



ANNUAL REPORT

2016/17



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VIEW OVER EATON TOWN CENTRE AT NIGHT

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ABOUT US

The seeds of our Shire were sown in its picturesque agricultural hinterland where traditional farming enterprises like beef and dairy production have been joined in recent times by a now thriving tourism industry.

Local drawcards, particularly in the Ferguson Valley, like Gnomesville, wineries, galleries, restaurants and boutique accommodation provide an enviable lifestyle for locals and an abundance of activities for tourists.

The townsite of Eaton is the Shire's commercial and residential hub and is one of the fastest growing towns in the South West.

Stunning natural assets provide a multitude of outdoor activities to enjoy including freshwater fishing in quiet rock pools and pristine rivers, swimming, camping and heritage walk trails.

The rural towns of Dardanup and Burekup are set in lush green cattle country and as the gateway to the renowned Ferguson Valley, their rolling hills and picturesque valleys provide wonderful opportunities for scenic drives.

	2012/13	2013/14	2014/15	2015/16	2016/17
Rateable properties	5,395	5,518	5,597	5,708	5,828
Ordinary Rates levied	\$7.79m	\$8.45m	\$9.41m	\$10.77m	11.73m
Operating revenue	\$17.7m	\$22.7m	\$20.1m	\$23.5m	24.3m
Total assets	\$84m	\$163m	\$168m	\$179m	188m
Full-time equivalent staff	83.90	88.17	92.97	100.86	106.18
Planning applications received	144	133	129	138	170
Building applications received	464	535	500	453	419
Domestic refuse collected	3,600t	3,750t	4,106t	4,390t	4,356t
Recyclable collected	1,300t	1,400t	1,172t	1,170t	1,172t
Eaton Rec Centre Members	752	773	849	836	842
Library members	386	514	760	2,809	2,844

COUNCILLORS



Cr Michael Bennett
Shire President



Cr Peter Robinson
Deputy Shire President



Cr Patricia Perks
Councillor



Cr James Lee
Councillor



Cr Carmel Boyce
Councillor



Cr Allen Mountford
Councillor



Cr Danny Harris
Councillor



Cr Luke Davies
Councillor



Cr Tyrrell Gardiner
Councillor



SHIRE PRESIDENT MESSAGE

When I look back across the achievements of 2016/17, I see a period in time characterised by an unprecedented level of cooperation.

Big changes, big plans, big projects – all achieved by the Shire of Dardanup working and collaborating with other local governments, State Government departments, organisations and associations to the benefit of our region.

Of course we are all focused on what is happening in our own backyards and these are the reasons many of your Shire Councillors commit to a role in Local Government.

But it's when we look just a bit further than our own backyard, towards bettering the lifestyle enjoyed in this great region for everyone, that real change happens.

Some projects and milestones achieved over the past 12 months which demonstrate this collaborative approach are:

- **Treendale Bridge** - A joint project between the Shires of Dardanup and Harvey and Main Roads WA
- **Wanju and Waterloo Industrial Estate** - Progress towards District Structure Plans in partnership with the WA Department of Planning
- **Bunbury Geopraphe Growth Plan** - United approach to economic development and use of a consistent brand to promote the region by the Shires of Dardanup, Capel, Harvey, City of Bunbury, South West Development Commission, Bunbury-Wellington Economic Alliance, Southern Ports Authority and Bunbury Chamber of Commerce and Industries.

I'm so proud of our many achievements over the past 12 months – both in partnership with others AND on our own steam.

Please do read on to find out more about some of the more notable ones. And don't hesitate to contact me if there is anything you see in this Annual Report that you would like to discuss in more detail.



Mick Bennett

SHIRE PRESIDENT

CEO MESSAGE

I can close the 2016/17 chapter in our organisation's history with the great sense of satisfaction that comes from placing giant 'ticks' against some large projects that have been in our forward-planning for several years.

The \$6.6 million redevelopment of Glen Huon Reserve and the handing over of keys to local sporting clubs for their first class, brand new facilities was absolutely a highlight of the past 12 months.

Many years in planning and development, the completed project will deliver a multitude of benefits throughout the community and draw people into Eaton's town centre, which along with Eaton Fair, is creating vibrancy and atmosphere.



Construction of a \$710,000 car park under Stage 2 of the Eaton Foreshore Master Plan is also drawing to a close as this report comes together, particularly enhancing facilities available to the boating community.

Successful completion of big ticket items like these require significant amounts of forward planning – the strong THINK Ahead approach our organisation continually strives to achieve in every aspect of our work.

This process from planning to completion highlights the importance of identifying the community's needs into the future. It's among the important reasons we are reviewing our Strategic Community Plan which sets out the Shire's long-term direction.

Getting the Plan right means ensuring strong community engagement and as you will read in later pages, our Get Your Think On community consultation survey in early 2017 was one way of achieving this.

I urge you to adopt this THINK Ahead approach to your community. Let us know what you imagine could make our Shire an even better place to live.

We're actively listening and hopefully, over time, you also will experience the great satisfaction that comes from placing a giant 'tick' next to a big project you have thought about for a long time.

Mark Chester

CHIEF EXECUTIVE OFFICER



FINANCIAL SNAPSHOT

The following provides a snapshot of the Shire's Operating Income for 2016/17. More detailed information can be found in the Financial Statements at the end of this Annual Report.

Total Operating Revenue: \$18,718,990

- Rates: \$11,733,891
- Operating Grants & Contributions: \$2,735,252
- Fees & Charges: \$3,416,956
- Interest Earnings: \$429,916
- Other Revenue: \$29,847
- Profit on Assets Disposals: \$373,128

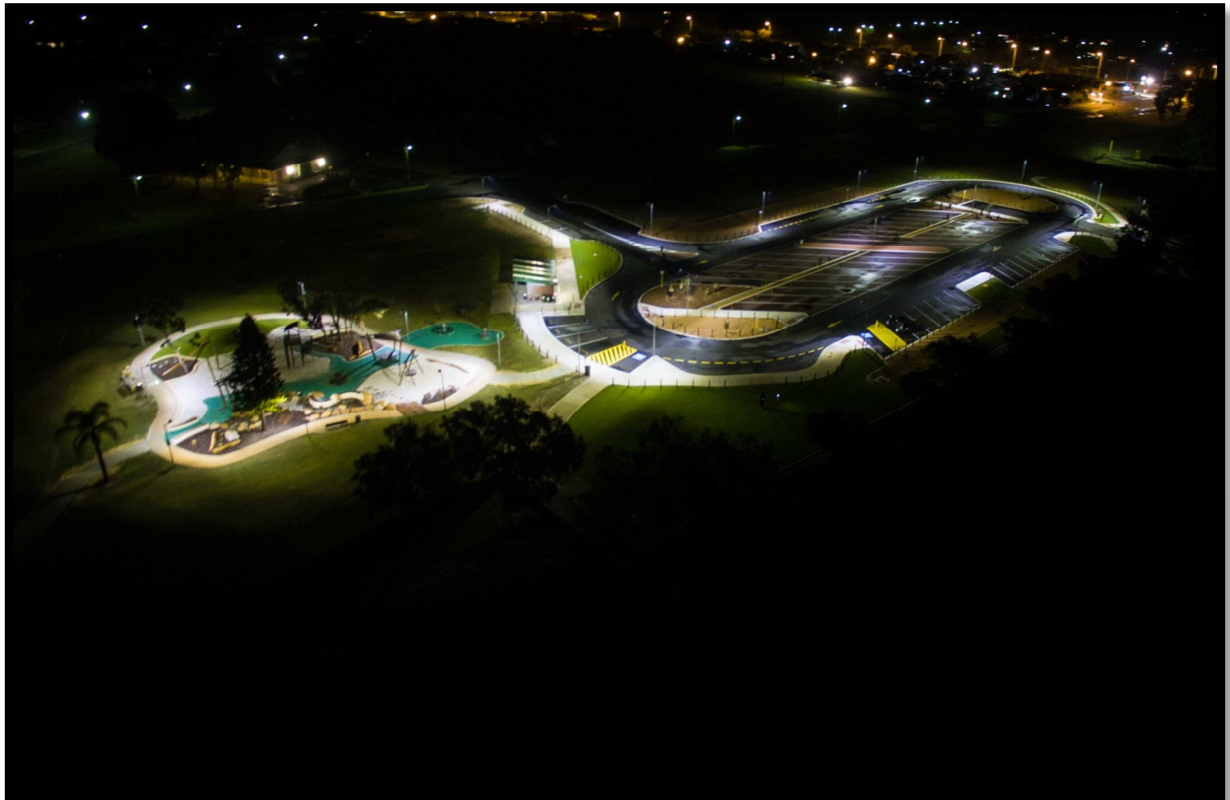


NEW GLEN HUON RESERVE PLAYGROUND

2016/17 ACHIEVEMENTS

The Shire of Dardanup's Strategic Community Plan 2013-2023 sets out objectives in the following Key Performance Areas:

- **ROADS, TRANSPORT & OTHER INFRASTRUCTURE**
- **SPORTS, RECREATION & CULTURE**
- **COMMUNITY LIFE**
- **ENVIRONMENT**
- **URBAN AND ECONOMIC ENVIRONMENT**



AERIAL VIEW OF EATON FORESHORE AT NIGHT



ROADS, TRANSPORT & OTHER INFRASTRUCTURE

Treendale Bridge links Eaton and Australind

Construction started in January, 2017 on the \$13.6 million Treendale Bridge – a joint project between Main Roads WA and the Shires of Dardanup and Harvey.

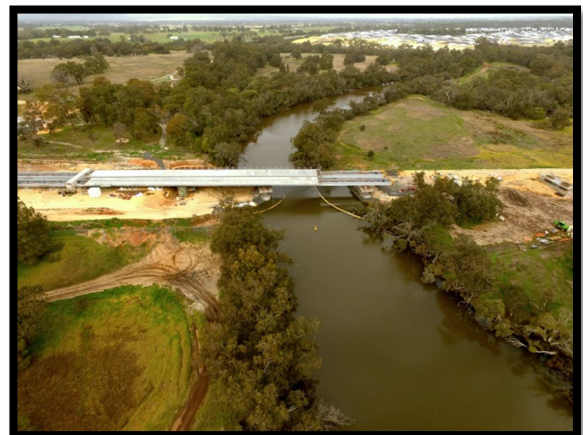
The new two-lane, 224m-long bridge is located about 3km north-east of the Eaton Fair Shopping Centre and 1.5km south of the Treendale Shopping Centre in the Shire of Harvey.

Treendale Bridge will provide a direct connection between Millbridge in Eaton and Treendale in Australind.

Construction is expected to be complete by early 2018.

In September, 2016 the Shire of Dardanup completed earthworks for a 700m extension of Eaton Drive from Jindalee Way, providing a link to the new bridge.

Also included in the Bridge project is a pedestrian walkway on the western side, bridge lighting and a possum bridge on the right and left-hand sides of the Collie River channel to encourage the movement of possums along the watercourse.



Pictures supplied courtesy of Paul Freeman

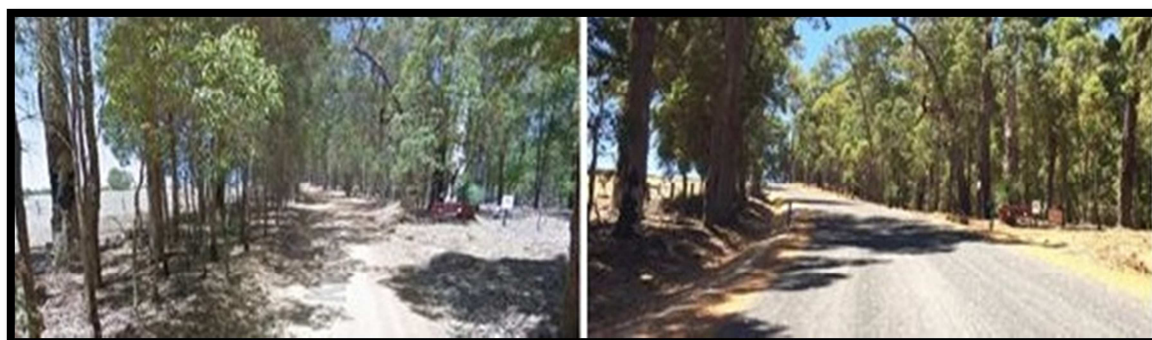
Other Road Projects



Shenton Road, Burekup:

\$714,000 (including \$467,000 State Black Spot Funding) was invested in improving safety.

Shenton Road was upgraded and widened between the intersections of Russell Road and Collie River Road. Main Roads WA also introduced a new speed limit of 60km per hour (outside the school zone).



King Tree Road, Wellington Mill:

Improvements to safety also completed with assistance from the State Black Spot Funding program. The works involved:

- Realigning, widening and sealing of a 1.7km section between Japonica View Road and the King Jarrah Tree car park;
- Widening a 4.2km gravel section to Mungalup Road.

Moore Road, Dardanup:

Improvements made to safety with assistance from the State Black Spot Program. The works involved realignment and widening of a 320m section; realignment and widening of a second 1.7km section; installation of street lighting.



ENVIRONMENT

Educating



About 70 nature enthusiasts enjoyed two local night walks guided by a Perth bat expert in March and organised by the Leschenault Catchment Council and Shire of Dardanup.

The tours took place at Eaton Foreshore and Crooked Brook Forest with assistance from a real life bat man and his swag of high tech tracking and night vision equipment.

Leschenault Catchment Council Project Officer Chris Howe said participants saw ringtail and brushtail possums, slender tree frogs, rattling froglets, scorpions, spiders, lizards and water birds.

Protecting

Shier Rise Reserve in Burekup has been

nominated for a Tidy Towns Sustainable Community Award following ongoing work to improve the area's resilience.

The work represents collaboration between the Shire of Dardanup, Shier Rise Reserve Resilience Committee and the South West Catchment Council after it was identified attention was needed to address a large weed problem threatening existing stands of native plants, particularly Marri trees.

In February, Shire of Dardanup contractors undertook a mass removal of non-native and invasive bulrushes and replaced them with native seedlings.

Last year community planting days were held with matting to control weeds installed and native seedlings introduced.

New plantings will reduce the amount of weed control required and associated chemical herbicides plus encourage more native fauna into the area and increase the size of habitat for birds already provided by the Marris.

Nurturing

Most people would be familiar with the concept of vitamin shots, usually for elite athletes.

But did you know that trees can ALSO benefit from a similar treatment?

Our Parks and Environment Team undertook a tree injection program in November along the Eaton Foreshore to improve the health of mature Eucalyptus species in the area.



The process involved drilling through the bark, tapping a nutrient plug into the tree and then allowing its natural processes to take up the stimulant as the sap and root system delivers both water and nutrients around the tree.

Signs of improvement in the health of the trees were evident within six months.

SPORTS, RECREATION & CULTURE

Big change at Glen Huon Reserve



Residents and visitors have watched on over the past 12 months as Glen Huon Reserve in the heart of Eaton has been transformed by a \$6.6 million redevelopment.

Construction by contractor Pindan Pty Ltd is now complete on a Football Pavilion, Football Changerooms and Softball Pavilion.

Work is also underway on a new playground, located slightly north of the existing one which will be removed once the new one opens.

Completion of the project marks the end of a two year planning process by Council involving extensive opportunities for community consultation and input.



New at Eaton Recreation Centre in 2016/17

- ✓ Virtual Group Fitness Classes
- ✓ Functional Training Rack plus a range of other new equipment
- ✓ Mind/Body Program
- ✓ Afternoon Crèche
- ✓ Youth Membership
- ✓ Bootcamp challenge
- ✓ Effective Weight Training for Older Adults workshop



COMMUNITY LIFE

The Looking Glass: Eventful events in exceptional places

An assortment of free pop-up events designed to surprise, delight and deliver quirky experiences while showcasing amazing locations the Shire has to offer.

Stay tuned for coming events in 2017/18 as The Looking Glass program shifts its focus toward more inclusive, family-friendly events.



Walk on the Wild Side: March, 2017

Just wanted to thank you so very, very much for the fantastic time we had last Sunday. Best day ever! So many exciting animals to see and interact with and the wildlife carers were so patient, interesting and informative. What a fantastic event – Sue via email

My kids had a blast! Thank you for putting on these events for us!! It was good to see so many people there too! – Vikki via Facebook



Well organised and a fabulous range. The kids and I loved it – Beck via Facebook

Nature's Wonderland Adventure: April, 2017

It was such a great day! The kids had a blast – Vanessa via Facebook

Our family loved it! – Dana via Facebook

More than \$55,000 invested in community grants to support not-for-profit groups and projects.

Library and Community Programs

Think you know libraries? Think again!

- Two Libraries
- Workshops: 432
- Participants: 4509

Programs and workshops to suit all ages and interests.

COMMUNITY LIFE



The Spirit of Anzac Experience: Eaton Recreation Centre

In January, the national travelling Spirit of Anzac Experience exhibition made it's only stop in the South West of WA in Eaton.

It was transported here by 10 B double trucks, took eight days to set up and covered more than 1000sqm.

The exhibition was installed at the Eaton Recreation Centre for five days and during that time, 10,920 people walked through the award-winning experience.

According to organisers, it was the second-highest attendance rate of the 23-stop tour.

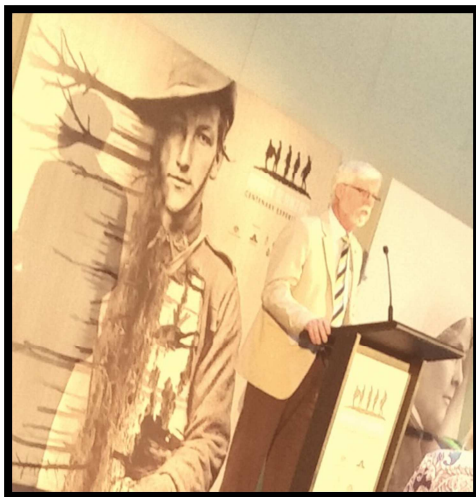
Attendance data collected by organisers through ticket reservations showed 75 per cent of visitors were from outside the Shire of Dardanup.

More than 500 people came from the Perth metropolitan area while some visitors were from as far away as Christmas Island and interstate.

Shire President Mick Bennett said he was pleased to hear the Eaton stop of the tour had achieved such high attendance rates.

"Securing an attraction of this calibre for Eaton was a significant win for our Shire and a fantastic opportunity to showcase what we have here to visitors from outside the region," Mr Bennett said.

Approximately 50 local volunteers from official partners and the community assisted with daily running of the experience in Eaton.



Mr Bennett thanked all of the local volunteers who donated their time along with the support of Council and Shire of Dardanup staff who all contributed to the success of the event.

To date, the exhibition which began touring in September 2015, has had 280,000 visitors. It's the biggest travelling exhibition of its kind since the 1998 Bicentennial exhibition and contains 200 artefacts from the Australian War Museum.



URBAN AND ECONOMIC ENVIRONMENT

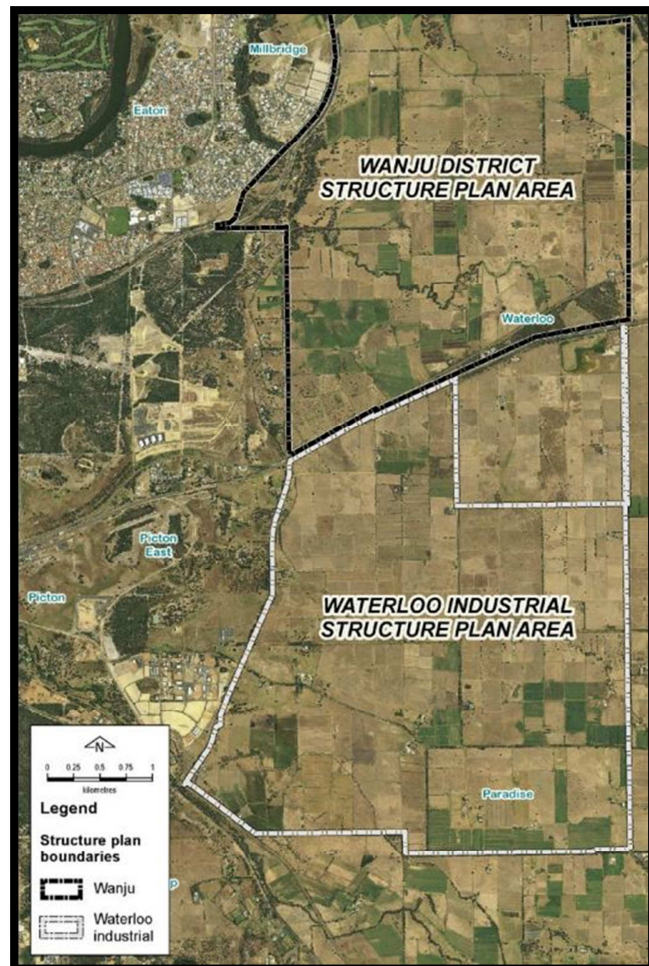
Waterloo Industrial Park

Plans for a 1285 hectare industrial park located in the Shire of Dardanup, east of Picton, took an important step towards development with the release in May of the draft Waterloo District Structure Plan for a period of public comment.

The proposed Waterloo Industrial Park is a joint project between the Shire of Dardanup and West Australian Planning Commission.

The draft plan sets out key planning aspirations, objectives and principles for the park.

Waterloo Industrial Park is a separate project to the adjacent planned area of urban expansion – or WA's newest city Wanju – but very much inter-related, as the park will provide an important economic driver for Wanju and the Bunbury Geopraphe area.



Waterloo will deliver land for commercial, light and general industrial uses and has been identified as a suitable agri-food processing precinct.

Development of both Waterloo and Wanju was identified in the Western Australian Planning Commission's Greater Bunbury Strategy (2013).

Dardanup Shire President Mick Bennett said the planned industrial park was positioned for excellent access to the proposed Bunbury outer ring road, only five kilometres to the Bunbury Port plus proximity to the Bunbury to Perth railway line.

"Our enviable regional lifestyle is driving strong population growth," Mr Bennett said.

"We need to cater for that growing population, not only with homes and facilities like those planned in Wanju, but with opportunities for economic development and ultimately jobs as well."

Public submissions closed in July.

RESPONSIVE

Community feedback sparks playground design review

When Shire of Dardanup engineers unveiled their proposed design for a new playground at Glen Huon Reserve in April, community members spoke up.

Feedback on social media indicated support for greater attention to ensuring the playground and its facilities would be accessible for people of all abilities.

While the playground did in fact already include some accessible features, Shire of Dardanup Director of Engineering & Development Services Luke Botica said that didn't mean more couldn't be done.

An immediate review of the design was ordered.

A call for direct input from the community was distributed via the Shire's website and Facebook page, resulting in some valuable in-person conversations with local parents of children with disabilities and potential users of the playground.

Our Engineering Team also called on the head of an accessibility and inclusion project in Bunbury Adam Johnson for his input.

Mr Johnson is conducting PhD research into the area at Edith Cowan University Bunbury.

When they got together, Mr Johnson encouraged our engineers to explore a Bunbury playground using a wheelchair for greater insight into the obstacles faced by people with disabilities.

They later described it as an enlightening exercise. And the result of their consultations was the inclusion of two new pieces of accessible equipment and tweaks to the playground layout.

Shire of Dardanup CEO Mark Chester said the chance to engage with our community on a topic of such significance to so many people has been a very positive process for our organisation," Mr Chester said.



*It is wonderful to see the community feedback taken on board.
Well done Shire of Dardanup – Claire, via Facebook.*

INCLUSIVE

Get Your Think On: Community Strategic Plan review



Early in 2017, the Shire's Community & Cultural Services Team went out into the community with an innovative plan to seek maximum participation in an extensive community consultation process tagged **Get Your Think On**.

The Team popped up at all kinds of locations throughout the Shire including a café-style sea container on the Eaton Foreshore, in the Eaton Fair shopping centre, Eaton Recreation Centre as well as schools, halls and libraries.

They were armed with ipads to assist passing residents with completing an online survey that would help shape the future of our community.

Get Your Think On ran between January 30 and March 2 and information collected will guide the development of Council's Community Strategic Plan, which will set out the Shire's

long-term direction.

Participants were asked to provide ratings and/or comments and feedback on issues like environmental management, economic development, communications, cultural wellbeing and sports facilities.

Hard copies of the survey were also made available at Eaton and Dardanup Administration Centres and Eaton and Dardanup libraries.



TRANSPARENT

New accounting standards introduced

A change to Australian Accounting Standards from July 1, 2016 has created greater transparency and accountability around relationships, commitments and transactions that occur between Councils and their related parties.

Under the change, Local Governments are now required to disclose when a related party transaction has occurred in the reporting year – the same requirement already applied to the private sector.

‘Related Party’ refers to the relationship between key decision makers and the Local Government.

A Local Government’s Related Parties are likely to include:

- Related Council entities (i.e. a company set up, controlled, or is significantly influenced by Council);
- Key Management Personnel (KMP) of Council (Mayors, Councillors, CEOs and Managers);
- Close family members of KMP (i.e. children, spouse and partners); and
- Entities that KMP control or jointly control (i.e. joint ventures, sporting clubs, companies and trusts).

Examples of transactions that would require disclosure include:

- Employee compensation for related parties (KMP and or close family members of a KMP employed by the local government).
- Elected member remuneration.
- Transactions between the local government and the related parties for:
 - Exchange of goods and/or services provided by/to the local government
 - Purchase/sales and lease of goods, property and other assets to and from the local government
 - Loan arrangements between the local government and the related parties.
 - Commitments such as contracts and legal agreements for provision of goods and services regardless of whether it does eventuate or not in the future
 - Provision of guarantees (given or received).



CUTTING EDGE

A proposed technology project that would transform Eaton into a nation-leading 'Smart City' was considered by Council in May.

The Shire of Dardanup is leading a joint investigation with the City of Bunbury and shires of Capel and Harvey into the opportunities for implementation of an Internet of Things that would service the Bunbury Geographe area.

This follows Shire President Mick Bennett floating the idea in February with neighbouring local governments.



Federal Government grant opportunities could assist with start-up costs, however a financial commitment from each of the participating local governments would be required to turn the vision into reality.

Council therefore referred the project to its March 2018 mid-year Budget Review process for further analysis – allowing time for grant opportunities to be explored.

But what even IS an Internet of Things or IoT as it's commonly referred to?

Essentially installation of the enabling technology (called a LoRaWAN) creates communities where people are connected to each other and things that are important to them like never before.

Track movement of your pets so they don't get lost, detect intruders or smoke at home when you're out, be advised when your parking ticket is about to run out, know from the supermarket if your fridge at home is low on milk, when the swimming pool water quality needs attention or your rainwater tank is full.

The possibilities for an 'Internet of Things' (IoT) are limitless and potentially set in motion a cascade of ripple effects driving economic growth and development.

How exactly?

Shire President Mick Bennett said enhancing the region's digital capability would overcome the tyranny of distance and create new possibilities for cutting-edge businesses.

"Plus we're potentially in a position to attract new populations of highly educated and digitally-aware residents," he said.

Stay tuned for exciting updates as this cutting edge project develops...

THINK Ahead: in the pipeline...

- **Library Upgrade**

A proposal to build a new co-located community library and Shire administration on land within the boundaries of Eaton Fair is being independently investigated. Citygate Properties have offered to purchase land currently occupied by the Administration Centre, Eaton and allocate land for the new building.

- **Eaton Foreshore Redevelopment Stage 3**

Detailed designs for Stage 3 of the Eaton Foreshore Master Plan are now being prepared. Listed for attention are landscaping, garden beds, lighting and irrigation, river walkway and a proposed dog exercise area.

- **Eaton Town Centre**

Closure of Council Drive between Recreation Drive and the Shire of Dardanup's Administration Centre, Eaton will enable greater connection and flow for pedestrians between community facilities and the soon-to-be expanded Eaton Fair by Citygate Properties.

- **Treendale Bridge**

Construction by a Main Roads WA contractor commenced in 2017 on the \$13.6 million Treendale Bridge, providing a dedicated connection between Eaton and Australind. Shire of Dardanup continues work on 700m extension of Jindalee Way, to meet the new bridge.

- **Wanju & Waterloo Industrial Park**

The Shire of Dardanup in partnership with the WA Planning Commission has is preparing District Level Structure Plans for areas of urban and industrial expansion to be located East of Eaton.

- **Road renewal and upgrades in 2017/18 worth \$4.32 million**





STATUTORY REPORTS

Disability Access & Inclusion Plan (DAIP)

The Western Australia Disability Services Act requires all Local Governments to develop and implement a Disability Access and Inclusion Plan to ensure that people with disabilities have equal access to its facilities and services.

Other legislation underpinning access and inclusion includes the Western Australia Equal Opportunity Act (1984) and the Commonwealth Disability Discrimination Act 1992, both of which make discrimination on the basis of a person's disability unlawful. The Shire of Dardanup is committed to facilitating the inclusion of people with disabilities through the improvement of access to its facilities and services.

During 2016/17, the Shire of Dardanup continued to implement strategies which have been outlined within its Disability Access and Inclusion Plan.

Of note, is completion of a new playground at Glen Huon Reserve which includes:

- Accessible water fountains
- Accessible BBQs
- Wheelchair carousel swing ('Ability Whirl')
- Accessible swing (this was upgraded to a larger swing to ensure access was available for a wider range of people)
- Wider footpaths to ensure wheelchair access around the playground

In addition, at the Eaton Foreshore's nature playground, an accessible barbecue with accessible footpath linking the barbecue and playground have been installed.

Employees have received training in Equal Opportunity provided by the WA Equal Opportunity Commission with our policy and procedures reviewed and update in consultation with the EOC, including Equal Employment Opportunity.

State Records Act

The State Records Act 2000 provides for the keeping of State records and related items. Section 19 of the Act requires each government organisation have a Record Keeping Plan (RKP) that has been approved by the State Records Commission.

The RKP dictates which records are created by an organisation, how they are stored and maintained, and whether they are ultimately destroyed. It is the primary means of providing evidence of compliance with the Act and that best practices have been implemented throughout the organisation. In accordance with Section 17 of the Act, the Shire of Dardanup and all its employees are legally required to comply with the contents of this Plan.

Information Services

With a firm commitment to making its administrative procedures as paperless as possible, the Shire of Dardanup has continued to develop its electronic building application lodgement service to the building industry. This service significantly reduces paper use and also reduces approval times in many cases. It will be a major contributor to streamlining the building approval process as new property subdivisions are developed in the near future.

Collaboration with other Shire departments has resulted in an enhanced range of local information being easily available to local residents through an interactive mapping program which is accessed via the Shire's website. An enhanced cataloguing of local history documents and artefacts has also recently begun, in conjunction with the Shire of Dardanup library service. This is expected to be of significant interest to the local community.

Register of Minor Complaints

Section 5.121 of the Local Government Act 1995 (Register of certain complaints of minor breaches) requires the complaints officer for each local government to maintain a register of complaints which records all complaints that result in action under section 5.110(6)(b) or (c) of the Act (Conduct of Certain Officials).

Section 5.53 (2)(hb) of the Local Government Act 1995 requires that details of entries made under section 5.121 during the financial year in the register of complaints, including —

- i) the number of complaints recorded in the register of complaints; and
- (ii) how the recorded complaints were dealt with;

be included in the Annual Report of Council. No complaints pursuant to s5.121 of the Local

Government Act 1995 were made to the Shire of Dardanup during the 2016/17 reporting period.

Public Interest Disclosures

The Director Corporate & Community Services is appointed as Council's Public Interest Disclosures Officer under the Public Interest Disclosures Act 2003. This legislation is often referred to as the "whistleblower" Act and provides for the reporting of serious wrongdoing within the State public sector and local government as well as providing the mechanism for responding to reports.

No disclosures were received in relation to the Shire of Dardanup during the 2016/17 reporting period.



FINANCIAL REPORT



Annual Financial Report

For the Year Ended

30 June 2017

Principal Place of Business
Shire of Dardanup
1 Council Drive
EATON WA 6232

Shire of Dardanup

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

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Shire of Dardanup

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

LOCAL GOVERNMENT ACT 1995 LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Dardanup being the Annual Financial Report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire of Dardanup at 30 June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and regulations under that Act.

Signed on the 7th day of December 2017



Mark L Chester
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SHIRE OF DARDANUP

Report on the Financial Report

Opinion

We have audited the financial report of the Shire of Dardanup, which comprises the statement of financial position as at 30 June 2017, and the statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

In our opinion, the financial report of the Shire of Dardanup is in accordance with the underlying records of the Shire, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Shire in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Councillors are responsible for the other information. The other information comprises the information in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council's Responsibility for the Financial Report

Council is responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as the Shire determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Emphasis of Matter

Without modifying our opinion, we draw attention to page 54 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) Apart from the operating surplus ratio and the adjusted current ratio not meeting the minimum benchmark levels, there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) 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).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth

Date: 7 December 2017

Shire of Dardanup

STATEMENT OF COMPREHENSIVE INCOME

By Nature or Type

For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
Rates	25	11,733,891	11,644,417	10,777,280
Operating Grants, Subsidies & Contributions	32	2,735,252	1,949,542	1,455,648
Service Charges	28	0	0	0
Fees & Charges	31	3,416,956	3,450,976	3,361,588
Interest Earnings	2(b)	429,916	492,000	497,136
Other Revenue		29,847	24,000	25,354
		<u>18,345,862</u>	<u>17,560,935</u>	<u>16,117,006</u>
Expenses				
Employee Costs		(8,828,353)	(9,287,312)	(8,348,837)
Materials and Contracts		(4,601,800)	(4,219,990)	(3,357,890)
Utility Charges		(490,407)	(501,600)	(498,720)
Depreciation on Non-current Assets	2(a)	(4,696,271)	(4,646,000)	(4,736,087)
Interest Expenses	24(a)	(128,854)	(115,080)	(127,339)
Insurance Expenses		(244,132)	(224,310)	(229,604)
Other Expenditure		(327,938)	(328,499)	(167,996)
		<u>(19,317,755)</u>	<u>(19,322,791)</u>	<u>(17,466,473)</u>
Operating Result		<u>(971,893)</u>	<u>(1,761,856)</u>	<u>(1,349,467)</u>
Non Operating Grants, Subsidies & Contributions	32	5,631,635	5,961,332	2,316,890
Profit on Asset Disposals	22	373,128	0	5,033,884
(Loss) of Asset Disposals	22	(332,075)	0	(104,859)
		<u>5,672,688</u>	<u>5,961,332</u>	<u>7,245,915</u>
NET RESULT		4,700,795	4,199,476	5,896,448
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	2(e)	3,460,125	0	4,582,164
Total Other Comprehensive Income		3,460,125	0	4,582,164
TOTAL COMPREHENSIVE INCOME		<u>8,160,920</u>	<u>4,199,476</u>	<u>10,478,612</u>

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

Shire of Dardanup

STATEMENT OF COMPREHENSIVE INCOME

By Program

For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
General Purpose Funding		14,404,633	13,640,567	12,070,075
Governance		2,010	1,550	1,771
Law, Order, Public Safety		242,679	177,580	207,855
Health		7,173	5,150	4,725
Education and Welfare		6,834	0	8,513
Housing		0	0	0
Community Amenities		1,242,917	1,360,310	1,227,837
Recreation and Culture		1,701,229	1,691,267	1,488,468
Transport		177,680	136,100	542,565
Economic Services		89,887	156,900	167,870
Other Property and Services		470,820	391,511	397,327
		<u>18,345,862</u>	<u>17,560,935</u>	<u>16,117,006</u>
Expenses Excluding Finance Costs				
General Purpose Funding		(455,573)	(344,398)	(335,318)
Governance		(1,008,367)	(1,063,586)	(1,084,166)
Law, Order, Public Safety		(1,113,490)	(1,106,147)	(1,198,540)
Health		(507,958)	(525,750)	(474,825)
Education and Welfare		(824,608)	(880,865)	(727,615)
Housing		0	0	0
Community Amenities		(2,002,976)	(2,340,460)	(1,843,479)
Recreation & Culture		(6,590,028)	(6,961,991)	(6,004,196)
Transport		(5,900,770)	(5,276,236)	(5,064,577)
Economic Services		(447,704)	(464,345)	(438,972)
Other Property and Services		(337,427)	(243,933)	(167,446)
		<u>(19,188,901)</u>	<u>(19,207,711)</u>	<u>(17,339,134)</u>
Finance Costs				
Recreation & Culture		(64,248)	(47,106)	(52,724)
Transport		(27,757)	(28,613)	(29,945)
Economic Services		(10,203)	(10,570)	(11,318)
Other Property and Services		(26,646)	(28,791)	(33,352)
		<u>(128,854)</u>	<u>(115,080)</u>	<u>(127,339)</u>
Non Operating Grants, Subsidies & Contributions	32	5,631,635	5,961,332	2,316,890
Profit on Asset Disposals	22	373,128	0	5,033,884
(Loss) of Asset Disposals	22	(332,075)	0	(104,859)
Reversal of prior year loss on revaluation of Asset		0	0	0
NET RESULT		4,700,795	4,199,476	5,896,448
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	2(e)	3,460,125	0	4,582,164
Total Other Comprehensive Income		3,460,125	0	4,582,164
TOTAL COMPREHENSIVE INCOME		<u>8,160,920</u>	<u>4,199,476</u>	<u>10,478,612</u>

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

Shire of Dardanup

STATEMENT OF FINANCIAL POSITION For the Year Ended 30 June 2017

	Note	2017 Actual \$	2016 Actual \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	18,506,475	21,975,490
Trade and Other Receivables	4	1,493,219	952,345
Inventories	5	16,659	24,887
Total Current Assets		20,016,353	22,952,722
NON-CURRENT ASSETS			
Other Receivables	4	115,246	174,622
Property, Plant and Equipment	6	34,310,477	25,650,058
Infrastructure	7(a)	131,853,915	128,747,809
Intangible Assets	7(b)	1,921,278	1,921,278
Total Non-Current Assets		168,200,916	156,493,767
TOTAL ASSETS		188,217,269	179,446,489
CURRENT LIABILITIES			
Trade and Other Payables	9	1,404,498	1,489,751
Current Portion of Long Term Borrowings	10	418,802	363,296
Provisions	11	968,558	1,013,120
Total Current Liabilities		2,791,858	2,866,167
NON-CURRENT LIABILITIES			
Long Term Borrowings	10	2,605,152	1,943,954
Provisions	11	340,713	266,699
Total Non-Current Liabilities		2,945,865	2,210,653
TOTAL LIABILITIES		5,737,723	5,076,820
NET ASSETS		182,479,546	174,369,669
EQUITY			
Retained Surplus		51,766,830	44,168,310
Reserves - Cash / Investment Backed	12	17,143,656	20,086,504
Reserves - Asset Revaluation	13	113,569,060	110,114,855
TOTAL EQUITY		182,479,546	174,369,669

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

Shire of Dardanup

STATEMENT OF CHANGES IN EQUITY For the Year Ended 30 June 2017

	Note	RETAINED SURPLUS \$	RESERVES CASH / INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 30 June 2015		43,186,973	15,171,393	105,532,691	163,891,057
- Net Result		5,896,448	0	0	5,896,448
- Asset Revaluation		0	0	4,582,164	4,582,164
- Total Other Comprehensive Income		0	0	0	0
- Transfer to Reserves		(10,519,955)	10,519,955	0	0
- Transfer from Reserves		5,604,844	(5,604,844)	0	0
Balance as at 30 June 2016		44,168,310	20,086,504	110,114,855	174,369,669
- Net Result		4,700,795	0	0	4,700,795
- Asset Revaluation		0	0	3,454,205	3,454,205
- Asset Adjustments		(45,123)	0	0	(45,123)
- Total Other Comprehensive Income		0	0	0	0
- Transfer to Reserves		(5,574,403)	5,574,403	0	0
- Transfer from Reserves		8,517,251	(8,517,251)	0	0
Balance as at 30 June 2017		51,766,830	17,143,656	113,569,060	182,479,546

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

Shire of Dardanup

STATEMENT OF CASH FLOWS For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		11,744,663	11,644,417	10,771,484
Operating Grants, Subsidies and Contributions		3,792,705	1,949,542	1,429,962
Fees and Charges		3,430,917	3,450,976	3,377,346
Interest Earnings		429,916	492,000	497,136
Goods and Services Tax		2,441,400	1,000,000	1,240,576
Other Revenue		36,536	24,000	27,525
		<u>21,876,137</u>	<u>18,560,935</u>	<u>17,344,029</u>
Payments				
Employee Costs		(9,062,163)	(9,287,312)	(8,217,505)
Materials and Contracts		(4,456,059)	(4,048,773)	(2,785,986)
Utilities Charges		(503,398)	(501,600)	(485,729)
Insurance		(244,132)	(224,310)	(229,604)
Interest		(114,161)	(115,080)	(131,783)
Goods and Services Tax		(2,626,720)	(1,205,888)	(1,411,493)
Other Expenditure		(327,938)	(328,499)	(328,578)
		<u>(17,334,571)</u>	<u>(15,711,462)</u>	<u>(13,590,678)</u>
Net Cash Provided by (used in)				
Operating Activities	14(b)	<u>4,541,566</u>	<u>2,849,473</u>	<u>3,753,351</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for Development of Land held for Resale		0	0	0
Payments for Purchase of Property, Plant and Equipment	19	(9,459,517)	(18,309,666)	(2,158,619)
Payments for Construction of Infrastructure	19	(4,330,804)	(5,438,797)	(4,395,656)
Non Operating Grants, Subsidies & Contributions		4,222,910	5,961,332	2,299,133
Proceeds from Sale of Fixed Assets		<u>777,662</u>	<u>247,189</u>	<u>6,208,204</u>
Net Cash Provided by (used in)				
Investing Activities		<u>(8,789,749)</u>	<u>(17,539,942)</u>	<u>1,953,062</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Debentures	24(a)	(363,296)	(363,296)	(345,515)
Proceeds from New Debentures	24(b)	1,080,000	7,580,000	0
Proceeds from Self Supporting Loans		62,464	62,464	60,595
Net Cash Provided by (used in)				
Financing Activities		<u>779,168</u>	<u>7,279,168</u>	<u>(284,920)</u>
Net Increase (Decrease) in Cash Held		<u>(3,469,015)</u>	<u>(7,411,301)</u>	<u>5,421,493</u>
Cash at Beginning of Year		21,975,490	21,785,240	16,553,997
Cash and Cash Equivalents at the End of Year	14(a)	<u><u>18,506,475</u></u>	<u><u>14,373,939</u></u>	<u><u>21,975,490</u></u>

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

Shire of Dardanup

RATE SETTING STATEMENT For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
REVENUE	1,2			
General Purpose Funding		3,011,844	2,334,020	1,642,643
Governance		2,010	1,550	1,771
Law, Order, Public Safety		242,679	177,580	373,710
Health		7,173	5,150	4,725
Education and Welfare		6,834	0	8,513
Housing		0	0	0
Community Amenities		1,242,917	1,360,310	1,317,837
Recreation and Culture		4,558,424	4,796,298	1,599,956
Transport		2,952,522	2,992,401	2,492,112
Economic Services		89,887	156,900	167,870
Other Property and Services		843,546	391,511	5,431,211
		12,957,836	12,215,720	13,040,348
EXPENSES	1,2			
General Purpose Funding		(455,573)	(344,398)	(335,318)
Governance		(1,008,367)	(1,063,586)	(1,084,166)
Law, Order, Public Safety		(1,113,490)	(1,106,147)	(1,198,540)
Health		(511,165)	(525,750)	(474,825)
Education and Welfare		(824,608)	(880,865)	(727,615)
Housing		0	0	0
Community Amenities		(2,036,556)	(2,340,460)	(1,882,679)
Recreation & Culture		(6,927,206)	(7,009,097)	(6,071,772)
Transport		(5,928,527)	(5,304,849)	(5,131,897)
Economic Services		(457,907)	(474,915)	(450,290)
Other Property and Services		(386,431)	(272,724)	(214,230)
		(19,649,830)	(19,322,791)	(17,571,332)
Net Result		(6,691,994)	(7,107,071)	(4,530,984)
Excluding Rates				
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure & Revenue				
(Profit)/Loss on Asset Disposals	22	(41,053)	0	(4,929,025)
Movement in Deferred Pensioner Rates	4	(5,014)	0	(1,488)
Movement in Employee Benefit Provisions		74,014	0	(149,098)
Depreciation of Assets	2	4,696,271	4,646,000	4,736,087
Net Non-Cash Expenditure & Revenue		4,724,218	4,646,000	(343,524)
Capital Expenditure				
Purchase of Land Held for Resale	8,19	0	0	0
Purchase of Land and Buildings	8,19	(8,874,804)	(17,171,533)	(1,361,440)
Purchase of Plant and Equipment	8, 19	(56,890)	(33,618)	(41,873)
Purchase of Motor Vehicles	8,19	(347,372)	(568,721)	(521,123)
Purchase of Furniture and Fittings	8,19	(180,451)	(535,794)	(234,183)
Infrastructure Assets	8,19	(4,330,804)	(5,438,797)	(4,395,656)
Advances to Community Groups		0	0	0
Repayment of Debentures	24	(363,296)	(363,296)	(345,515)
Net Capital Expenditure		(14,153,617)	(24,111,759)	(6,899,790)
Capital Revenue				
Proceeds from Disposal of Assets	22	777,662	247,189	6,208,204
Proceeds from New Debentures	24	1,080,000	7,580,000	0
Self-Supporting Loan Principal Income		62,464	62,464	60,596
Net Capital Revenue		1,920,126	7,889,653	6,268,800
Transfers				
Transfers to Reserves		(5,574,403)	(3,151,114)	(10,519,955)
Transfers from Reserves		8,517,251	10,302,415	5,604,844
Net Transfers		2,942,848	7,151,301	(4,915,111)
Add: Surplus/(Deficit) July 1 B/F	26	300,884	225,329	294,061
Less: Surplus/(Deficit) June 30 C/F	26	(435,254)	0	(300,884)
Amount Required to be Raised from Rates	25	(11,392,789)	(11,306,547)	(10,427,432)

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report comprises general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied to all the years presented, unless stated otherwise.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the selected non-current assets, financial assets and liabilities.

All amounts are stated in Australian dollars. The Shire of Dardanup is a not for profit entity for the purposes of preparing the financial statements.

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.

(b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report. In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 21 to this financial report.

(c) Goods and Services Tax

Revenues, expenses and assets capitalised are stated net of any GST recoverable, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST. 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.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank, deposits held on demand with banks, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown as short term borrowings in current liabilities in the Statement of Financial Position.

(e) Trade and Other Receivables

Trades 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.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

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 Resale

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

(g) 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 or impairment losses.

Mandatory Requirement to Revalue Non-Current Assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Council commenced the process of adopting Fair Value in accordance with the Regulations. Whilst the amendments initially allowed for a phasing in of Fair Value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Council revalues its assets classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land Under Control

In accordance with local Government (Financial Management) Regulation 16 (a)(ii), the Council is required to include as an asset Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

No such facility meets this requirement within the Shire of Dardanup.

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 detailed above. In relation to this initial measurement, cost is determined as the fair value of 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 Council 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 detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

Intangible Assets

Easements

Council has express rights to use all (or part) of other persons land for a stated purposes. These are for access to underground municipal infrastructure. These easements have an indefinite life due to the permanent nature of the infrastructure.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (cont.)

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 a 1st 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 the Local Government (Financial Management) Regulation 16(a)(i) prohibits local government 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) Regulations 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 Council.

Capitalisation Threshold

Non-current Assets are generally capitalised if they exceed the following amounts

Land	\$0
Buildings	\$15,000
Furniture & Fittings	\$3,000
Plant & Equipment	\$3,000
Vehicles	\$3,000
Infrastructure	\$15,000

Items of a lesser amount shall be capitalised should it be deemed necessary for asset management purposes.

Depreciation

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

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

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

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

Land	Nil
Buildings	50 years
Furniture and Equipment	5 to 10 years
Plant and Equipment	5 to 10 years
Motor Vehicles	10 years
Roadmaking Plant	5 to 10 years
Work in Progress	Nil
Infrastructure Assets	
Roads - Sealed	30 years
Roads - Unsealed (formed)	60 years
Roads - Gravel	60 years
Bridges	60 years
Drainage	75 years
Footpaths & Cycleways	50 years
Parks & Reserves	
- Buildings	50 years
- Improvements	20 years

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 disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in Statement of Comprehensive Income in the period which they arise.

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fair Value of Assets and Liabilities

When performing a revaluation, the Council uses a mix of both independent and management valuations using the following as a guide:

- Fair Value is the price that Council 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. 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 (i.e. the market with the greatest volume and level of activity for the asset 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.

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 Council 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 Council are consistent with one or more of the following valuation approaches:

Market approach

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council 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 and 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years in accordance with the regulatory framework.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

(iii) Held-to-maturity investments

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

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets). All other investments are classified as non-current.

If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (cont.)

Impairment

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

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately.

Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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

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

Derecognition

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. 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.

(j) Impairment of Assets

In accordance with Australian Accounting Standards, the Council's 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 (eg AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(k) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to Council prior to the end of the financial year that are unpaid and arise when Council becomes obliged to make future payments in respect 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.

(l) Employee Benefits

Short-Term Employee Benefits

Provision is made for the Council'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 Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the Statement of Financial Position. The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Council's obligations for long-term employee benefits are presented as non-current provisions in its Statement of Financial Position, except where the Council 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.

(m) Provisions

Provisions are recognised when the Council 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.

(n) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

(o) Investment in Associates

An associate is an entity over which the Council has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Council's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

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

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when Council obtains control over the assets comprising the contributions.

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

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 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 2(d). 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 operation for the current reporting period.

(r) Superannuation

Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(s) 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.

(t) Rounding off Figures

All figures shown in this Annual Financial Report, other than a rate in the dollar, are rounded to the nearest dollar.

(u) Current and Non-Current Classification

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

(v) Comparative Figures

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

When Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) Statement of Financial Position as at the beginning of the preceeding period in addition to the minimum comparative financial statements is presented.

(w) 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.

(x) 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 Council.

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

Title and Topic	Issued	Applicable	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 Council, it is not anticipated the standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Council has with those third parties it has dealings with. It may or may not be significant.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

New Accounting Standards and Interpretations (continued)

(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 onto their 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 once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by Council, the impact is not expected to be significant.</p>
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid Rates - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to Council's operations.</p>

(y) Adoption of New and Revised Accounting Standards

During the current year, the Council 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 associated with the amendment of existing standards, the only new standard with material application is as follows:

(v) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB 10, 124 & 1049)	March 2015	1 July 2016	<p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard has had a significant disclosure impact on the financial report of Council as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 Actual \$	2016 Actual \$
2. REVENUES AND EXPENSES			
(a) Result from Ordinary Activities - Expenses			
The Result from Ordinary Activities includes:			
Significant Expense			
There were no significant items during the financial year		0	0
Amortisation			
Capitalised Leased Assets		0	0
Auditors Remuneration			
- Audit		9,625	13,394
- Other Services		5,330	2,250
Bad & Doubtful Debts			
- Rates		0	0
- Sundry Debtors		0	0
Depreciation			
Buildings		766,873	767,186
Furniture and Fittings		185,787	226,412
Motor Vehicles		310,299	389,860
Plant & Equipment		47,874	47,623
Infrastructure			
- Roads		2,276,680	2,278,190
- Dual Use Paths		190,957	176,308
- Parks & Gardens		153,235	136,192
- Bridges		469,121	468,582
- Drainage		295,445	245,734
		<u>4,696,271</u>	<u>4,736,087</u>
Rental Charges			
- Operating Leases	15(a)	<u>602,910</u>	<u>403,452</u>
(b) Result from Ordinary Activities - Revenues			
		2017 Actual \$	2016 Actual \$
Interest Earnings			
Investments			
- Reserve Fund		245,213	275,570
- Municipal Fund		56,770	107,337
Other Interest Revenue			
- Rating (Note 28)		126,116	112,366
- Sundry		1,817	1,863
		<u>429,916</u>	<u>497,136</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUES AND EXPENSES (Continued)

(c) Statement of Objective

In order to discharge its responsibilities to the community, the Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

COMMUNITY VISION

Provide effective leadership in encouraging balanced growth and development of the Shire while recognising the diverse needs of the community.

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

GENERAL PURPOSE FUNDING

Objective: To collect revenue to allow for the provision of services.

Activities: Rates, general purpose government grants and interest revenue.

GOVERNANCE

Objective: To provide a decision making process for the efficient allocation of scarce resources.

Activities: Includes the activities of members of Council and the administrative support available to the Council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific Council services.

LAW, ORDER, PUBLIC SAFETY

Objective: To provide services to help ensure a safer and environmentally conscious community.

Activities: Supervision and enforcement of various local-laws relating to fire prevention, animal control and protection of the environment and other aspects of public safety including emergency services.

HEALTH

Objective: To provide services to achieve community and environmental health.

Activities: Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.

EDUCATION AND WELFARE

Objective: To provide services to children, youth, the elderly and disadvantaged persons.

Activities: Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.

HOUSING

Objective: To provide and maintain staff housing and elderly residents' housing.

Activities: Provision and maintenance of staff housing and elderly residents' housing.

COMMUNITY AMENITIES

Objective: To provide services required by the community.

Activities: Rubbish collection services, operation of refuse site, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.

RECREATION AND CULTURE

Objective: To establish and effectively manage infrastructure and resources which help the social well being of the community.

Activities: Maintenance of public halls, civic buildings, river banks, recreation centre and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library and other cultural facilities.

TRANSPORT

Objective: To provide safe, effective and efficient transport services to the community.

Activities: Construction and maintenance of streets, roads, bridges, footpaths, cycleways, parking facilities, traffic control and depot. Cleaning of streets and maintenance of street trees, street lighting, etc.

ECONOMIC SERVICES

Objective: To help promote the shire and its economic wellbeing.

Activities: Tourism and area promotion, building control, provision of rural services including weed and vermin control, standpipes.

OTHER PROPERTY & SERVICES

Objective: To monitor and control Councils' overheads operating accounts.

Activities: Private works operations, plant repairs and operations costs and engineering operation costs.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 Actual \$	2016 Actual \$
2. REVENUES AND EXPENSES (Continued)			
(d) Conditions Over Grants/Contributions			
Grants which were recognised as revenues during the reporting period and which had not yet been expended.			
Royalties for Regions Grant Funding		0	0
Emergency Services Levy Grant - 17/18 1st Instalment		28,568	0
Roads to Recovery Grants - Depiazzi Road		85,259	0
Regional Tourism Grant - Waste Dump Point		15,000	0
Leeuwin 2017 Scholarship Funding		0	1,909
Bushfire Brigade Donation		0	5,000
Carbon Pricing Scheme Funding		0	56,335
		<u>128,827</u>	<u>63,244</u>
(d) Conditions Over Grants/Contributions			
Grants which were recognised as revenues in previous reporting periods and which were expended in the current reporting period.			
Royalties for Regions Grant Funding - Eaton Foreshore Stage 1		0	200,000
Dept Sport & Recreation - Glen Huon Sporting Pavilion Stage 1		0	200,000
Emergency Services Levy Grant		0	25,738
DLG & Communities Grant - Library Programs		0	10,000
FIMM WA Mosquito Control Funding		1,050	0
RRG Funding - Eaton Drive		0	76,092
Dept. Families, Housing - Joshua Crooked Brook BFB Grant		0	3,120
Black Spot Funding - King Tree Road		0	120,000
Ferguson River Restoration Project		7,328	1,123
Bushfire Brigade Donation		5,000	0
Leeuwin 2017 Scholarship Funding		1,909	0
		<u>15,287</u>	<u>636,073</u>
(e) Other Comprehensive Income			
Changes on Revaluation of Non-Current Assets		3,460,125	4,582,164
		<u>3,460,125</u>	<u>4,582,164</u>
3. CASH AND CASH EQUIVALENTS			
Unrestricted			
- Cash on Hand		3,710	3,450
- Municipal Fund		1,359,109	1,885,536
Restricted			
- Reserve Fund	12	17,143,656	20,086,504
		<u>18,506,475</u>	<u>21,975,490</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Pensioner Rates Rebate		11,448	8,192
Sundry Debtors		760,448	411,670
Goods & Services Tax		611,163	423,415
Fuel Tax Credit		10,810	9,375
Self Supporting Loans		64,390	62,464
Insurance Claims		6,595	14,719
Prepaid Expenditure		28,365	22,510
		<u>1,493,219</u>	<u>952,345</u>
Non-Current			
Rates Outstanding - Deferred Pensioners		82,310	77,296
Self Supporting Loans		32,936	97,326
		<u>115,246</u>	<u>174,622</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
5. INVENTORIES		
Current		
Materials	2,637	2,900
Trading Stock - Recreation Centre	14,022	21,987
Land Held for Resale	0	0
	<u>16,659</u>	<u>24,887</u>
Non-Current		
Land Held for Resale	0	0
	<u>0</u>	<u>0</u>
6. PROPERTY, PLANT AND EQUIPMENT		
Land - Independent Valuation	6,258,523	4,021,149
Less Accumulated Depreciation	0	0
	<u>6,258,523</u>	<u>4,021,149</u>
Buildings	39,386,982	38,067,988
Less Accumulated Depreciation	(15,994,249)	(22,076,340)
	<u>23,392,733</u>	<u>15,991,648</u>
Furniture and Equipment	2,638,132	2,465,106
Less Accumulated Depreciation	(1,835,348)	(1,656,025)
	<u>802,784</u>	<u>809,081</u>
Motor Vehicles	4,634,791	4,639,306
Less Accumulated Depreciation	(1,866,694)	(1,701,779)
	<u>2,768,097</u>	<u>2,937,527</u>
Plant and Equipment	1,010,383	979,769
Less Accumulated Depreciation	(348,974)	(326,962)
	<u>661,409</u>	<u>652,807</u>
Work in Progress	426,931	1,237,846
Less Accumulated Amortisation	0	0
	<u>426,931</u>	<u>1,237,846</u>
	<u>34,310,477</u>	<u>25,650,058</u>
7. (a) INFRASTRUCTURE		
Roads	128,282,840	124,848,351
Less Accumulated Depreciation	(36,194,380)	(33,917,700)
	<u>92,088,460</u>	<u>90,930,651</u>
Footpaths	9,604,010	9,547,865
Less Accumulated Depreciation	(2,763,657)	(2,572,700)
	<u>6,840,353</u>	<u>6,975,165</u>
Bridges	28,715,000	28,091,174
Less Accumulated Depreciation	(16,843,667)	(17,911,460)
	<u>11,871,333</u>	<u>10,179,714</u>
Drainage	22,213,895	22,213,895
Less Accumulated Depreciation	(5,757,352)	(5,461,907)
	<u>16,456,543</u>	<u>16,751,988</u>
Parks & Ovals	8,501,909	7,661,739
Less Accumulated Depreciation	(3,904,683)	(3,751,448)
	<u>4,597,226</u>	<u>3,910,291</u>
	<u>131,853,915</u>	<u>128,747,809</u>
7. (b) INTANGIBLE ASSETS		
Intangible Assets	1,921,278	1,921,278
Less Accumulated Amortisation	0	0
	<u>1,921,278</u>	<u>1,921,278</u>
	<u>1,921,278</u>	<u>1,921,278</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

8. (a) Movements in carrying amounts

Movements in carrying amounts of each class of Property, Plant and Equipment & Infrastructure between the beginning and end of the current financial year.

	Intangible Assets	Land	Buildings	Furniture & Fittings	Motor Vehicles	Plant & Equipment	Infrastructure					Work in Progress	Total
							Roads	Drainage	Dual Use Paths	Bridges	Parks & Gardens		
Gross Carrying Amount													
Balance at 30 June 2016	1,921,278	4,021,149	38,067,988	2,465,106	4,639,306	979,769	124,848,351	22,213,895	9,547,865	28,091,174	7,661,739	1,237,846	245,695,466
Additions	0	0	8,732,263	180,451	347,372	56,890	3,434,489	0	56,145	0	840,170	142,541	13,790,321
Developer Donated Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0	0
Disposals	0	(231,149)	(2,134,680)	(7,425)	(351,887)	(26,276)	0	0	0	0	0	0	(2,751,417)
Revaluation Increments (Decrements)	0	2,135,000	(5,853,399)	0	0	0	0	0	0	623,826	0	0	(3,094,573)
Work in Progress Movement	0	333,523	574,810	0	0	0	0	0	0	0	0	(953,456)	(45,123)
Balance at 30 June 2017	1,921,278	6,258,523	39,386,982	2,638,132	4,634,791	1,010,383	128,282,840	22,213,895	9,604,010	28,715,000	8,501,909	426,931	253,594,674
Accumulated Depreciation													
Balance at 30 June 2016	0	0	(22,076,340)	(1,656,025)	(1,701,779)	(326,962)	(33,917,700)	(5,461,907)	(2,572,700)	(17,911,460)	(3,751,448)	0	(89,376,321)
Disposals	0	0	1,837,100	6,464	145,384	25,862	0	0	0	0	0	0	2,014,810
Revaluation (Increments) Decrements	0	0	5,011,864	0	0	0	0	0	0	1,536,914	0	0	6,548,778
Asset Class Reclassification	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Expense	0	0	(766,873)	(185,787)	(310,299)	(47,874)	(2,276,680)	(295,445)	(190,957)	(469,121)	(153,235)	0	(4,696,271)
Balance at 30 June 2017	0	0	(15,994,249)	(1,835,348)	(1,866,694)	(348,974)	(36,194,380)	(5,757,352)	(2,763,657)	(16,843,667)	(3,904,683)	0	(85,509,004)
Net Book Value at 30 June 2017	1,921,278	6,258,523	23,392,733	802,784	2,768,097	661,409	92,088,460	16,456,543	6,840,353	11,871,333	4,597,226	426,931	168,085,670
Valuation	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

8. (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy <i>Note 1h</i>	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
Intangible Assets - Easements	3	Market approach using recent Valuer General rating valuations	Management Valuation	June 2015	Valuer General rating valuations applied to easement land area
Land	3	Market approach using recent observable market data for properties	Independent Valuer	June 2017	Price per m2
Buildings	3	Market approach using recent observable market data for properties	Independent Valuer	June 2017	Construction costs and current condition, residual values and remaining useful life assessment's
Furniture & Fittings	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessment's
Motor Vehicles	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessment's
Plant & Equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessment's
Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Construction costs and current condition , residual values and remaining useful life assessments inputs
Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Construction costs and current condition , residual values and remaining useful life assessments inputs
Dual Use Paths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Construction costs and current condition , residual values and remaining useful life assessments inputs
Bridges	3	Cost approach using depreciated replacement cost	Independent Valuer	June 2017	Construction costs and current condition , residual values and remaining useful life assessments inputs
Parks & Gardens	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition , residual values and remaining useful life assessments inputs

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 Actual \$	2016 Actual \$
9. TRADE AND OTHER PAYABLES			
Current			
Sundry Creditors		1,069,007	929,264
Other Payables		6,445	2,818
Prepaid Revenue - Rates		95,817	76,775
Prepaid Revenue - Other		11,467	0
Accrued Interest on Debentures		48,804	34,111
Accrued Expenses		0	12,991
Tax Liabilities		156,697	152,123
PAYG Withholdings		0	0
Accrued Salaries & Wages		16,261	281,669
		<u>1,404,498</u>	<u>1,489,751</u>
Non-Current			
Nil		0	0
		<u>0</u>	<u>0</u>
10. LONG TERM BORROWINGS			
Current			
Secured by Floating Charge			
Debentures	24	418,802	363,296
		<u>418,802</u>	<u>363,296</u>
Non-Current			
Secured by Floating Charge			
Debentures	24	2,605,152	1,943,954
		<u>2,605,152</u>	<u>1,943,954</u>
11. PROVISIONS			
Current			
Provision for Annual Leave		454,267	460,436
Provision for Long Service Leave		464,705	509,042
Provision for RDO		49,586	43,642
		<u>968,558</u>	<u>1,013,120</u>
Non-Current			
Provision for Long Service Leave		340,713	266,699
Provision for Refuse Site Rehabilitation	39	0	0
		<u>340,713</u>	<u>266,699</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED			
<i>Reserve Funds over which Council has Discretionary Control</i>			
(a) Buildings Maintenance Reserve			
Opening Balance	1,237,219	1,586,795	1,085,232
Reallocation	(137,533)	0	52,494
Amount Set Aside / Transfer to Reserve	225,888	242,860	306,912
Amount Used / Transfer from Reserve	(17,095)	(296,533)	(207,419)
	<u>1,308,479</u>	<u>1,533,122</u>	<u>1,237,219</u>
(b) Plant Reserve			
Opening Balance	369,174	487,412	263,355
Amount Set Aside / Transfer to Reserve	297,314	311,000	285,620
Amount Used / Transfer from Reserve	(42,601)	(47,242)	(179,801)
	<u>623,887</u>	<u>751,170</u>	<u>369,174</u>
(c) Roadwork Construction & Major Maintenance			
Opening Balance	307,433	188,189	567,604
Reallocation	(235,291)	0	0
Amount Set Aside / Transfer to Reserve	1,350,154	1,360,661	1,151,842
Amount Used / Transfer from Reserve	(987,787)	(1,167,492)	(1,412,013)
	<u>434,509</u>	<u>381,358</u>	<u>307,433</u>
(d) Information Technology			
Opening Balance	284,458	327,593	414,309
Amount Set Aside / Transfer to Reserve	180,565	124,185	215,995
Amount Used / Transfer from Reserve	(152,168)	(123,229)	(345,846)
	<u>312,855</u>	<u>328,549</u>	<u>284,458</u>
(e) Road Safety Programs			
Opening Balance	1,691	1,691	1,691
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>1,691</u>	<u>1,691</u>	<u>1,691</u>
(f) Tourism Reserve			
Opening Balance	20,000	20,000	10,000
Amount Set Aside / Transfer to Reserve	16,013	0	10,000
Amount Used / Transfer from Reserve	(10,000)	0	0
	<u>26,013</u>	<u>20,000</u>	<u>20,000</u>
(g) Executive & Compliance Vehicles			
Opening Balance	297,889	398,536	271,335
Amount Set Aside / Transfer to Reserve	134,731	138,376	127,410
Amount Used / Transfer from Reserve	(113,301)	(237,288)	(100,856)
	<u>319,319</u>	<u>299,624</u>	<u>297,889</u>
(h) Employee Relief			
Opening Balance	112,110	112,110	70,246
Amount Set Aside / Transfer to Reserve	45,000	49,519	41,864
Amount Used / Transfer from Reserve	0	0	0
	<u>157,110</u>	<u>161,629</u>	<u>112,110</u>
(i) Refuse Site Environmental Works			
Opening Balance	80,493	80,494	78,413
Amount Set Aside / Transfer to Reserve	0	0	2,080
Amount Used / Transfer from Reserve	0	0	0
	<u>80,493</u>	<u>80,494</u>	<u>80,493</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED (Continued)			
(j) Meat Inspection Fund			
Opening Balance	5,064	5,064	4,933
Amount Set Aside / Transfer to Reserve	0	0	131
Amount Used / Transfer from Reserve	0	0	0
	<u>5,064</u>	<u>5,064</u>	<u>5,064</u>
(k) Recycling Education			
Opening Balance	79,886	79,886	77,821
Amount Set Aside / Transfer to Reserve	0	0	2,065
Amount Used / Transfer from Reserve	0	0	0
	<u>79,886</u>	<u>79,886</u>	<u>79,886</u>
(l) Eaton Recreation Centre Equipment			
Opening Balance	265,447	276,848	226,376
Amount Set Aside / Transfer to Reserve	35,193	38,188	56,007
Amount Used / Transfer from Reserve	(21,011)	(22,140)	(16,936)
	<u>279,629</u>	<u>292,896</u>	<u>265,447</u>
(m) Council Land Development			
Opening Balance	27,848	48,000	135,203
Reallocation	0	0	(100,000)
Amount Set Aside / Transfer to Reserve	0	0	934
Amount Used / Transfer from Reserve	(9,370)	(48,000)	(8,289)
	<u>18,478</u>	<u>0</u>	<u>27,848</u>
(n) Sale of Land			
Opening Balance	6,273,778	7,196,514	1,165,582
Reallocation	345,522	0	(4,885)
Amount Set Aside / Transfer to Reserve	541,777	0	6,030,932
Amount Used / Transfer from Reserve	(4,793,032)	(6,350,000)	(917,851)
	<u>2,368,045</u>	<u>846,514</u>	<u>6,273,778</u>
(o) Accrued Salaries			
Opening Balance	328,500	328,500	271,300
Amount Set Aside / Transfer to Reserve	0	207	57,200
Amount Used / Transfer from Reserve	0	(321,300)	0
	<u>328,500</u>	<u>7,407</u>	<u>328,500</u>
(p) Environmental Projects			
Opening Balance	0	0	8,552
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	(8,552)
	<u>0</u>	<u>0</u>	<u>0</u>
(q) Carried Forward Projects			
Opening Balance	2,917,531	1,970,190	2,256,382
Reallocation	515,814	0	187,391
Amount Set Aside / Transfer to Reserve	1,021,015	176,114	953,692
Amount Used / Transfer from Reserve	(1,169,402)	(237,335)	(479,934)
	<u>3,284,958</u>	<u>1,908,969</u>	<u>2,917,531</u>
(r) Strategic Planning Studies			
Opening Balance	98,065	104,369	52,963
Reallocation	0	0	0
Amount Set Aside / Transfer to Reserve	55,000	55,000	78,347
Amount Used / Transfer from Reserve	0	0	(33,245)
	<u>153,065</u>	<u>159,369</u>	<u>98,065</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED (Continued)			
(s) Town Planning Consultancy			
Opening Balance	51,359	68,218	42,101
Reallocation	0	0	0
Amount Set Aside / Transfer to Reserve	25,000	25,000	26,118
Amount Used / Transfer from Reserve	(16,979)	(40,000)	(16,860)
	<u>59,380</u>	<u>53,218</u>	<u>51,359</u>
(t) Parks & Reserves Development			
Opening Balance	219,346	219,346	169,839
Reallocation	(5,335)	0	(135,000)
Amount Set Aside / Transfer to Reserve	194,291	190,941	184,507
Amount Used / Transfer from Reserve	(249,942)	(376,611)	0
	<u>158,360</u>	<u>33,676</u>	<u>219,346</u>
(u) Election Expenses			
Opening Balance	783	33,000	13,000
Amount Set Aside / Transfer to Reserve	20,000	20,000	20,000
Amount Used / Transfer from Reserve	0	0	(32,217)
	<u>20,783</u>	<u>53,000</u>	<u>783</u>
(v) Pathways			
Opening Balance	233,975	238,976	250,389
Reallocation	(137,655)	0	0
Amount Set Aside / Transfer to Reserve	190,873	194,000	181,644
Amount Used / Transfer from Reserve	(229,501)	(289,909)	(198,058)
	<u>57,692</u>	<u>143,067</u>	<u>233,975</u>
(w) Asset / Rating Revaluation			
Opening Balance	125,708	125,708	68,880
Amount Set Aside / Transfer to Reserve	55,000	60,187	56,828
Amount Used / Transfer from Reserve	0	0	0
	<u>180,708</u>	<u>185,895</u>	<u>125,708</u>
(x) Refuse & Recycling Bin Replacement			
Opening Balance	52,468	52,468	41,370
Amount Set Aside / Transfer to Reserve	0	1,509	11,098
Amount Used / Transfer from Reserve	0	0	0
	<u>52,468</u>	<u>53,977</u>	<u>52,468</u>
(y) Emergency Services Reserve			
Opening Balance	10,000	10,000	10,000
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
(z) Small Plant & Equipment			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	5,000	5,144	0
Amount Used / Transfer from Reserve	0	0	0
	<u>5,000</u>	<u>5,144</u>	<u>0</u>
Sub Total	<u>10,326,372</u>	<u>7,395,719</u>	<u>13,400,225</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED (Continued)			
<i>Reserve Funds with Externally Imposed Conditions</i>			
(a) Fire Control Reserve			
Opening Balance	1,076	1,076	1,048
Amount Set Aside / Transfer to Reserve	0	0	28
Amount Used / Transfer from Reserve	0	0	0
	<u>1,076</u>	<u>1,076</u>	<u>1,076</u>
(b) Collie River (Eaton Drive) Bridge Construction			
Opening Balance	4,059,702	4,063,512	3,759,746
Amount Set Aside / Transfer to Reserve	199,672	116,879	303,766
Amount Used / Transfer from Reserve	(369,278)	0	(3,810)
	<u>3,890,096</u>	<u>4,180,391</u>	<u>4,059,702</u>
(c) Contributions to Works			
Opening Balance	519,623	519,623	506,316
Reallocation	0	0	0
Amount Set Aside / Transfer to Reserve	5,530	0	13,307
Amount Used / Transfer from Reserve	(47,213)	0	0
	<u>477,940</u>	<u>519,623</u>	<u>519,623</u>
(d) Unspent Royalties for Regions Grants			
Opening Balance	345,522	545,522	545,522
Reallocation	(345,522)	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	(545,522)	(200,000)
	<u>0</u>	<u>0</u>	<u>345,522</u>
(e) Unexpended Loan Funds			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
(f) Eaton Drive - Access Construction			
Opening Balance	190,576	439,024	355,797
Reallocation	0	0	0
Amount Set Aside / Transfer to Reserve	45,890	12,626	83,227
Amount Used / Transfer from Reserve	(163,560)	0	(248,448)
	<u>72,906</u>	<u>451,650</u>	<u>190,576</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED (Continued)			
(g) Eaton Drive - Scheme Construction			
Opening Balance	1,177,185	1,179,037	1,051,958
Amount Set Aside / Transfer to Reserve	71,972	28,163	127,080
Amount Used / Transfer from Reserve	(2,971)	(199,814)	(1,853)
	<u>1,246,186</u>	<u>1,007,386</u>	<u>1,177,185</u>
(h) Unspent Grants			
Opening Balance	187,071	331,858	1,251,613
Amount Set Aside / Transfer to Reserve	851,537	0	63,245
Amount Used / Transfer from Reserve	(15,287)	0	(1,127,787)
	<u>1,023,321</u>	<u>331,858</u>	<u>187,071</u>
(i) Swimming Pool Inspections			
Opening Balance	26,617	0	0
Amount Set Aside / Transfer to Reserve	0	0	26,617
Amount Used / Transfer from Reserve	0	0	0
	<u>26,617</u>	<u>0</u>	<u>26,617</u>
(j) Unspent Specified Area Rate - Bulk Waste Collection			
Opening Balance	52,861	52,861	28,990
Amount Set Aside / Transfer to Reserve	6,610	0	23,871
Amount Used / Transfer from Reserve	0	0	0
	<u>59,471</u>	<u>52,861</u>	<u>52,861</u>
(k) Unspent Specified Area Rate - Eaton Landscaping			
Opening Balance	106,753	113,527	113,527
Amount Set Aside / Transfer to Reserve	0	0	58,295
Amount Used / Transfer from Reserve	(106,753)	0	(65,069)
	<u>0</u>	<u>113,527</u>	<u>106,753</u>
(l) Dardanup Community Centre			
Opening Balance	3,454	3,454	0
Amount Set Aside / Transfer to Reserve	8	99	3,454
Amount Used / Transfer from Reserve	0	0	0
	<u>3,462</u>	<u>3,553</u>	<u>3,454</u>
(m) Dardanup Community Centre - Design			
Opening Balance	419	419	0
Amount Set Aside / Transfer to Reserve	68	12	419
Amount Used / Transfer from Reserve	0	0	0
	<u>487</u>	<u>431</u>	<u>419</u>
(n) Dardanup Public Library			
Opening Balance	2,218	2,218	0
Amount Set Aside / Transfer to Reserve	44	64	2,218
Amount Used / Transfer from Reserve	0	0	0
	<u>2,262</u>	<u>2,282</u>	<u>2,218</u>
(o) Wells Park Hard Courts			
Opening Balance	1,756	1,756	0
Amount Set Aside / Transfer to Reserve	34	51	1,756
Amount Used / Transfer from Reserve	0	0	0
	<u>1,790</u>	<u>1,807</u>	<u>1,756</u>
(p) Wells Park Clubroom			
Opening Balance	4,765	4,765	0
Amount Set Aside / Transfer to Reserve	93	137	4,765
Amount Used / Transfer from Reserve	0	0	0
	<u>4,858</u>	<u>4,902</u>	<u>4,765</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED (Continued)			
(q) Wells Park Clubroom - Design			
Opening Balance	454	454	0
Amount Set Aside / Transfer to Reserve	9	13	454
Amount Used / Transfer from Reserve	0	0	0
	463	467	454
(r) Wells Park Car Park			
Opening Balance	6,227	6,227	0
Amount Set Aside / Transfer to Reserve	122	179	6,227
Amount Used / Transfer from Reserve	0	0	0
	6,349	6,406	6,227
Sub Total	6,817,284	6,678,220	6,686,279
Total Cash Backed Reserves	17,143,656	14,073,939	20,086,504

All of the cash backed reserve accounts are supported by money held in financial institutions.

All of the cash backed 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 are as follows:

Reserve Funds over which Council has Discretionary Control

Buildings

For the purchase, construction and maintenance of Council buildings.
Date of Utilisation: As scheduled in Council's Asset Management Plan.

Plant

To fund the purchase or replacement of Council's vehicles, heavy plant and equipment.
Date of Utilisation: As scheduled in Council's Asset Management Plan.

Roadwork Construction & Major Maintenance

Established to provide funds for the upgrade and renewal of the shires transport infrastructure.
Date of Utilisation: Funds are not expected to be used within a set period but on a budgetary needs basis.

Information Technology

Established for the acquisition of software and computer equipment.
Date of Utilisation: As scheduled in Council's Asset Management Plan.

Road Safety Programs

Established to fund general road safety programs in the shire.
Date of Utilisation: As funds become available for suitable projects.

Tourism

Established to fund the development of tourism projects.
Date of Utilisation: As funds become available for suitable projects.

Executive & Compliance Vehicles

To fund the purchase or replacement of Council's executive & compliance vehicles.
Date of Utilisation: As scheduled in Council's Asset Management Plan.

Employee Relief Reserve

To provide funds for employee related entitlements & relief staff for prolonged employee leave.
Date of Utilisation: As required.

Refuse Site Environmental Reserve

Established to provide funds for environmental works at the Banksia Road Refuse site.
Date of Utilisation: As required.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED (Continued)

Meat Inspection Fund

To provide for equipment for Meat Inspection Services.
Date of Utilisation: As required.

Recycling Education

Unspent recycling education funds for use in special education programs.
Date of Utilisation: As funds become available for suitable projects.

Eaton Recreation Centre Equipment

Established for the acquisition and replacement of equipment at the Eaton Recreation Centre.
Date of Utilisation: As scheduled in Council's Asset Management Plan.

Council Land Development

Established for funding the development of Council land for resale.
Date of Utilisation: As required.

Sale of Land Reserve

Established to hold funds from the sale of Council land.
Date of Utilisation: As suitable projects are identified.

Accrued Salaries

This fund consists of cash backed salaries & wages allocation paid annually into this reserve over a period of 10 financial years to meet the additional cashflow in each eleventh year when 27 pay periods occur (all other years have 26 pay periods).

Environmental Projects

Established to provide for environmental projects.
Date of Utilisation: As funds become available for suitable projects.

Carried Forward Projects

Established to hold unspent project funds to be carried forward into future financial years.
Date of Utilisation: As projects are completed.

Strategic Planning Studies

Established for funding strategic studies.
Date of Utilisation: As required.

Town Planning Consultancy

Established for funding strategic Town Planning Studies.
Date of Utilisation: As funds become available for suitable projects.

Parks & Reserves Development

Established to fund the development of Parks & Reserves.
Date of Utilisation: As scheduled in Council's Asset Management Plan.

Election Expenses

Established to fund Council elections.
Date of Utilisation: Council election year.

Pathways

Established to provide funds for the upgrade and renewal of the shires pathway infrastructure.
Date of Utilisation: Council election year.

Asset / Rating Revaluation

Established to provide funds for asset & rating revaluations.
Date of Utilisation: As required.

Refuse & Recycling Bin Replacement

Established to provide funds for replacement of Refuse & Recycling Bins
Date of Utilisation: As required.

Emergency Services Reserve

Established to fund unforeseen over expenditure in the Emergency Services Levy Budget.
Date of Utilisation: Funds are not expected to be used within a set period but on a budgetary needs basis.

Small Plant & Equipment

Established to fund the purchase or replacement of Council's small plant and equipment.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED (Continued)

Reserve Funds with Externally Imposed Conditions and which Council has no discretionary Control.

Fire Control Reserve

For the purchase, construction and development of fire fighting equipment and buildings.
Date of Utilisation: As funds become available for suitable projects.

Collie River (Eaton Drive) Bridge Construction

Established for the future construction of a bridge over the Collie River and extend Eaton Drive.
Date of Utilisation: As the necessary funds are raised.

Contributions to Works

Established to account for contributions and donations received from external sources.
Date of Utilisation: Year of budgeted works.

Unspent Royalties for Regions Grants

Established to identify un-expended grants provided through Royalties for Regions program.
Date of Utilisation: As funds become available for suitable projects.

Unexpended Loan Funds

Established to account for un-expended loan funds being carried forward to the next financial period.
Date of Utilisation: Year of budgeted works.

Eaton Drive Access Construction

Established for the construction of Eaton Drive Access Road from developer contributions.
Date of Utilisation: As the growth of Eaton townsite necessitates development.

Eaton Drive Scheme Construction

Established for the future construction of Eaton Drive from developer contributions.
Date of Utilisation: As the growth of Eaton townsite necessitates development.

Unspent Grants Fund

Established to identify un-expended grants and special projects funding.
Date of Utilisation: Year of budgeted works.

Swimming Pool Inspections

Established to account for unspent Swimming Pool Inspection Levy.
Date of Utilisation: On payment of swimming pool inspections every 3 years.

Unspent Specified Area Rate - Bulk Waste Collection

Established to hold unspent specified area rates for bulk waste collection.
Date of Utilisation: Next financial year.

Unspent Specified Area Rate - Eaton Landscaping

Established to hold unspent specified area rates for Eaton landscaping.
Date of Utilisation: As projects are completed.

Dardanup Community Centre

Established to hold funds for the future construction of a community centre and outdoor play area.
Date of Utilisation: As required.

Dardanup Community Centre - Design

Established to hold funds for the design of a future community centre and outdoor play area.
Date of Utilisation: As required.

Dardanup Public Library

Established to hold funds for the future extension of Dardanup Public Library.
Date of Utilisation: As required.

Wells Park Hard Courts

Established to hold funds for the future upgrade of hard courts and lighting at Wells Park.
Date of Utilisation: As required.

Wells Park Clubroom

Established to hold funds for the future extension of club room facilities at Wells Park.
Date of Utilisation: As required.

Wells Park Clubroom - Design

Established to hold funds for the design of future extension of club room facilities at Wells Park.
Date of Utilisation: As required.

Wells Park Car Park

Established to hold funds for the future upgrade and construction of the car parking area at Wells Park.
Date of Utilisation: As required.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
13. RESERVES - ASSET REVALUATION		
Asset revaluation reserves have arisen on revaluation of the following classes of non current assets:		
(a) Land		
Balance as at 1 July 2016	2,883,352	2,883,352
Revaluation Increment	2,135,000	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	5,018,352	2,883,352
(b) Buildings		
Balance as at 1 July 2016	12,655,665	12,655,665
Revaluation Increment	0	0
Revaluation Decrement	(841,535)	0
Balance as at 30 June 2017	11,814,130	12,655,665
(c) Roads		
Balance as at 1 July 2016	60,359,817	58,014,563
Revaluation Increment	0	2,345,254
Revaluation Decrement	0	0
Balance as at 30 June 2017	60,359,817	60,359,817
(d) Dual Use Paths		
Balance as at 1 July 2016	6,030,323	5,419,166
Revaluation Increment	0	611,157
Revaluation Decrement	0	0
Balance as at 30 June 2017	6,030,323	6,030,323
(e) Parks, Gardens & Reserves		
Balance as at 1 July 2016	1,673,372	1,673,372
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	1,673,372	1,673,372
(f) Drainage		
Balance as at 1 July 2016	17,743,469	16,400,077
Revaluation Increment	0	1,343,392
Revaluation Decrement	0	0
Balance as at 30 June 2017	17,743,469	17,743,469
(g) Bridges		
Balance as at 1 July 2016	5,809,405	5,809,405
Revaluation Increment	2,160,740	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	7,970,145	5,809,405
(h) Plant & Equipment		
Balance as at 1 July 2016	1,038,174	755,813
Revaluation Increment	0	282,361
Revaluation Decrement	0	0
Balance as at 30 June 2017	1,038,174	1,038,174
(i) Intangible Assets		
Balance as at 1 July 2016	1,921,278	1,921,278
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	1,921,278	1,921,278
TOTAL ASSET REVALUATION RESERVES	113,569,060	110,114,855

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand 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:

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Cash and Cash Equivalents		18,506,475	14,373,939	21,975,490
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result				
Net Result		4,700,795	4,199,476	5,896,448
Amortisation		0	0	0
Depreciation	2 (a)	4,696,271	4,646,000	4,736,087
Developer Contributed Infrastructure		0	0	0
(Increase)/Decrease in Receivables				
(Excl Self Supporting Loans)	4	(543,964)	70,000	(173,186)
(Profit)/Loss on Disposal of Assets	21	(41,053)	0	(4,929,025)
(Increase)/Decrease in Inventories	5	8,228	0	(8,228)
Increase/(Decrease) in Payables				
(Excl Self Supporting Loans)	9	(85,253)	(104,671)	595,392
Increase/(Decrease) in Provisions	11	29,452	0	(65,004)
Grants & Contributions for the Development of Assets		(4,222,910)	(5,961,332)	(2,299,133)
Net Cash from Operating Activities		4,541,566	2,849,473	3,753,351
(c) Undrawn Borrowing Facilities				
Credit Standby Arrangements				
Bank Overdraft limit		250,000	250,000	250,000
Bank Overdraft at Balance Date		0	0	0
Credit Card Limit		10,000	10,000	10,000
Credit Card Balance at Balance Date		0	0	0
Total Amount of Credit Unused		260,000	260,000	260,000
(d) Loan Facilities				
Loan Facilities - Current		418,802		363,296
Loan Facilities - Non-Current		2,605,152		1,943,954
Total Facilities in Use at Balance Date	24	3,023,954		2,307,250
Unused Loan Facilities at Balance Date		0		0

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
15. CAPITAL AND OPERATING LEASING COMMITMENTS		
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	172,115	11,849
- later than one year but not later than five years	430,795	391,603
- later than five years	0	0
	602,910	403,452
(b) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	0
- plant & equipment purchases	0	0
Payable:		
- not later than one year	0	0
	0	0

Council has no capital lease commitments as at 30 June 2017.

16. CONTINGENT LIABILITIES

The Shire of Harvey and Shire Dardanup Joint Town Planning Scheme No. 1

The Shires of Dardanup and Harvey operate a joint Town Planning Scheme to enable both Local Government Authorities to coordinate land developer contributions to a future bridge spanning the Collie River. Each Council administers the collecting of contributions from land development within their respective boundaries and accumulates their respective collected funds.

Land developers within the Shire of Harvey have successfully appealed the calculation methodology employed by both Councils at the State Administrative Tribunal (SAT). The implications of this decision are that collectable funds will not meet the estimated cost of bridge construction.

Limiting any liability to the Shire of Dardanup will be the following;

- a) The Shire of Harvey and Shire Dardanup Joint Town Planning Scheme No. 1 makes provision for the construction of a new bridge including approaches. There is no obligation to build the bridge if there is a funding deficit.
- b) The Shire of Harvey and Shire Dardanup Joint Town Planning Scheme No. 1 allows all costs (including legal costs) of administering the scheme to be paid from the accumulated funds collected.
- c) All contributed funds to the Shire of Dardanup (less allowable administration expenses) are cash backed in Councils Reserve fund.

17. JOINT VENTURE

Information Technology Officers

The Shire of Dardanup together with the Shires of Harvey and Donnybrook-Balingup have a joint venture arrangement with regard to the employment of Information Technology Officers. The officers are employed by the Shire of Dardanup with operating costs shared per formal agreement. This agreement will expire on the 30 June 2017.

On termination of this agreement, all participating Councils have agreed to retain 3.0 of the 3.2 full time equivalent (FTE) officers allowing the affected employees to retain employment directly with one of the local governments. A redundancy has been implemented for the remaining 0.20 FTE employee.

The cessation of this long term arrangement is primarily due to growth within all three participating local governments. A shared Information Technology Officer Suite is no longer a sustainable option for each Council, and as a result, the agreement was terminated on 30 June 2017.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017 Actual \$	2016 Actual \$
Governance	8,573	14,096
General Purpose Funding	19,222,205	22,493,768
Law, Order, Public Safety	1,438,974	1,537,103
Health	960,297	1,287,326
Education and Welfare	790,822	512,000
Housing	0	0
Community Amenities	1,363,198	1,558,529
Recreation and Culture	24,426,978	17,393,143
Transport	135,707,436	129,783,347
Economic Services	643,237	595,454
Other Property and Services	3,655,549	4,271,723
	<u>188,217,269</u>	<u>179,446,489</u>

19. ACQUISITION OF ASSETS

	2017 Actual \$	2017 Budget \$
By Program		
Law, Order, Public Safety		
Land & Buildings	0	7,233
Furniture & Fittings	1,090	0
Health		
Motor Vehicles	28,507	35,875
Education & Welfare		
Land & Buildings	3,058	0
Community Amenities		
Plant & Equipment	14,488	27,980
Motor Vehicles	0	71,750
Recreation & Culture		
Land & Buildings	6,177,892	4,492,264
Furniture & Fittings	44,708	417,082
Motor Vehicles	53,157	54,588
Plant & Equipment	3,131	0
Infrastructure Assets	840,170	761,642
Transport		
Land & Buildings	2,542,251	2,509,785
Motor Vehicles	23,915	45,194
Plant & Equipment	39,271	5,638
Infrastructure Assets	3,490,634	4,677,155
Other Property & Services		
Land & Buildings	151,603	10,162,251
Furniture & Fittings	134,653	118,712
Motor Vehicles	241,793	361,314
	<u>13,790,321</u>	<u>23,748,463</u>
By Class		
Land & Buildings	8,874,804	17,171,533
Furniture and Fittings	180,451	535,794
Motor Vehicles	347,372	568,721
Plant and Equipment	56,890	33,618
Infrastructure Assets - Roads	3,434,489	4,380,746
Infrastructure Assets - Dual Use Paths	56,145	296,409
Infrastructure Assets - Parks & Gardens	840,170	761,642
	<u>13,790,321</u>	<u>23,748,463</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

20. FINANCIAL RATIOS

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual
Current Ratio	1.013	1.004	1.000	1.029
Asset Sustainability Ratio	1.685	0.936	1.083	2.090
Debt Service Cover Ratio	7.440	11.513	17.855	7.913
Operating Surplus Ratio	0.010	0.030	0.180	-0.057
Own Source Revenue Coverage Ratio	0.946	0.880	1.129	0.832

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 Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

The "Operating Surplus" Ratio is an indicator of the extent to which revenues raised cover operational expenses to the extent to which surpluses are generated to fund capital projects. A positive ratio indicates the percentage of total rates to help fund proposed capital expenditure. A negative ratio indicates the percentage increase in total rates that would be required to achieve a breakeven result. Council's ratio has decreased to -0.057 compared to last year at 0.180, and is greatly influenced by depreciation.

"Operating Revenue" Means the revenue that is operating revenue for the purposes of the Australian Accounting Standards, excluding grants and contributions for the development or acquisition of assets.

Information relating to the Asset Consumption Ratio and the Asset Renewal Funding Ratio can be found at Supplementary Ratio Information on Page 54 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of the prefunded allocation of the 2017/18 Financial Assistance Grants in June 2017. The early payment of the grant increased operating revenue in 2017 by \$722,710.

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of the prefunded allocation of the 2015/16 Financial Assistance Grant on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$691,714.

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual
Current Ratio	1.371	0.685	1.241	0.770
Debt Service Cover Ratio	9.221	9.968	19.318	6.444
Operating Surplus Ratio	0.064	-0.016	0.215	-0.101

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

21. TRUST FUNDS

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

	Balance 1/07/16 \$	Amounts Received \$	Amounts Paid \$	Balance 30/06/17 \$
Eaton Development Assoc	1,031	0	1,031	0
Local Art Exhibition	0	0	0	0
Kids Sport	778	35,000	30,374	5,404
Deposit on Land Sale	132,832	0	132,832	0
Transportable Building Bonds	8,368	85	8,453	0
Tree Planting Bonds	0	0	0	0
Burekup History Books	151	0	151	0
Unclaimed Monies	1,126	50	0	1,176
Extractive Industries Bonds	146,992	1,827	0	148,819
Retention Bonds	308,072	14,809	33,075	289,806
Election Nomination Deposits	0	0	0	0
Bunbury Wellington Group of Councils	28,618	3,899	0	32,517
Hire Bonds	870	11,360	11,880	350
Key Bonds	192	601	640	153
Kerb Bonds	242,073	0	120,799	121,274
Eaton POS	637,855	8,171	0	646,026
Dardanup POS	54,580	699	0	55,279
Burekup POS	248,594	3,184	0	251,778
Boyanup Capel Dardanup Football Club Inc	267,025	5,054	0	272,079
Specified Project - Dardanup Central BFB Bequest	0	91,118	0	91,118
Specified Project - Wells Recreation Ground Bequest	0	51,634	0	51,634
	2,079,157	227,491	339,235	1,967,413

22. DISPOSALS OF ASSETS

The following assets were disposed of during the year.

Function/Activity (Net)	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Law, Order & Public Safety	0	0	0	0	0	0
Health	22,390	15,068	19,183	15,068	(3,207)	0
Community Amenities	33,580	33,006	0	33,006	(33,580)	0
Recreation & Culture	279,980	11,438	7,050	11,438	(272,930)	0
Transport	9,334	4,100	9,736	4,100	402	0
Economic Services	0	0	0	0	0	0
Other Property & Services	391,325	183,577	741,693	183,577	350,368	0
Total	736,609	247,189	777,662	247,189	41,053	0
Land	231,149	0	603,875	0	372,726	0
Buildings	297,580	0	0	0	(297,580)	0
Furniture & Equipment	962	0	446	0	(516)	0
Vehicles	206,504	247,189	167,491	247,189	(39,013)	0
Plant & Equipment	414	0	5,850	0	5,436	0
Total	736,609	247,189	777,662	247,189	41,053	0

	2017 Actual \$
23. BUDGET COMPARISON	
Current Position at 1st July 2016	
The current position balance carried forward from the previous financial year for the purpose of the 2016/17 budget was \$225,329.	
The actual current position balance shown in the audited financial report as at 30 June 2016 was \$300,884.	
This difference, amounts to \$75,555 and was due to:	
a) Increase in Payables	(1,778,200)
b) Increase in Cash	1,328,986
c) Increase in Inventory	4,888
d) Increase in Receivables	519,881
	75,555

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

24. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Loan No.	Principal 01-Jul-16	New Loans	Interest Expense	Interest Repayments		Principal Repayments		Total Repayments		Principal 30-Jun-17	
				(Accrued)	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Recreation & Culture												
Eaton Recreation Centre	59	585,611	0	32,386	33,369	33,937	69,641	69,641	103,010	103,578	515,970	515,970
Eaton Recreation Centre	63	78,688	0	4,240	4,433	4,433	17,972	17,972	22,405	22,405	60,716	60,716
Eaton Bowling Club (SSL)	67	159,789	0	3,769	4,415	4,415	62,464	62,464	66,879	66,879	97,325	97,325
Eaton Recreation Centre	68	140,500	0	4,033	4,321	4,321	38,514	38,514	42,835	42,835	101,986	101,987
Glen Huon Oval Redevelopment	New	0	1,080,000	19,820	0	0	0	0	0	0	1,080,000	1,080,000
Transport												
Depot Land Purchase	66	715,360	0	27,757	28,613	28,613	49,901	49,901	78,514	78,514	665,459	665,460
Economic Development												
Gravel Site - Panizza Road	61	172,635	0	10,203	10,402	10,570	18,656	18,656	29,058	29,226	153,979	153,979
Other Property & Services												
Administration Building	49	202,096	0	9,925	11,353	11,537	77,099	77,099	88,452	88,636	124,997	124,996
Administration Building Ext	65	252,571	0	16,721	17,254	17,254	29,049	29,049	46,303	46,303	223,522	223,521
Administration Building Ext	New	0	0	0	0	0	0	0	0	0	0	6,500,000
		2,307,250	1,080,000	128,854	114,160	115,080	363,296	363,296	477,456	478,376	3,023,954	9,523,954

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

24. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures 2016/17

Purpose	Loan No.	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent \$
		Actual	Budget						Actual	Budget	
Glen Huon Oval Club Rooms	69	1,080,000	1,080,000	WATC	Debenture	20	480,719	3.84%	1,080,000	1,080,000	0
		<u>1,080,000</u>	<u>1,080,000</u>				<u>480,719</u>		<u>1,080,000</u>	<u>1,080,000</u>	<u>0</u>

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1/07/16	Amount of Loan	Expended During Year	Balance 30/06/17
Nil		0	0	0	0
		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

(d) Overdraft

Council has an overdraft facility of \$250,000 to assist with short term liquidity requirements.
The balance of the bank overdraft at 30 June 2017 was \$nil.

(e) Interest Rate Risk

New loans are borrowed with interest rate fixed for the term of the loan, this protects Council from future increases in interest rate rises.

Shire of Dardanup

RATING INFORMATION For the Year Ended 30 June 2017

25.	Number of Properties	Rateable Value \$	Rate in Dollar \$	2017 Actual \$	2017 Budget \$	2016 Actual \$
GROSS RENTAL VALUE (GRV)						
General Rates - GRV						
Residential	2,847	49,278,845	\$0.093952	4,629,846	4,629,846	4,169,608
Commercial	53	10,836,087	\$0.093952	1,018,072	1,018,072	948,628
Industrial	105	6,982,629	\$0.093952	656,032	656,032	615,376
Small Holding	348	6,719,229	\$0.093952	631,285	631,285	584,385
Interim & Back Rates	0	0	\$0.093952	226,242	140,000	143,897
Total Rates - GRV	3,353	73,816,790		7,161,477	7,075,235	6,461,894
Minimum Rates - GRV						
Residential	1,765	20,945,061		2,405,695	2,405,695	2,245,120
Commercial	7	76,443	\$1,363	9,541	9,541	8,960
Industrial	13	156,700	\$1,363	17,719	17,719	16,640
Small Holding	57	405,771	\$1,363	77,691	77,691	67,840
Total Minimum Rates - GRV	1,842	21,583,975		2,510,646	2,510,646	2,338,560
TOTAL GRV	5,195	95,400,765		9,672,123	9,585,881	8,800,454
UNIMPROVED VALUE (UV)						
General Rates - UV						
Broad Acre Rural	487	267,852,139	\$0.005681	1,521,668	1,521,668	1,427,298
Interim & Back Rates	0	0	\$0.005681	0	0	0
Total Rates - UV	487	267,852,139		1,521,668	1,521,668	1,427,298
Minimum Rates - UV						
Broad Acre Rural	127	18,703,161	\$1,363	173,101	173,101	175,360
Mining	19	329,119	\$1,363	25,897	25,897	24,320
Total Minimum Rates - UV	146	19,032,280		198,998	198,998	199,680
TOTAL UV	633	286,884,419		1,720,666	1,720,666	1,626,978
TOTAL GENERAL RATES	5,828			11,392,789	11,306,547	10,427,432
Specified Area Rates (Note 27)						
Bulk Waste Collection - GRV	4,378	68,117,927	\$0.001679	116,646	114,370	139,767
Eaton Landscaping - GRV	4,212	74,227,831	\$0.003011	228,474	223,500	222,336
TOTAL RATES LEVIED				11,737,909	11,644,417	10,789,535
Less: Rates Written Off				(4,018)	0	(12,255)
Net Rate Revenue				11,733,891	11,644,417	10,777,280

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

26. NET CURRENT ASSETS

Composition of net current assets.

	2017	2017	2016
	30 June 2017 Carried Forward \$	30 June 2017 Brought Forward \$	30 June 2016 Carried Forward \$
Surplus/(Deficit) 1 July 2016 brought forward	300,884	294,061	294,061
CURRENT ASSETS			
Cash and Cash Equivalents			
- Unrestricted	1,362,819	1,888,986	1,888,986
- Restricted	17,143,656	20,086,504	20,086,504
Receivables			
- Rates Outstanding	11,448	8,192	8,192
- Sundry Debtors	760,448	411,670	411,670
- GST Receivable	611,163	423,415	423,415
- Loans Receivable - Clubs/Institutions	64,390	62,464	62,464
- Other	45,770	46,604	46,604
Inventories			
- Fuel and Materials	16,659	24,887	24,887
- History Books	0	0	0
Land Held for Resale			
- Cost of Acquisition	0	0	0
- Development Costs	0	0	0
LESS: CURRENT LIABILITIES			
Trade and Other Payables			
- Sundry Creditors	(1,069,007)	(929,264)	(929,264)
- Accrued Interest on Debentures	(48,804)	(34,111)	(34,111)
- Accrued Salaries & Wages	(16,261)	(281,669)	(281,669)
- Other	(270,426)	(244,707)	(244,707)
Current Portion of Long Term Borrowings			
- Secured by Floating Charge	(418,802)	(363,296)	(363,296)
Provisions			
- Provision for Annual Leave	(454,267)	(460,436)	(460,436)
- Provision for Long Service Leave	(464,705)	(509,042)	(509,042)
- Provision for RDO	(49,586)	(43,642)	(43,642)
Unadjusted Net Current Assets	17,224,497	20,086,555	20,086,555
Adjustments			
Less: Reserves - Restricted Cash	(17,143,656)	(20,086,504)	(20,086,504)
Less: Land Held for Resale - Cost			
- Cost of Acquisition	0	0	0
- Development Costs	0	0	0
Less: Loans Receivable - Clubs/Institutions	(64,390)	(62,464)	(62,464)
Add: Secured by Floating Charge	418,802	363,296	363,296
Adjusted Net Current Assets - Surplus/(Deficit)	435,254	300,884	300,884

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

27. SPECIFIED AREA RATE

Bulk Waste Collection

This rate is levied on developed residential properties within (and adjoining to) the townsites of Eaton, Dardanup and Burekup that are serviced with Councils bulk & green waste kerbside pickup.

	Reserve Bal 1st July	Rates Levied	Interim Rates	Back Rates	Rates Expended	Reserve Bal 30th June
Specified Area Rate <i>(Refer Note 24 for valuations)</i>	\$	\$	\$	\$	\$	\$
<i>Bulk Waste Collection</i>	52,861	116,646	0	0	(110,036)	59,471

Eaton Landscaping

This rate is levied on properties within the townsite of Eaton for the purpose of upgrading & maintaining parks reserves.

	Reserve Bal 1st July	Rates Levied	Interim Rates	Back Rates	Rates Expended	Reserve Bal 30th June
Specified Area Rate <i>(Refer Note 24 for valuations)</i>	\$	\$	\$	\$	\$	\$
<i>Eaton Landscaping</i>	106,753	228,474	0	0	(335,227)	0

28. SERVICE CHARGES

Council did not raise any service charges.

29. DISCOUNTS, INCENTIVES, CONCESSIONS & WRITE-OFFS

	Type	Disc %	Total Cost/ Value	Budget Cost/ Value
Rate Assessments	Write-Off		4,018	0
			<u>4,018</u>	<u>0</u>

Pensioners & Seniors

Persons who hold a Seniors Card (SC), Commonwealth Health Seniors Card (CHSC) and/or Pension Concession Card (PCC) may be eligible to claim a rebate of up to 50% on their rates, or be eligible to defer payment of their rates.

Early Payment Incentive

Council provides an early payment incentive prize of \$1,000.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

30. INTEREST CHARGES AND INSTALMENTS

	Interest Rate	Admin Charge \$	Revenue
Interest			
Unpaid Rates	11.0%	N/A	63,022
Instalment Plan	5.5%	N/A	63,120
			<u>126,142</u>
Charges			
Instalment Plan	N/A	\$39	82,965
			<u>82,965</u>

Two option plans are available to ratepayers for payment of their rates.

Option 1 (Full Payment)

Full amount of rates and charges including arrears to be paid on or before 16 September 2016.

Option 2 (4 Instalments)

First instalment to be received on or before 16 September 2016 including all arrears and quarter of the current rates and service charges. Second, third and fourth instalments to be made at two month intervals on dates shown below:-

1st Instalment	16 September 2016
2nd Instalment	18 November 2016
3rd Instalment	20 January 2017
4th Instalment	24 March 2017

The cost of the instalment plans will comprise of simple interest of 5.5% p.a. calculated from the date the first instalment is due, together with an administration fee of \$39.

	2017 Actual \$	2016 Actual \$
31. FEES & CHARGES		
General Purpose Funding	130,199	132,068
Governance	1,122	953
Law, Order, Public Safety	122,824	97,126
Health	7,125	4,690
Education & Welfare	0	0
Housing	0	0
Community Amenities	1,226,726	1,204,463
Recreation & Culture	1,500,224	1,449,759
Transport	3,636	1,105
Economic Services	89,875	165,780
Other Property & Services	335,225	305,644
	<u>3,416,956</u>	<u>3,361,588</u>

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
32. GRANTS, SUBSIDIES & CONTRIBUTIONS REVENUE		
By Nature and Type:		
Grants - Operating	2,308,658	863,137
Contributions - Operating	33,680	419,201
Reimbursements - Operating	392,914	173,310
	<u>2,735,252</u>	<u>1,455,648</u>
Non Operating Grants, Subsidies	5,417,026	2,305,489
Non Operating Contributions - For the Development of Assets	214,609	11,401
	<u>5,631,635</u>	<u>2,316,890</u>
	<u>8,366,887</u>	<u>3,772,538</u>
By Program:		
General Purpose Funding	2,110,627	663,591
Governance	888	818
Law, Order, Public Safety	119,855	276,584
Health	49	35
Welfare & Education	6,834	8,513
Community Amenities	16,191	113,375
Recreation and Culture	3,058,199	150,198
Transport	2,918,637	2,465,652
Economic Services	12	1,689
Other Property & Services	135,595	92,083
	<u>8,366,887</u>	<u>3,772,538</u>
33. COUNCILLOR'S REMUNERATION		
The following fees, expenses and allowances were paid to council members and/or the president.		
	2017 Actual \$	2017 Budget \$
Meeting Fees - Councillors (excluding the President)	(88,000)	(88,000)
Meeting Fees - President	(19,000)	(19,000)
Local Government Allowance - President	(16,000)	(16,000)
Local Government Allowance - Deputy President	(4,000)	(4,000)
Travel Reimbursements	(8,928)	(11,000)
Telecommunication Allowance	(9,000)	(9,000)
Reimbursements	(2,168)	(4,000)
	<u>(147,096)</u>	<u>(151,000)</u>
34. EMPLOYEE NUMBERS		
The number of full-time equivalent Employees at balance date	<u>106.18</u>	<u>100.86</u>
35. MAJOR LAND TRANSACTIONS		
Council did not undertake any Major Land Transaction during the 2016/17 financial year.		
36. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS		
Council did not participate in any trading undertakings or major trading undertakings during the 2016/17 financial year.		

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
37. EMPLOYEES REMUNERATION		
Set out below, in bands of \$10,000, is the number of employees that are entitled to an annual salary of \$100,000 or more.		
Salary Range		
\$		
100,000 - 109,999	7	4
110,000 - 119,999	0	0
150,000 - 159,999	0	0
160,000 - 169,999	1	1
180,000 - 189,999	1	1
190,000 - 199,999	0	1
200,000 - 209,999	1	0
38. EVENTS AFTER THE REPORTING DATE		
No significant events have occurred since 30 June 2017 to the date of signing the financial statements.		
39. PROVISION FOR REHABILITATION		
The Banksia Road Refuse Site Facility was sold during 2015-16. Council has no future liability associated with the facility.		
Opening Balance 1 July	0	160,582
Increase (Decrease) in Provision	0	(160,582)
Closing Balance 30 June	<u>0</u>	<u>0</u>

40. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

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

	2017 Actual \$
Short-term employee benefits	1,353,979
Post-employment benefits	157,971
Other long-term benefits	29,573
Termination benefits	0
	<u>1,541,523</u>

Short-term Employee Benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP during 2016/17 financial year. The 2016/17 financial year included an additional payroll fortnight totalling 27 fortnights for the year (27 fortnights for the year occurs once every 11 years).

Details in respect to fees and benefits paid to elected members can be found at Note 33.

Post Employment Benefits

These amounts are the current year's estimated cost of providing for the Council's superannuation contributions made during the 2016/17 financial year.

Other Long-term Benefits

These amounts represent long service leave benefits accrued during the 2016/17 financial year.

Termination Benefits

These amounts represent termination benefits paid to KMP.

Related Parties

The Council's main related parties are as follows:

1. 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.

2. Entities subject to significant influence by the Shire of Dardanup.

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

3. Joint venture arrangements accounted for under the equity method.

The Shire of Dardanup has a joint venture agreement with the Shire of Harvey and the Shire of Donnybrook-Balingup with regard to the employment of shared Information Technology Officers. The combined distribution received from the Shire of Harvey and the Shire of Donnybrook-Balingup amounts to \$279,567, being reimbursement for IT resource sharing costs for the period 1 July 2016 to 30 June 2017. Details of the Agreement can be found at Note 17.

Transactions with Related Parties

Transactions between related parties 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:	2017 Actual \$
Associated companies/individuals	
Sale of Goods and Services	0
Purchase of Goods and Services	0
Joint Venture Entities:	
Distributions received from joint venture entities	279,567
Amounts Outstanding from Related Parties	
Trade and other receivables	0
Loans to associated entities	0
Loans to Key Management Personnel	0
Amounts Payable to Related Parties	
Trade and other payables	0
Loans from associated entities	0

Note: Transitional provisions contained in AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

41. FINANCIAL RISK MANAGEMENT

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

Council 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 department of Council under policies approved by the Council.

Council held the following financial instruments at balance date.

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial Assets				
Cash and Cash Equivalent	18,506,475	21,975,490	18,506,475	21,975,490
Receivables	1,608,465	1,126,967	1,608,465	1,126,967
Financial Assets at Fair Value	0	0	0	0
through Profit or Loss	0	0	0	0
Available-for-sale Financial Assets	0	0	0	0
Held-to Maturity Investments	0	0	0	0
	<u>20,114,940</u>	<u>23,102,457</u>	<u>20,114,940</u>	<u>23,102,457</u>
Financial Liabilities				
Payables	1,404,498	1,489,751	1,404,498	1,489,751
Borrowings	<u>3,023,954</u>	<u>2,307,250</u>	<u>3,023,954</u>	<u>2,307,250</u>
	<u>4,428,452</u>	<u>3,797,001</u>	<u>4,428,452</u>	<u>3,797,001</u>

Fair Value is determined as follows:

- Cash and Cash Equivalents	Estimated to the carrying value which approximates net market value.
- Receivables	Estimated to the carrying value which approximates net market value.
- Payables	Estimated to the carrying value which approximates net market value.
- Held-to Maturity Investments	Estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Borrowings	Estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through Profit or Loss	Based on quoted market prices at the reporting date or independent valuation.
- Available-for-sale Financial Assets	Based on quoted market prices at the reporting date or independent valuation.

41. (a)

Cash and Cash Equivalents

Financial Assets at Fair Value through Profit or Loss

Available-for-Sale Financial Assets

Held-to Maturity Investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance department manages the cash and investment portfolio with the assistance of independent advisors (when required). 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 and investments are also 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 Council.

Council manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisors (where considered necessary) before placing any cash and investments.

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

41. FINANCIAL RISK MANAGEMENT (Continued)

	2017 Actual \$	2016 Actual \$
Impact of a 10% movement in price of investments		
- Equity	0	0
- Income Statement	0	0
Impact of a 1% movement in interest rates in cash		
- Equity	185,065	219,755
- Income Statement	185,065	219,755

41. (b) Receivables

Council'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. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council makes suitable provision for doubtful receivables as required.

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

	2017 Actual \$	2016 Actual \$
The profile of Council's credit risk at balance date was:		
Percentage of Rates and Annual Charges		
- Current	100.0%	100.0%
- Overdue	0.0%	0.0%
Percentage of other Receivables		
- Current	100.0%	100.0%
- Overdue	0.0%	0.0%

Shire of Dardanup

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

FINANCIAL RISK MANAGEMENT (Continued)

41. (c) Payables - 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. Council 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 Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 Year	Due 1 - 5 years	Due 5 Years +	Total Contracted Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
2017					
Payables	1,404,433	0	0	1,404,433	1,404,433
Borrowings	418,802	1,155,881	1,449,271	3,023,954	3,023,954
	<u>1,823,235</u>	<u>1,155,881</u>	<u>1,449,271</u>	<u>4,428,387</u>	<u>4,428,387</u>
2016					
Payables	1,489,751	0	0	1,489,751	1,489,751
Borrowings	363,296	1,155,249	788,705	2,307,250	2,307,250
	<u>1,853,047</u>	<u>1,155,249</u>	<u>788,705</u>	<u>3,797,001</u>	<u>3,797,001</u>

Market Risk - Currency

Nil - Council does not engage in transactions expressed in foreign currencies.

Market Risk - Interest Rate

Borrowings are subject to interest rate risk (the risk interest rates could adversely affect funding costs). Council manages this risk by borrowing long term and fixing the interest rate to the situation considered most advantageous at the time of negotiation.

As interest rates on borrowings are fixed for the term of the loan, no impact is experienced from a change in interest rate therefore a sensitivity analysis is not presented.

Shire of Dardanup

SUPPLEMENTARY RATIO INFORMATION FOR THE YEAR ENDED 30TH JUNE 2017

Ratio Information

The following information relates to these ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/2017 Actual
Asset Consumption Ratio	0.625	0.613	0.636	0.663
Asset Renewal Funding Ratio	1.001	1.087	1.008	1.144

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$