832	34,276	0	34,276	34,276	0	34,276
Special Use	1,101	2	6,705	2,202	0	2,202	2,202	0	2,202
Unimproved valuations									
Rural Residential	1,090	47	3,681,500	51,230	0	51,230	51,230	0	51,230
Rural	1,080	83	9,380,900	89,640	0	89,640	89,640	0	89,640
Mining	1,080	5	148,759	5,400	0	5,400	5,400	0	5,400
Sub-Total		175	13,369,696	182,748	0	182,748	182,748	0	182,748
		401	119,547,240	975,620	1,047	976,667	975,620	0	975,620
Discounts/concessions (refer note 18.(d))						(37,513)			(41,546)
Total amount raised from general rate						939,154			934,074
Ex-gratia rates						2,692			2,692
Totals						941,846			936,766

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.

18. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the Shire during the year ended 30th June 2018.

(c) Service Charges

No service charges were imposed by the Shire during the year ended 30th June 2018.

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

Rates Discounts

Rate or Fee	Discount	Actual	Budget	Circumstances in which Discount is Granted
Discount Granted	%	\$	\$	
Rates	5%	37,513	41,546	5% discount was given on current rates when ratepayers paid the current years rates in full on or before the due date being the 31st August 2017.
		37,513	41,546	

Waivers or Concessions

No waivers or concession were granted by the Shire during the year ended 30th June 2018.

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	31-Aug-17	\$0	0.00%	11.00%
Option Two				
First instalment	31-Aug-17	\$0	5.50%	11.00%
Second instalment	31-Oct-17	\$10	5.50%	11.00%
Third instalment	2-Jan-18	\$10	5.50%	11.00%
Fourth instalment	5-Mar-18	\$10	5.50%	11.00%
				2018
				Budget
				\$
Interest on unpaid rates			6,667	3,000
Interest on instalment plan			1,625	2,184
Charges on instalment plan			1,770	2,400
				10,062
				7,584

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 17 brought forward	1,094,257	346,590	346,590
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	513,864	148,726	148,726
Restricted	284,707	417,452	417,452
Receivables			
Rates outstanding	28,773	34,914	34,914
Sundry debtors	144,773	79,830	79,830
GST receivable	23,677	24,398	24,398
Accrued Revenue	796,672	0	0
Inventories			
Fuel & Oils	37,815	39,305	39,305
History Books	3,707	3,670	3,670
Gravel	32,200		
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(370,133)	(1,713)	(1,713)
Accrued interest on long term borrowings	(2,788)	0	0
ATO liabilities	(18,988)	(23,796)	(23,796)
Accrued Expenses	(24,753)	(26,242)	(26,242)
Current portion of long term borrowings	(721,710)	(69,957)	(69,957)
Provisions			
Provision for annual leave	(73,691)	(53,370)	(53,370)
Provision for long service leave	(35,872)	(51,745)	(51,745)
Unadjusted net current assets	618,253	521,472	521,472
Adjustments			
Less: Reserves - restricted cash	(284,707)	(283,703)	(283,703)
Add: Current portion of long term borrowings	721,710	69,957	69,957
Add: Cash backed leave provisions	39,001	38,864	38,864
Adjusted net current assets - surplus/(deficit)	1,094,257	346,590	346,590

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.

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	798,571	566,178	798,571	566,178
Receivables	993,895	139,142	993,895	139,142
	1,792,466	705,320	1,792,466	705,320
Financial liabilities				
Payables	416,662	51,751	416,662	51,751
Borrowings	795,217	215,174	743,564	215,174
	1,211,879	266,925	1,160,226	266,925

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.

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.

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	7,986	5,662
- Statement of Comprehensive Income	7,986	5,662

Notes:

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

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:

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	8%	100%
- Overdue	92%	0%
Percentage of other receivables		
- Current	95%	99%
- Overdue	5%	1%

20. 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	416,662	0	0	416,662	416,662
Borrowings	733,741	74,882	0	808,623	795,217
	1,150,403	74,882	0	1,225,285	1,211,879
2017					
Payables	51,751	0	0	51,751	51,751
Borrowings	69,957	145,217	0	215,174	215,174
	121,708	145,217	0	266,925	266,925

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	721,710	73,507	0	0	0	0	795,217	1.77%
Weighted average Effective interest rate	1.69%	2.49%	0.00%	0.00%	0.00%	0.00%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	69,957	71,710	73,507	0	0	0	215,174	2.49%
Weighted average Effective interest rate	2.49%	2.49%	2.49%	0.00%	0.00%	0.00%		

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
	\$	\$	\$	\$
Councillor Nomination Deposits	0	240	(240)	0
Cleaning Bonds	2,000	1,200	(2,700)	500
Town Planning Bonds	12,613	10,387	(5,000)	18,000
Fire Brigade Donations	3,340	0	0	3,340
Declared Species Group	31,717	0	(25,947)	5,770
Cat Trap Bonds	0	300	0	300
Key Deposit Bonds	0	400	0	400
	<u>49,670</u>			<u>28,310</u>

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	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.</p>

Notes:

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

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.

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. <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

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:

23. OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.	Members expenses and other costs of the Shire that relate to the tasks of assisting Councillors and the public on matters which do not concern specific Council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Collection of Rates revenue, financial assistance grants for general purpose and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to ensure a safer community.	Community safety initiatives, fire prevention and control and animal control.
HEALTH	To provide services for community and environmental health.	Health inspection and advisory services, analytical services, pest and weed control, and assistance to provide health initiatives.
EDUCATION AND WELFARE	To support services relating to youth, elderly and the disadvantaged.	Support school activities, aged care initiatives and disability inclusion plan.
HOUSING	Provision of shire housing and privately rented accommodation.	Management and maintenance for shire housing privately rented while not required by staff and provision of rental accommodation to the Housing Authority for teachers accommodation.
COMMUNITY AMENITIES	To provide amenities required by the community.	Rubbish collection services and operation of waste transfer station. Maintenance of cemeteries and public conveniences. Administration of town planning activities.
RECREATION AND CULTURE	To establish and maintain infrastructure and resources to meet the recreational and cultural needs of the community.	Maintenance of halls, playgrounds, recreation grounds and reserves. Operation of Library and maintenance of heritage and history inventory.
TRANSPORT	To provide safe and effective transport services to the community.	Construction and maintenance of streets, roads, bridges, signage and footpaths. Cleaning and lighting of town streets. Depot maintenance.
ECONOMIC SERVICES	To help promote Wandering and its economic wellbeing.	Tourism and area promotion including operation of caravan park. Implementation of building control and provision of a fuel facility, postal agency and Community Resource Centre.
OTHER PROPERTY AND SERVICES	To monitor and control operating accounts.	Provisions of private work operations, plant repairs, operation costs and all administration 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	1.19	1.76	0.90
Asset consumption ratio	0.72	0.99	1.00
Asset renewal funding ratio	N/A	1.22	1.24
Asset sustainability ratio	2.09	2.07	1.77
Debt service cover ratio	2.25	10.28	3.04
Operating surplus ratio	0.04	0.06	(0.46)
Own source revenue coverage ratio	0.70	0.61	0.55

The above ratios are calculated as follows:

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

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	264,784	255,521	0
Amount of Financial Assistance Grant received in prior year relating to current year.	255,521	0	244,439

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

	2018	2017	2016
Current ratio	1.20	3.12	0.09
Debt service cover ratio	2.22	6.96	7.54
Operating surplus ratio	0.03	(0.11)	(0.33)
Own source revenue coverage ratio	0.70	0.59	0.50



REGULATION 17 UPDATE - OCTOBER 2018

	Item Title	Description/Item/ Issue	Risk Rating	Management comment
Risk Management				
1.1	Risk Management Framework	Currently no adopted and implemented organisational-wide risk register in place which identifies risks, assesses the impact of the risks and controls to mitigate risk.	Significant	The Shire has drafted a Risk Management Framework, however this Framework has not been adopted by Council and implemented within Council operations.
1.2	Tender Register	The Tender Register does not include all the information required	Compliance Breach	Many of the Breaches Identified occurred prior to the current Administration and documents are not recoverable, the Register is set up to meet its statutory Obligations going forward.
1.3	Payroll entitlements and Information Management	Payroll Review identified a number of areas for further review, due to the sensitivity of the information the specifics are not reported today. The CEO is aware and will lead the finalisation of the review	Significant	The Management is working with our Industriala Relation Support through WALGA to review areas of concern raised.
1.4	Parks and Gardens Review	The Shire undertook an internal Parks and Gardens and Depot Audit as per Worksafes general Audit requirements, minor issues were identified	Minor Risk	The shire has improved significantly in this area, the issues to be considered were mostly minor and can be sorted over the coming months. There is an issue with Bunding at the onsite Fuel Storage that may require greater resourcing. All other issues can be undertaken within the current resourcing and annual budget.
1.5	Contractor Induction Process	There is no formal Contractor Induction Process at the Shire	Moderate Risk	The Shire will need to source a package to implement and allocate resources to meet this obligation ongoing
Internal Control				
2.1	Fuel Station	Limited documented policy and procedures exist to guide the management and maintenance of this facility	Moderate	Resources are required to adequately review and document the formal function and operational requirements to run the Fuel Station
2.2	Timely Payment of Creditors	The Shire has no internal policy and/or Standard	Minor Risk	The Shire will work to implement a Policy over the next quarter.
2.3	Credit Cards	The Shire has only one credit card which all staff utilise, the limit of the one card due to the nature of use is \$20,000. It is considered to be a moderate risk for misuse.	Moderate Risk	The Shire will work to review the current Credit Card Policy and propose changes to decrease the associated risks and improve operational requirements.
2.4	Service Standards	The Shire has no documented service standards to guide service levels	Minor Risk	The Shire will consider the actions required to progress this into the future
Legislative Compliance				
3.1	Filing System	The Shires filing System does not currently meet statutory Compliance, The Record Management Plan is out of date and does not meet the statutory requirements of the Records Act ***	Compliance Breach	Administrative resources and funding is required to overhaul the Shires Filing Management and Storage and ensure compliance of statutory documents.
3.2	Integrated Reporting Framework	The Shire has not undertaken the major review of its IPR documents as required every four years.	Compliance Breach	Administration and Council have been working together over the last 12 months to finalise the Strategic Community Plan, once council adopts their plan work can progress on the other documents required.
3.3	Annual compliance Audit	The Shire has undertaken the Annual Compliance Return and Reported it as required to the Audit Committee within Statutory timeframes. The Report however could detail more evidence and provide more examples of compliance.	Minor	The Shire will look to increase the evidence attached in the interests of demonstrating good governance