



Shire of Dardanup

# APPENDICES

## AUDIT COMMITTEE MEETING

To Be Held

Wednesday, 12 December 2018  
Commencing at 2.00pm

At

Shire of Dardanup  
ADMINISTRATION CENTRE EATON  
1 Council Drive - EATON

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**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 2018, 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 2018 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 2018 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.

## (Appendix AUD: 8.1)

- 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 Note 30 of the financial report which describes certain ratio information relating to the financial report. Management's calculation of certain ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on the ratios that include these assumptions.

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**

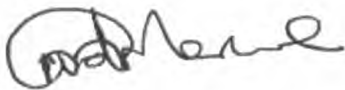
We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

## (Appendix AUD: 8.1)

- a) Apart from the operating surplus ratio, current ratio and debt service cover 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



MARIUS VAN DER MERWE CA  
Director

Perth

Date: 3 December 2018

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

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**COMMUNITY VISION**

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

Principal place of business:  
Shire of Dardanup Administration Centre  
1 Council Drive  
Eaton WA 6232

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

(Appendix AUD: 8.2)

*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 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Dardanup at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 3rd day of December 2018



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Mark L Chester  
Chief Executive Officer



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

(Appendix AUD: 8.2)

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
Rates	23(a)	12,417,350	12,268,091	11,733,891
Operating grants, subsidies and contributions	2	1,818,777	1,971,292	2,735,252
Fees and charges	2	3,084,383	3,114,310	3,416,956
Interest earnings	2(a)	453,070	492,000	429,916
Other revenue	2(a)	21,158	27,001	29,847
		<b>17,794,738</b>	<b>17,872,694</b>	<b>18,345,862</b>
<b>Expenses</b>				
Employee costs		(9,408,701)	(9,393,985)	(8,828,353)
Materials and contracts		(6,272,229)	(4,707,611)	(4,601,800)
Utility charges		(532,473)	(501,600)	(490,407)
Depreciation on non-current assets	9(b)	(4,903,188)	(4,851,900)	(4,696,271)
Interest expenses	2(a)	(130,615)	(136,680)	(128,854)
Insurance expenses		(263,957)	(263,341)	(244,132)
Other expenditure		(414,935)	(366,853)	(327,938)
		<b>(21,926,098)</b>	<b>(20,221,970)</b>	<b>(19,317,755)</b>
		<b>(4,131,360)</b>	<b>(2,349,276)</b>	<b>(971,893)</b>
Non-operating grants, subsidies and contributions	2	4,107,677	2,858,021	5,631,635
Profit on asset disposals	9(a)	0	0	373,128
(Loss) on asset disposals	9(a)	(62,814)	0	(332,075)
<b>Net result</b>		<b>(86,497)</b>	<b>508,745</b>	<b>4,700,795</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(676,032)	0	3,460,125
<b>Total other comprehensive income</b>		<b>(676,032)</b>	<b>0</b>	<b>3,460,125</b>
<b>Total comprehensive income</b>		<b>(762,529)</b>	<b>508,745</b>	<b>8,160,920</b>

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

**STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2018**

**(Appendix AUD: 8.2)**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>Revenue</b>				
	2(a)			
Governance		1,196	1,550	2,010
General purpose funding		14,380,792	14,284,553	14,404,633
Law, order, public safety		255,471	206,300	242,679
Health		19,176	6,150	7,173
Education and welfare		38,050	0	6,834
Community amenities		1,283,671	1,362,374	1,242,917
Recreation and culture		1,495,626	1,650,615	1,701,229
Transport		140,526	145,052	177,680
Economic services		72,065	121,900	89,887
Other property and services		108,165	94,200	470,820
		17,794,738	17,872,694	18,345,862
<b>Expenses</b>				
	2(a)			
Governance		(1,099,659)	(1,215,411)	(1,008,367)
General purpose funding		(347,168)	(533,164)	(455,573)
Law, order, public safety		(1,240,618)	(1,273,367)	(1,113,490)
Health		(494,287)	(522,546)	(507,958)
Education and welfare		(867,186)	(877,978)	(824,608)
Community amenities		(2,042,827)	(2,313,592)	(2,002,976)
Recreation and culture		(7,006,917)	(6,949,275)	(6,590,028)
Transport		(7,974,092)	(5,534,924)	(5,900,770)
Economic services		(494,914)	(490,193)	(447,704)
Other property and services		(227,815)	(374,840)	(337,427)
		(21,795,483)	(20,085,290)	(19,188,901)
<b>Finance Costs</b>				
	2(a)			
Recreation and culture		(76,330)	(79,216)	(64,248)
Transport		(25,685)	(26,561)	(27,757)
Economic services		(9,017)	(9,229)	(10,203)
Other property and services		(19,583)	(21,674)	(26,646)
		(130,615)	(136,680)	(128,854)
		(4,131,360)	(2,349,276)	(971,893)
Non-operating grants, subsidies and contributions	2	4,107,677	2,858,021	5,631,635
Profit on disposal of assets	9(a)	0	0	373,128
(Loss) on disposal of assets	9(a)	(62,814)	0	(332,075)
		4,044,863	2,858,021	5,672,688
		<b>(86,497)</b>	<b>508,745</b>	<b>4,700,795</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(676,032)	0	3,460,125
<b>Total other comprehensive income</b>		<b>(676,032)</b>	<b>0</b>	<b>3,460,125</b>
<b>Total comprehensive income</b>		<b>(762,529)</b>	<b>508,745</b>	<b>8,160,920</b>

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

STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2018

(Appendix AUD: 8.2)

	NOTE	2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	17,832,573	18,506,475
Trade and other receivables	5	872,166	1,493,219
Inventories	6	14,023	16,659
<b>TOTAL CURRENT ASSETS</b>		<b>18,718,762</b>	<b>20,016,353</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	5	108,314	115,246
Property, plant and equipment	7	34,004,021	34,310,477
Intangible Assets	7(b)	1,920,902	1,921,278
Infrastructure	8	132,636,708	131,853,915
<b>TOTAL NON-CURRENT ASSETS</b>		<b>168,669,945</b>	<b>168,200,916</b>
<b>TOTAL ASSETS</b>		<b>187,388,707</b>	<b>188,217,269</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	1,448,582	1,404,498
Current portion of long term borrowings	12(a)	362,288	418,802
Provisions	13	1,190,807	968,558
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,001,677</b>	<b>2,791,858</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	12(a)	2,242,864	2,605,152
Provisions	13	427,149	340,713
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,670,013</b>	<b>2,945,865</b>
<b>TOTAL LIABILITIES</b>		<b>5,671,690</b>	<b>5,737,723</b>
<b>NET ASSETS</b>		<b>181,717,017</b>	<b>182,479,546</b>
<b>EQUITY</b>			
Retained surplus		53,081,004	51,766,830
Reserves - cash backed	4	15,742,984	17,143,656
Revaluation surplus	10	112,893,029	113,569,060
<b>TOTAL EQUITY</b>		<b>181,717,017</b>	<b>182,479,546</b>

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

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

(Appendix AUD: 8.2)

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>		<b>44,168,310</b>	<b>20,086,504</b>	<b>110,114,855</b>	<b>174,369,669</b>
Comprehensive income					
Net result		4,700,795	0	(5,920)	4,694,875
Changes on revaluation of assets	10	(45,123)	0	3,460,125	3,415,002
Total comprehensive income		4,655,672	0	3,454,205	8,109,877
Transfers from/(to) reserves		2,942,848	(2,942,848)	0	0
<b>Balance as at 30 June 2017</b>		<b>51,766,830</b>	<b>17,143,656</b>	<b>113,569,060</b>	<b>182,479,546</b>
Comprehensive income					
Net result		(86,497)	0	0	(86,497)
Changes on revaluation of assets	10	0	0	(676,032)	(676,032)
Total comprehensive income		(86,497)	0	(676,032)	(762,529)
Transfers from/(to) reserves		1,400,672	(1,400,672)	0	0
<b>Balance as at 30 June 2018</b>		<b>53,081,004</b>	<b>15,742,984</b>	<b>112,893,029</b>	<b>181,717,017</b>

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

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

(Appendix AUD: 8.2)

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		12,403,984	12,268,091	11,744,663
Operating grants, subsidies and contributions		2,460,254	1,971,292	3,792,705
Fees and charges		3,016,948	3,114,310	3,430,917
Interest earnings		453,070	492,000	429,916
Goods and services tax		1,647,550	1,782,600	2,441,400
Other revenue		25,996	27,001	36,536
		20,007,802	19,655,294	21,876,137
<b>Payments</b>				
Employee costs		(9,114,267)	(9,393,985)	(9,062,163)
Materials and contracts		(6,512,166)	(4,577,201)	(4,456,059)
Utility charges		(532,473)	(501,600)	(503,398)
Interest expenses		(136,679)	(136,680)	(114,161)
Insurance expenses		(263,957)	(263,341)	(244,132)
Goods and services tax		(1,342,497)	(1,735,600)	(2,626,720)
Other expenditure		(414,935)	(366,853)	(327,938)
		(18,316,974)	(16,975,260)	(17,334,571)
<b>Net cash provided by (used in) operating activities</b>	14	1,690,828	2,680,034	4,541,566
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(1,215,394)	(10,279,754)	(9,459,517)
Payments for construction of infrastructure		(5,024,464)	(5,710,264)	(4,330,804)
Non-operating grants, subsidies and contributions		4,107,677	2,858,021	4,222,910
Proceeds from sale of fixed assets		121,863	20,930	777,662
<b>Net cash provided by (used in) investment activities</b>		(2,010,318)	(13,111,067)	(8,789,749)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of long term borrowings		(418,802)	(418,802)	(363,296)
Proceeds from self supporting loans		64,390	62,464	62,464
Proceeds from new long term borrowings		0	6,500,000	1,080,000
<b>Net cash provided by (used in) financing activities</b>		(354,412)	6,143,662	779,168
<b>Net increase (decrease) in cash held</b>		(673,902)	(4,287,371)	(3,469,015)
Cash at beginning of year		18,506,475	17,388,481	21,975,490
<b>Cash and cash equivalents at the end of the year</b>	14	17,832,573	13,101,110	18,506,475

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

RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2018

(Appendix AUD: 8.2)

NOTE	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
<b>Net current assets at start of financial year - surplus/(deficit)</b>	435,254	247,410	300,884
	435,254	247,410	300,884
<b>Revenue from operating activities (excluding rates)</b>			
Governance	1,196	1,550	2,010
General purpose funding	2,308,533	2,358,332	3,011,844
Law, order, public safety	255,471	206,300	242,679
Health	19,176	6,150	7,173
Education and welfare	38,050	0	6,834
Community amenities	1,283,671	1,362,374	1,242,917
Recreation and culture	1,495,626	1,650,615	1,701,229
Transport	140,526	145,052	178,082
Economic services	72,065	121,900	89,887
Other property and services	108,165	94,200	843,546
	5,722,479	5,946,473	7,326,201
<b>Expenditure from operating activities</b>			
Governance	(1,099,659)	(1,215,411)	(1,008,367)
General purpose funding	(347,168)	(533,164)	(455,573)
Law, order, public safety	(1,245,176)	(1,273,367)	(1,113,490)
Health	(494,287)	(522,546)	(511,165)
Education and welfare	(867,186)	(877,978)	(824,608)
Community amenities	(2,059,288)	(2,313,592)	(2,036,556)
Recreation and culture	(7,102,764)	(7,028,491)	(6,927,206)
Transport	(7,999,777)	(5,561,485)	(5,928,527)
Economic services	(503,931)	(499,422)	(457,907)
Other property and services	(269,676)	(396,514)	(386,431)
	(21,988,912)	(20,221,970)	(19,649,830)
<b>Operating activities excluded</b>			
(Profit) on disposal of assets	9(a) 0	0	(373,128)
Loss on disposal of assets	9(a) 62,814	0	332,075
Movement in deferred pensioner rates (non-current)	(26,004)	0	(5,014)
Movement in employee benefit provisions (non-current)	86,436	0	74,014
Depreciation and amortisation on assets	9(b) 4,903,188	4,851,900	4,696,271
<b>Amount attributable to operating activities</b>	(10,804,745)	(9,176,187)	(7,298,527)
<b>INVESTING ACTIVITIES</b>			
Non-operating grants, subsidies and contributions	4,107,677	2,858,021	5,631,635
Proceeds from disposal of assets	9(a) 121,863	20,930	777,662
Purchase of property, plant and equipment	7(c) (1,215,394)	(10,279,754)	(9,459,517)
Purchase and construction of infrastructure	8(b) (5,024,464)	(5,602,190)	(4,330,804)
<b>Amount attributable to investing activities</b>	(2,010,318)	(13,002,993)	(7,381,024)
<b>FINANCING ACTIVITIES</b>			
Repayment of long term borrowings	12(a) (418,802)	(418,802)	(363,296)
Proceeds from new long term borrowings	12(b) 0	6,500,000	1,080,000
Proceeds from self supporting loans	12(a) 64,390	64,390	62,464
Transfers to reserves (restricted assets)	4 (5,256,774)	(2,937,752)	(5,574,403)
Transfers from reserves (restricted assets)	4 6,657,446	7,045,123	8,517,251
<b>Amount attributable to financing activities</b>	1,046,260	10,252,959	3,722,016
<b>Surplus(deficiency) before general rates</b>	(11,768,803)	(11,926,221)	(10,957,535)
<b>Total amount raised from general rates</b>	23 12,072,259	11,926,221	11,392,789
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24 <b>303,456</b>	<b>0</b>	<b>435,254</b>

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

## 1. BASIS OF PREPARATION

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

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

### CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

### THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 26 to these financial statements.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under roads

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

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

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
<b>Fees and Charges</b>		
Governance	278	1,122
General purpose funding	130,406	130,199
Law, order, public safety	105,932	122,824
Health	18,446	7,125
Community amenities	1,280,944	1,226,726
Recreation and culture	1,434,960	1,500,224
Transport	4,033	3,636
Economic services	71,520	89,875
Other property and services	37,864	335,225
	3,084,383	3,416,956

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



## 2. REVENUE AND EXPENSES (Continued)

### (a) Revenue (Continued)

#### Grant Revenue

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

	2018	2017
	\$	\$
<b>Operating grants, subsidies and contributions</b>		
Governance	917	888
General purpose funding	1,379,967	2,110,627
Law, order, public safety	149,539	119,855
Health	731	49
Education and welfare	38,050	6,834
Community amenities	2,727	16,191
Recreation and culture	60,666	201,004
Transport	115,334	144,197
Economic services	545	12
Other property and services	70,301	135,595
	1,818,777	2,735,252
<b>Non-operating grants, subsidies and contributions</b>		
Education and welfare	50,000	0
Recreation and culture	1,182,295	2,857,195
Transport	2,875,382	2,774,440
	4,107,677	5,631,635
<b>Total grants, subsidies and contributions</b>	5,926,454	8,366,887

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued) a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 22. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

#### Interest earnings

- Loans receivable - clubs/institutions  
- Reserve funds  
- Municipal funds  
- Other interest revenue  
Other interest revenue (refer note 23(d))

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
- Loans receivable - clubs/institutions	0	0	0
- Reserve funds	264,803	260,000	245,213
- Municipal funds	48,498	105,000	56,770
- Other interest revenue	2,006	2,000	1,817
Other interest revenue (refer note 23(d))	137,763	125,000	126,116
	453,070	492,000	429,916

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

**Significant expense**

Contribution to construction on the new Treendale bridge over the Collie River

	2018	2017
	\$	\$
	2,292,000	0
<b>Auditors remuneration</b>		
- Audit of the Annual Financial Report	10,140	9,625
- Audit - Other Services	1,600	5,330
	11,740	14,955
<b>Interest expenses (finance costs)</b>		
Long term borrowings (refer Note 12(a))	130,615	128,854
	130,615	128,854

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2018 \$	2017 \$
Unrestricted		2,089,589	1,362,819
Restricted		15,742,984	17,143,656
		17,832,573	18,506,475
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Information Technology Reserve	4	275,043	312,855
Road Safety Programs Reserve	4	4,106	1,691
Tourism Reserve	4	6,242	26,013
Executive & Compliance Vehicle Reserve	4	291,095	319,319
Employee Relief Reserve	4	207,110	157,110
Employee Leave Entitlements Reserve	4	0	0
Refuse Site Environmental Works Reserve	4	81,203	80,493
Meat Inspection Reserve	4	5,108	5,064
Recycling Education Reserve	4	80,590	79,886
Eaton Recreation Centre - Equipment Reserve	4	308,666	279,629
Council Land Development Reserve	4	5,715	18,478
Sale of Land Reserve	4	2,255,132	2,368,045
Accrued Salaries Reserve	4	328,500	328,500
Carried Forward Projects Reserve	4	2,968,544	3,284,958
Strategic Planning Studies Reserve	4	209,415	153,065
Town Planning Consultancy Reserve	4	84,903	59,380
Parks & Reserves Upgrades Reserve	4	339,392	158,360
Election Expenses Reserve	4	966	20,783
Pathways Reserve	4	112,292	57,692
Asset / Rates Revaluation Reserve	4	228,922	180,708
Refuse & Recycling Bin Replacement Reserve	4	52,930	52,468
Emergency Services Reserve	4	10,088	10,000
Small Plant & Equipment Reserve	4	10,044	5,000
Storm Water Reserve	4	50,000	0
Fire Control Reserve	4	1,086	1,076
Collie River (Eaton Drive) Bridge Construction Reserve	4	1,627,719	3,890,096
Eaton Drive - Access Construction Reserve	4	163,738	72,906
Eaton Drive - Scheme Construction Reserve	4	920,705	1,246,186
Contribution to Works Reserve	4	585,777	477,940
Unspent Grants Reserve	22	1,611,237	1,023,321
Swimming Pool Inspection Reserve	4	26,852	26,617
Unspent Specified Area Rate - Bulk Waste Collection	4	67,617	59,471
Unspent Specified Area Rate - Eaton Landscaping	4	0	0
Dardanup Community Centre Design Reserve	4	1,102	487
Dardanup Public Library Reserve	4	4,264	2,262
Wells Park Hard Courts Reserve	4	4,003	1,790
Wells Park Clubroom Reserve	4	9,520	4,858
Wells Park Clubroom Design Reserve	4	1,255	463
Wells Park Car Park Reserve	4	12,607	6,349
Eaton Library Reserve	4	0	0
Wanju Developer Contribution Plan Reserve	4	0	0
Dardanup Community Centre Reserve	4	7,162	3,462
Plant Reserve	4	768,934	623,887
Road Construction & Major Maintenance Reserve	4	649,498	434,509
Unspent Royalties for Regions Grants	4	0	0
Building Maintenance Reserve	4	1,363,902	1,308,479
Unspent loans	12(c)	0	0
		15,742,984	17,143,656

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk

##### Cash and cash equivalents (Continued)

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Reallocation to (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Reallocation to (from)	2017 Actual Closing Balance
	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$		\$
Information Technology Reserve	312,855	122,757	(100,568)	(60,000)	275,044	245,794	123,063	(350,156)	18,701	284,458	180,565	(152,168)	0	312,855
Road Safety Programs Reserve	1,691	2,415	0	0	4,106	1,691	0	0	1,691	1,691	0	0	0	1,691
Tourism Reserve	26,013	229	(20,000)	0	6,242	20,000	0	(20,000)	0	20,000	16,013	(10,000)	0	26,013
Executive & Compliance Vehicle Reserve	319,319	82,814	(111,038)	0	291,095	195,331	82,431	(62,659)	215,103	297,889	134,731	(113,301)	0	319,319
Employee Relief Reserve	157,110	50,000	0	0	207,110	157,110	50,000	0	207,110	112,110	45,000	0	0	157,110
Employee Leave Entitlements Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Refuse Site Environmental Works Reserve	80,493	709	0	0	81,202	80,493	0	0	80,493	80,493	0	0	0	80,493
Meat Inspection Reserve	5,064	44	0	0	5,108	5,064	0	0	5,064	5,064	0	0	0	5,064
Recycling Education Reserve	79,886	704	0	0	80,590	79,886	0	0	79,886	79,886	0	0	0	79,886
Eaton Recreation Centre - Equipment Reserve	279,629	42,464	(13,428)	0	308,665	278,500	43,485	(13,428)	308,557	265,447	35,193	(21,011)	0	279,629
Council Land Development Reserve	18,478	163	(12,926)	0	5,715	27,848	0	(25,000)	2,848	27,848	0	(9,370)	0	18,478
Sale of Land Reserve	2,368,045	20,869	(133,781)	0	2,255,133	4,196,199	53,958	(2,960,760)	1,289,397	6,273,778	541,777	(4,793,032)	345,522	2,368,045
Accrued Salaries Reserve	328,500				328,500	7,200	0	0	7,200	328,500	0	0	0	328,500
Carried Forward Projects Reserve	3,284,958	839,552	(1,461,335)	305,369	2,968,544	2,730,924	0	(977,342)	1,753,582	2,917,531	1,021,015	(1,169,402)	515,814	3,284,958
Strategic Planning Studies Reserve	153,065	56,349	0	0	209,414	105,065	55,000	(90,000)	70,065	98,065	55,000	0	0	153,065
Town Planning Consultancy Reserve	59,380	25,523	0	0	84,903	36,359	25,000	(30,000)	31,359	51,359	25,000	(16,979)	0	59,380
Parks & Reserves Upgrades Reserve	158,360	346,954	(76,491)	(89,431)	339,392	21,953	200,280	(195,499)	26,734	219,346	194,291	(249,942)	(5,335)	158,360
Election Expenses Reserve	20,783	20,183	(40,000)	0	966	20,783	20,000	(40,000)	783	783	20,000	0	0	20,783
Pathways Reserve	57,692	145,508	(90,908)	0	112,292	254,198	148,106	(106,670)	295,634	233,975	190,873	(229,501)	(137,655)	57,692
Asset / Rates Revaluation Reserve	180,708	60,592	(12,378)	0	228,922	180,708	59,000	(180,000)	59,708	125,708	55,000	0	0	180,708
Refuse & Recycling Bin Replacement Reserve	52,468	462	0	0	52,930	52,468	0	0	52,468	52,468	0	0	0	52,468
Emergency Services Reserve	10,000	88	0	0	10,088	10,000	0	0	10,000	10,000	0	0	0	10,000
Small Plant & Equipment Reserve	5,000	5,044	0	0	10,044	5,000	5,000	0	10,000	0	5,000	0	0	5,000
Storm Water Reserve	0	50,000	0	0	50,000	0	50,000	0	50,000	0	0	0	0	0
Fire Control Reserve	1,076	9	0	0	1,085	1,076	0	0	1,076	1,076	0	0	0	1,076
Collie River (Eaton Drive) Bridge Construction R	3,890,096	34,282	(2,296,659)	0	1,627,719	3,885,952	49,555	0	3,935,507	4,059,702	199,672	(369,278)	0	3,890,096
Eaton Drive - Access Construction Reserve	72,906	644	(73,548)	163,737	163,739	32,022	408	0	32,430	190,576	45,890	(163,560)	0	72,906
Eaton Drive - Scheme Construction Reserve	1,246,186	10,982	(172,726)	(163,737)	920,705	1,245,207	15,879	(225,304)	1,035,782	1,177,185	71,972	(2,971)	0	1,246,186
Contribution to Works Reserve	477,940	107,838			585,778	525,153	0	0	525,153	519,623	5,530	(47,213)	0	477,940
Unspent Grants Reserve	1,023,321	1,421,057	(833,141)	0	1,611,237	171,784	0	0	171,784	187,071	851,537	(15,287)	0	1,023,321
Swimming Pool Inspection Reserve	26,617	235	0	0	26,852	26,617	0	0	26,617	26,617	0	0	0	26,617
Unspent Specified Area Rate - Bulk Waste Colle	59,471	8,146	0	0	67,617	52,861	0	0	52,861	52,861	6,610	0	0	59,471
Unspent Specified Area Rate - Eaton Landscapii	0	0	0	0	0	0	0	0	0	106,753	0	(106,753)	0	0
Dardanup Community Centre Design Reserve	487	615	0	0	1,102	487	6	0	493	419	68	0	0	487
Dardanup Public Library Reserve	2,262	2,003	0	0	4,265	2,261	29	0	2,290	2,218	44	0	0	2,262
Wells Park Hard Courts Reserve	1,790	2,213	0	0	4,003	1,790	23	0	1,813	1,756	34	0	0	1,790
Wells Park Clubroom Reserve	4,858	4,662	0	0	9,520	4,858	62	0	4,920	4,765	93	0	0	4,858
Wells Park Clubroom Design Reserve	463	792	0	0	1,255	463	6	0	469	454	9	0	0	463
Wells Park Car Park Reserve	6,349	6,259	0	0	12,608	6,349	82	0	6,431	6,227	122	0	0	6,349
Dardanup Community Centre Reserve	3,462	3,700	0	0	7,162	3,462	44	0	3,506	3,454	8	0	0	3,462
Plant Reserve	623,887	205,498	(60,451)	0	768,934	609,246	207,887	(64,370)	752,763	369,174	297,314	(42,601)	0	623,887
Road Construction & Major Maintenance Reserv	434,509	1,303,829	(1,088,841)	0	649,497	226,085	1,521,633	(1,369,415)	378,303	307,433	1,350,154	(987,787)	(235,291)	434,509
Unspent Royalties for Regions Grants	0	0	0	0	0	0	0	0	0	345,522	0	0	(345,522)	0
Building Maintenance Reserve	1,308,479	270,587	(59,227)	(155,938)	1,363,901	1,320,234	226,815	(334,520)	1,212,529	1,237,219	225,888	(17,095)	(137,533)	1,308,479
	17,143,656	5,256,774	(6,657,446)	0	15,742,984	16,828,481	2,937,752	(7,045,123)	12,721,110	20,086,504	5,574,403	(8,517,251)	0	17,143,656

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

Appendix A Aud: 8.2)

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

<b>Name of Reserve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Information Technology Reserve	As scheduled in Council's Asset Management Plan.	Established for the acquisition of software and computer equipment.
Road Safety Programs Reserve	As funds become available for suitable projects.	Established for general road safety programs in the Shire.
Tourism Reserve	As funds become available for suitable projects.	Established to fund the development of tourism projects.
Executive & Compliance Vehicle Reserve	As scheduled in Council's Asset Management Plan.	To fund the purchase or replacement of Council's executive and compliance vehicles.
Employee Relief Reserve	As required.	To provide funds for employee related entitlements and relief staff for prolonged employee leave.
Employee Leave Entitlements Reserve	As required.	To provide funds for employee purchased leave entitlements under Policy.
Refuse Site Environmental Works Reserve	As required.	Established to provide funds for environmental works at the Banksia Road Refuse Site.
Meat Inspection Reserve	As required.	To provide for equipment for Meat Inspection Services.
Recycling Education Reserve	As funds become available for suitable projects.	Unspent recycling education funds for use in special education programs.
Eaton Recreation Centre - Equipment Reserve	As scheduled in Council's Asset Management Plan.	Established for the acquisition and replacement of equipment at the Eaton Recreation Centre.
Council Land Development Reserve	As required.	Established for funding the development of Council land for resale.
Sale of Land Reserve	As suitable projects are identified.	Established to hold funds from the sale of Council land.
Accrued Salaries Reserve	As required.	This fund consists of cash backed salaries and wages allocation paid annually into this reserve over a period of 10 financial years to meet the additional cash flow in each eleventh year when 27 pay periods occur (all other years have 26 pay periods).
Carried Forward Projects Reserve	As projects are completed.	Established to hold unspent project funds to be carried forward into future financial years.
Strategic Planning Studies Reserve	As required.	Established for funding strategic studies.
Town Planning Consultancy Reserve	As funds become available for suitable projects.	Established for funding strategic Town Planning Studies.
Parks & Reserves Upgrades Reserve	As scheduled in Council's Asset Management Plan.	Established to fund the development of Parks and Reserves.
Election Expenses Reserve	Council election year.	Established to fund Council elections.
Pathways Reserve	As scheduled in Council's Asset Management Plan.	Established to provide funds for the upgrade and renewal of the Shire's pathway infrastructure.
Asset / Rates Revaluation Reserve	As required.	Established to provide funds for asset and rating revaluations.
Refuse & Recycling Bin Replacement Reserve	As required.	Established to provide funds for replacement of refuse and recycling bins.
Emergency Services Reserve	Funds are not expected to be used within a set period but on a budgetary needs basis.	Established to fund unforeseen over expenditure in the Emergency Services Levy Budget.
Small Plant & Equipment Reserve	As scheduled in Council's Asset Management Plan.	Established to fund the purchase or replacement of Council's small plant and equipment.
Storm Water Reserve	As scheduled in Council's Asset Management Plan.	Established to ensure preservation of Council's transport storm water infrastructure network independent of grants and contributions.
Fire Control Reserve	As funds become available for suitable projects.	For the purchase, construction and development of fire fighting equipment and buildings.
Collie River (Eaton Drive) Bridge Construction Reserve	As the necessary funds are raised.	Established for the future construction of a bridge over the Collie River and extend Eaton Drive.
Eaton Drive - Access Construction Reserve	As the growth in Eaton townsite necessitates development.	Established for the construction of Eaton Drive Access Road from developer contributions.
Eaton Drive - Scheme Construction Reserve	As the growth in Eaton townsite necessitates development.	Established for the future construction of Eaton Drive from developer contributions.
Contribution to Works Reserve	Year of budgeted works.	Established to account for contributions and donations received from external sources.
Unspent Grants Reserve	Year of budgeted works.	Established to identify unexpended grants and special projects funding.
Swimming Pool Inspection Reserve	On payment of swimming pool inspections every 3 years.	Established to account for unspent Swimming Pool Inspection Levy.
Unspent Specified Area Rate - Bulk Waste Collection	Next financial year.	Established to hold unspent specified area rates for bulk waste collection.
Unspent Specified Area Rate - Eaton Landscaping	Next financial year.	Established to hold unspent specified area rates for Eaton landscaping.
Dardanup Community Centre Design Reserve	As required.	Established to hold funds for the design of a future community centre and outdoor play area.
Dardanup Public Library Reserve	As required.	Established to hold funds for the future extension of Dardanup Public Library.
Wells Park Hard Courts Reserve	As required.	Established to hold funds for the future upgrade of the hard courts and lighting at Wells Park.
Wells Park Clubroom Reserve	As required.	Established to hold funds for the future extension of the club room facilities at Wells Park.
Wells Park Clubroom Design Reserve	As required.	Established to hold funds for the design and future extension of the club room facilities at Wells Park.
Wells Park Car Park Reserve	As required.	Established to hold funds for the future upgrade and construction of the car parking area at Wells Park.
Eaton Library Reserve	As required.	Established to hold funds for the future upgrade of the Eaton Public Library.
Wanju Developer Contribution Plan Reserve	As required.	Established to fund Wanju Developer Contribution Plan planning and development costs.
Dardanup Community Centre Reserve	As required.	Established to hold funds for the future construction of a community centre and outdoor play area.
Plant Reserve	As scheduled in Council's Asset Management Plan.	To fund the purchase or replacement of Council's vehicles, heavy plant and equipment.
Road Construction & Major Maintenance Reserve	Funds are not expected to be used within a set period but on a budgetary needs basis.	Established to provide funds for the upgrade and renewal of the Shire's transport infrastructure.
Unspent Royalties for Regions Grants	As required.	Established to identify unexpended Royalties for Regions grants.
Building Maintenance Reserve	As scheduled in Council's Asset Management Plan.	For the purchase, construction and maintenance of Council buildings.

## 5. TRADE AND OTHER RECEIVABLES

### Current

	2018	2017
	\$	\$
Rates outstanding	324,805	0
Sundry debtors	124,066	760,448
GST receivable	306,110	611,163
Loans receivable - clubs/institutions	32,936	64,390
Fuel Tax Credits	5,715	10,810
Insurance Claims	1,757	6,595
Prepaid Expenditure	5,708	28,365
Accrued Revenue	55,968	0
Pensioner Rates Rebate	15,101	11,448
	872,166	1,493,219

### Non-current

Rates outstanding - pensioners	108,314	82,310
Loans receivable - clubs/institutions	0	32,936
	108,314	115,246

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

### Rates outstanding

Includes:

Past due and not impaired	324,805	0
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### Sundry debtors

Includes:

Past due and not impaired	29,018	35,201
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## SIGNIFICANT ACCOUNTING POLICIES

### Trade and other receivables

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

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

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

### Classification and subsequent measurement

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

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

## 6. INVENTORIES

### Current

Materials - Depot

Trading Stock - Eaton Recreation Centre

	2018	2017
	\$	\$
Materials - Depot	2,166	2,637
Trading Stock - Eaton Recreation Centre	11,857	14,022
	14,023	16,659

### SIGNIFICANT ACCOUNTING POLICIES

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.

**7 (a). PROPERTY, PLANT AND EQUIPMENT**

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent Valuation 2017 - Level 3	6,365,673	6,258,523
	6,365,673	6,258,523
Total land	6,365,673	6,258,523
Buildings - non-specialised at:		
- Independent Valuation 2017 - Level 3	39,968,361	39,386,982
Less: accumulated depreciation	(16,789,023)	(15,994,249)
	23,179,338	23,392,733
Total buildings	23,179,338	23,392,733
Total land and buildings	29,545,011	29,651,256
Furniture and Equipment at:		
- Management Valuation 2016 - Level 3	2,674,352	2,638,132
Less: accumulated depreciation	(1,904,521)	(1,835,348)
	769,831	802,784
Plant and Equipment at:		
- Management Valuation 2016 - Level 3	1,059,125	1,010,383
Less: accumulated depreciation	(394,670)	(348,974)
	664,455	661,409
Motor Vehicles at:		
- Management Valuation 2016 - Level 3	4,624,531	4,634,791
Less: accumulated depreciation	(2,081,529)	(1,866,694)
	2,543,002	2,768,097
Work In Progress at:		
- Work in Progress at Cost	481,722	426,931
Less: accumulated depreciation	0	0
	481,722	426,931
<b>Total property, plant and equipment</b>	<b>34,004,021</b>	<b>34,310,477</b>

**7 (b). INTANGIBLE ASSETS**

	2018	2017
	\$	\$
- Management Valuation 2018 - Level 3	1,920,902	1,921,278
Less: accumulated depreciation	0	0
<b>Total Intangible Assets</b>	<b>1,920,902</b>	<b>1,921,278</b>

Intangible Assets are easements on land owned by residents where the Shire has the right to use the land for drainage purposes. The easements have an indefinite useful life and is assessed for impairment annually.

<b>Carrying Amount as at 1 July 2016</b>	1,921,278
<b>Carrying Amount as at 1 July 2017</b>	1,921,278
Additions	0
(Disposals)	0
Revaluation increments/ (decrements) transferred to revaluation surplus	(376)
<b>Carrying Amount as at 1 July 2018</b>	<b>1,920,902</b>



## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (c) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Total buildings	Total land and buildings	Furniture and Equipment	Plant and Equipment	Motor Vehicles	Work In Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	4,021,149	4,021,149	15,991,648	15,991,648	20,012,797	809,081	652,807	2,937,527	1,237,846	25,650,058
Additions	0	0	8,732,263	8,732,263	8,732,263	180,451	56,890	347,372	142,541	9,459,517
(Disposals)	(231,149)	(231,149)	(297,580)	(297,580)	(528,729)	(961)	(414)	(206,503)	0	(736,607)
Revaluation increments/ (decrements) transferred to revaluation surplus	2,135,000	2,135,000	(841,535)	(841,535)	1,293,465	0	0	0	0	1,293,465
Depreciation (expense)	0	0	(766,873)	(766,873)	(766,873)	(185,787)	(47,874)	(310,299)	0	(1,310,833)
Transfers	333,523	333,523	574,810	574,810	908,333	0	0	0	(953,456)	(45,123)
<b>Carrying amount at 30 June 2017</b>	6,258,523	6,258,523	23,392,733	23,392,733	29,651,256	802,784	661,409	2,768,097	426,931	34,310,477
Additions	100,000	100,000	581,380	581,380	681,380	155,479	53,334	263,260	61,941	1,215,394
(Disposals)	0	0	0	0	0	(2,208)	(467)	(182,002)	0	(184,677)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	0	0	0
Depreciation (expense)	0	0	(794,775)	(794,775)	(794,775)	(186,224)	(49,821)	(306,353)	0	(1,337,773)
Transfers	7,150	7,150	0	0	7,150	0	0	0	(7,150)	0
<b>Carrying amount at 30 June 2018</b>	6,365,673	6,365,673	23,179,338	23,179,338	29,545,011	769,831	664,455	2,543,002	481,722	34,000,021

Appendix A.2.2

## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (d) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	Price per m2
Land - vested in and under the control of Council					
Buildings - non-specialised	3	Market approach using recent observable market data for properties	Independent registered valuer	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised					
<b>Furniture and Equipment</b>					
	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
<b>Plant and Equipment</b>					
- Management Valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
- Independent valuation 201X					
	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments
<b>Motor Vehicles</b>					
<b>Work In Progress</b>					
	3	Market approach using recent Valuer General rating valuations	Management valuation	June 2018	Valuer General rating valuations applied to easement land area
<b>Intangible Assets</b>					

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

**8 (a). INFRASTRUCTURE**

Infrastructure - Roads

- Management Valuation 2018 - Level 3

Less: accumulated depreciation

2018	2017
\$	\$
127,209,804	128,282,840
(36,827,648)	(36,194,380)
90,382,156	92,088,460

Infrastructure - Footpaths

- Management Valuation 2018 - Level 3

Less: accumulated depreciation

10,133,662	9,604,010
(2,948,157)	(2,763,657)
7,185,505	6,840,353

Infrastructure - Drainage

- Management Valuation 2018 - Level 3

Less: accumulated depreciation

25,047,817	22,213,895
(7,488,259)	(5,757,352)
17,559,558	16,456,543

Parks and Ovals

- Management Valuation 2018 - Level 3

Less: accumulated depreciation

9,147,164	8,501,909
(3,259,928)	(3,904,683)
5,887,236	4,597,226

Infrastructure - Bridges

- Management Valuation 2018 - Level 3

Less: accumulated depreciation

28,945,459	28,715,000
(17,323,206)	(16,843,667)
11,622,253	11,871,333

**Total infrastructure**

132,636,708	131,853,915
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## 8. INFRASTRUCTURE (Continued)

### (b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Parks and Ovals	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	90,930,651	6,975,165	16,751,988	3,910,291	10,179,714	128,747,809
Additions	3,434,489	56,145		840,170		4,330,804
Revaluation (loss)/ reversals transferred to profit or loss					2,160,740	2,160,740
Depreciation (expense)	(2,276,680)	(190,957)	(295,445)	(153,235)	(469,121)	(3,385,438)
<b>Carrying amount at 30 June 2017</b>	92,088,460	6,840,353	16,456,543	4,597,226	11,871,333	131,853,915
Additions	3,734,967	142,082		916,956	230,459	5,024,464
Revaluation increments/ (decrements) transferred to revaluation surplus	(3,012,358)	395,150	1,398,460	543,092		(675,656)
Depreciation (expense)	(2,428,913)	(192,080)	(295,445)	(170,038)	(479,539)	(3,566,015)
<b>Carrying amount at 30 June 2018</b>	90,382,156	7,185,505	17,559,558	5,887,236	11,622,253	132,636,708

## 8. INFRASTRUCTURE (Continued)

### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Parks and Ovals	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost	Independent valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

## 9. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

#### Initial recognition and measurement between mandatory revaluation dates

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

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

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

#### Intangible Assets

##### Easements

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

#### Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

#### Land under control

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

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Property, Plant and Equipment</b>								
<b>Law, order, public safety</b>								
Ranger Services vehicle	20,467	15,909	0	(4,558)	0	0		
<b>Community amenities</b>								
Town Planning vehicle	19,006	12,727	0	(6,279)	0	0		
Town Planning vehicle	17,000	6,818	0	(10,182)	0	0		
<b>Recreation and culture</b>								
Eaton Recreation Centre vehicle	15,786	10,909	0	(4,877)	0	0		
Parks and Reserves vehicle	33,783	21,818	0	(11,965)				
Furniture and Equipment	2,208	0	0	(2,208)				
Plant and Equipment	468	0	0	(468)	513	513	0	0
<b>Transport</b>								
Water Tank - Truck Mounted	0	0			6,663	6,663	0	0
<b>Other property and services</b>								
Information Technology vehicle	24,340	20,000	0	(4,340)	0	0		
Engineering Technical vehicle	18,334	11,864	0	(6,470)	13,754	13,754	0	0
Governance/HR vehicle	33,285	21,818	0	(11,467)	0	0		
	184,677	121,863	0	(62,814)	20,930	20,930	0	0

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	794,775	766,873
Furniture and Equipment	186,224	185,787
Plant and Equipment	49,821	47,874
Motor Vehicles	306,353	310,299
Infrastructure - Roads	2,428,913	2,276,680
Infrastructure - Footpaths	192,080	190,957
Infrastructure - Drainage	295,445	295,445
Parks and Ovals	170,038	153,235
Infrastructure - Bridges	479,539	469,121
	4,903,188	4,696,271

## 9. FIXED ASSETS (Continued)

### (b) Depreciation (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES

##### Depreciation

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

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

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

##### Depreciation rates

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

Buildings - non-specialised	50 Years
Buildings - specialised	50 Years
Furniture and equipment	5 to 10 Years
Plant and equipment	5 to 10 Years
Motor Vehicles	10 Years
Works in Progress	Nil
Infrastructure Assets	
- Roads - Sealed	30 Years
- Roads - Unsealed (formed)	60 Years
- Roads - Gravel	60 Years
- Infrastructure - Footpaths	50 Years
- Infrastructure - Drainage	75 Years
- Infrastructure - Parks and ovals	20 Years
- Infrastructure - Other	0 Years
- Infrastructure - Water supply	0 Years
- Infrastructure - Bridges	60 Years
- Infrastructure - Parks & Ovals	20 Years

##### Depreciation (Continued)

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

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

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



## 10. REVALUATION SURPLUS

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land - freehold land	5,018,352	0	0	0	5,018,352	2,883,352	2,135,000	0	2,135,000	5,018,352
Revaluation surplus -Buildings - non-specialised	11,814,130	0	0	0	11,814,130	12,655,665	0	(841,535)	(841,535)	11,814,130
Revaluation surplus -Furniture and Equipment	193,477	0	0	0	193,477	193,477	0	0	0	193,477
Revaluation surplus -Plant and Equipment	531,986	0	0	0	531,986	531,986	0	0	0	531,986
Revaluation surplus -Motor Vehicles	312,711	0	0	0	312,711	312,711	0	0	0	312,711
Revaluation surplus -Intangible Assets	1,921,278	0	0	0	1,921,278	1,921,278	0	0	0	1,921,278
Revaluation surplus - Infrastructure - Roads	60,359,817	0	(3,012,358)	(3,012,358)	57,347,459	60,359,817	0	0	0	60,359,817
Revaluation surplus - Infrastructure - Footpaths	6,030,323	395,150	0	395,150	6,425,473	6,030,323	0	0	0	6,030,323
Revaluation surplus - Infrastructure - Drainage	17,743,469	1,398,460	0	1,398,460	19,141,929	17,743,469	0	0	0	17,743,469
Revaluation surplus - Parks and Ovals	1,673,372	543,092	0	543,092	2,216,465	1,673,372	0	0	0	1,673,372
Revaluation surplus - Infrastructure - Bridges	7,970,145	0	0	0	7,970,146	5,809,405	2,160,740	0	2,160,740	7,970,145
	113,569,060	2,336,702	(3,012,358)	(675,656)	112,893,405	110,114,855	4,295,740	(841,535)	3,454,205	113,569,060

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

## 11. TRADE AND OTHER PAYABLES

### Current

Sundry Creditors	
Accrued Interest on Long Term Borrowings	
Accrued Salaries & Wages	
ATO Liabilities	
Other Payables (ESL)	
Prepaid Revenue - Rates	
Prepaid Revenue - Other	
Accrued Expenses	

	2018	2017
	\$	\$
	748,816	1,069,007
	42,740	48,804
	24,353	16,261
	134,354	156,697
	0	6,445
	436,913	95,817
	0	11,467
	61,406	0
	<u>1,448,582</u>	<u>1,404,498</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

#### Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

## 12. INFORMATION ON BORROWINGS

### (a) Repayments - Borrowings

Particulars	Principal	New	Principal Repayments		Principal 30 June 2018		(Accrued)	Interest Repayments	
	1 July 2017	Loans	Actual	Budget	Actual	Budget		Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Recreation and culture</b>									
Loan 59 - Eaton Recreation Centre	515,970	0	73,861	73,861	442,109	442,109	28,177	29,219	29,219
Loan 63 - Eaton Recreation Centre I	60,716	0	19,061	19,061	41,655	41,655	3,139	3,344	3,344
Loan 68 - Fitness Equipment	101,986	0	39,796	39,796	62,190	62,190	2,742	3,040	3,040
Loan 69 - Glen Huon Oval Club Roc	1,080,000	0	36,734	36,734	1,043,266	1,043,266	40,449	41,123	41,123
<b>Transport</b>									
Loan 66 - Depot Land	665,459	0	51,953	51,953	613,506	613,506	25,685	26,561	26,561
<b>Economic services</b>									
Loan 61 - Gravel Pit Land, Panizza I	153,979	0	19,848	19,848	134,131	134,131	9,017	9,229	9,229
<b>Other property and services</b>									
Loan 49 - Administration Building	124,997	0	82,032	82,032	42,965	42,965	4,978	6,498	6,498
Loan 65 - Administration Building Ex	223,522	0	31,127	31,127	192,395	192,395	14,605	15,176	15,176
	2,926,629	0	354,412	354,412	2,572,217	2,572,217	128,792	134,190	134,190

Self Supporting Loans	Principal	New	Principal Repayments		Principal 30 June 2018		(Accrued)	Interest Repayments	
	1 July 2017	Loans	Actual	Budget	Actual	Budget		Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Recreation and culture</b>									
Loan 67 - Eaton Bowling Club	97,325	0	64,390	64,390	32,935	32,935	1,824	2,489	2,489
	97,325	0	64,390	64,390	32,935	32,935	1,824	2,489	2,489
	3,023,954	0	418,802	418,802	2,605,152	2,605,152	130,615	136,680	136,680

Self supporting loans are financed by payments from third parties.  
All other loan repayments were financed by general purpose revenue.

### Borrowings

	2018	2017
	\$	\$
Current	362,288	418,802
Non-current	2,242,864	2,605,152
	2,605,152	3,023,954

## 12. INFORMATION ON BORROWINGS (Continued)

### (b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)a	
	Actual	Budget						Actual	diff
	\$	\$				\$	%	\$	\$\$
	0	0							
	0	0				0			0

### (c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 17	Borrowed During Year	Expended During Year	Unspent Balance 30 June 18
		\$	\$	\$	\$
		0	0	0	0

### (d) Undrawn Borrowing Facilities

#### Credit Standby Arrangements

	2018	2017
	\$	\$
Bank overdraft limit	250,000	250,000
Bank overdraft at balance date	0	0
Credit card limit	20,000	10,000
Credit card balance at balance date	0	0
<b>Total amount of credit unused</b>	<b>270,000</b>	<b>260,000</b>

#### Loan facilities

Loan facilities - current	362,288	418,802
Loan facilities - non-current	2,242,864	2,605,152
<b>Total facilities in use at balance date</b>	<b>2,605,152</b>	<b>3,023,954</b>

#### Unused loan facilities at balance date

NIL NIL

### SIGNIFICANT ACCOUNTING POLICIES

#### Financial liabilities

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

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

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

#### Borrowing costs

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

### 13. PROVISIONS

#### Opening balance at 1 July 2017

Current provisions  
Non-current provisions

Additional provision

#### Balance at 30 June 2018

#### Comprises

Current  
Non-current

	Provision for Annual Leave	Provision for Rostered Days Off	Provision for Long Service Leave	Total
	\$		\$	\$
Opening balance at 1 July 2017				
Current provisions	454,267	49,586	464,705	968,558
Non-current provisions	0	0	340,713	340,713
	454,267	49,586	805,418	1,309,271
Additional provision	226,498	16,256	65,931	308,685
Balance at 30 June 2018	680,765	65,842	871,349	1,617,956
Comprises				
Current	680,765	65,842	444,200	1,190,807
Non-current			427,149	427,149
	680,765	65,842	871,349	1,617,956

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

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

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

##### Other long-term employee benefits

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

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

##### Other long-term employee benefits (Continued)

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

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

##### Provisions

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

**Reconciliation of Cash**

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

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
	\$	\$	\$
Cash and cash equivalents	17,832,573	13,101,110	18,506,475

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

Net result	(86,497)	508,745	4,700,795
Non-cash flows in Net result:			
Depreciation	4,903,188	4,851,900	4,696,271
(Profit)/loss on sale of asset	62,814	0	(41,053)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	563,595	40,000	(543,964)
(Increase)/decrease in inventories	2,636	5,000	8,228
Increase/(decrease) in payables	44,084	132,410	(85,253)
Increase/(decrease) in provisions	308,685	0	29,452
Grants contributions for the development of assets	(4,107,677)	(2,858,021)	(4,222,910)
Net cash from operating activities	1,690,828	2,680,034	4,541,566

**15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	2018	2017
	\$	\$
Governance	63,334	8,573
General purpose funding	18,592,617	19,222,205
Law, order, public safety	1,326,447	1,438,974
Health	925,470	960,297
Education and welfare	784,263	790,822
Community amenities	1,220,337	1,363,198
Recreation and culture	25,527,134	24,426,978
Transport	134,772,321	135,707,436
Economic services	642,738	643,237
Other property and services	3,534,046	3,655,549
	<u>187,388,707</u>	<u>188,217,269</u>

## 16. CONTINGENT LIABILITIES

### **The Shire of Harvey and Shire of 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 the bridge spanning the Collie River, linking Eaton and Treendale. Each Council administers the collecting of contributions from land development within their respective boundaries and accumulates their respective collected funds. All contributed funds to the Shire of Dardanup (less allowable administration expenses) are cash backed in Council's Reserve Fund.

The bridge was completed in early 2018 linking the townsites of Eaton and Treendale, with the official opening occurring on the 16 March 2018.



## 17. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

	2018	2017
	\$	\$
- capital expenditure projects	0	0
- plant & equipment purchases	0	0

Payable:

- not later than one year	0	0
---------------------------	---	---

Council has no capital lease commitments as at 30 June 2018.

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but

Payable:

- not later than one year	334,463	172,115
- later than one year but not later than five years	144,034	430,795
- later than five years	0	0
	<u>478,497</u>	<u>602,910</u>

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

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

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

### Leases (Continued)

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

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

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

## **18. JOINT ARRANGEMENTS**

Council has no joint venture arrangements in place as at 30 June 2018.

The Shire of Dardanup together with the Shires of Harvey and Donnybrook-Balingup had a joint venture arrangement with regard to the employment of Information Technology Officers. The Officers were employed by the Shire of Dardanup with operating costs shared via a formal agreement. The joint venture arrangement expired on the 30 June 2017.

## 19. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	107,000	107,000	107,000
President's allowance	16,000	16,000	16,000
Deputy President's allowance	4,000	4,000	4,000
Travelling expenses	8,355	11,000	8,928
Telecommunications allowance	9,000	9,000	9,000
Reimbursements	2,658	4,000	2,168
	147,013	151,000	147,096

### Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	1,332,450	1,353,979
Post-employment benefits	153,373	157,971
Other long-term benefits	40,608	29,573
Termination benefits	0	107,488
	1,526,431	1,649,011

#### Short-term employee benefits

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

#### Post-employment benefits

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

#### Other long-term benefits

These amounts represent long service benefits accruing during the year.

#### Termination benefits

These amounts represent termination benefits paid to KMP during the year.

### Transactions with related parties

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

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	0	0
	0	279,567

#### Joint venture entities:

Distributions received from joint venture entities

### Related Parties

The Shire's main related parties are as follows:

#### i. Key management personnel

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

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

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

## **20. MAJOR LAND TRANSACTIONS**

Council did not undertake any Major Land Transactions during the 2017/18 financial year.

## **21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2017/18 financial year.

## 22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing
	Balance <sup>(1)</sup>			Balance <sup>(1)</sup>			Balance
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>General purpose funding</b>							
Prepaid LGGC Financial Assistance	0	460,621	0	460,621	456,553	(460,621)	456,553
Prepaid LGGC Local Roads Grant	0	262,089	0	262,089	270,449	(262,089)	270,449
<b>Law, order, public safety</b>							
Prepaid Emergency Services Levy Grant	0	28,568	0	28,568	33,684	(28,568)	33,684
Emergency Management Grant	16,265	0	0	16,265	0	(2,391)	13,874
AWARE Funding	0	0	0	0	4,000	0	4,000
Unspent Bushfire Brigade Funding	5,000	0	(5,000)	0	0	0	0
<b>Health</b>							
FIMM WA Funding for Mosquito Control	2,566	0	(1,050)	1,516	0	(1,516)	0
<b>Education and Welfare</b>							
Unspent 2017 Leeuwin Scholarship Funding	1,909	0	(1,909)	0	0	0	0
<b>Community Amenities</b>							
Dept Treasury & Finance Grant - Restoration Ferguson River	7,329	0	(7,329)	0	0	0	0
Dept Agriculture & Food Grant - Dry Assistance Grant	3,854	0	0	3,854	0	0	3,854
Dept Agriculture & Food Grant - Land Conservation Balance of Funds	2,827	0	0	2,827	0	0	2,827
<b>Recreation and culture</b>							
DLGSCI Planning Grant Eaton Bowling Club	0	0	0	0	50,000	0	50,000
Carbon Pricing - Wells Recreation Park	56,335	0	0	56,335	0	0	56,335
<b>Transport</b>							
LGGC Bridge Funding - Bridge 4821 Martin Pelusey Road	13,030	0	0	13,030	0	0	13,030
Black Spot Funding - Moore Road	77,956	0	0	77,956	0	(77,956)	0
Roads to Recovery Grant - Depiazzi Road	0	85,259	0	85,259	0	0	85,259
Black Spot Funding - Crooked Brook Road	0	0	0	0	100,371	0	100,371
LGGC Bridge Funding - Bridge 3665A Recreation Road	0	0	0	0	112,000	0	112,000
LGGC Bridge Funding - Bridge 4821 Martin Pelusey Road	0	0	0	0	136,000	0	136,000
LGGC Bridge Funding - Bridge 4861 Ironstone Road	0	0	0	0	258,000	0	258,000
<b>Economic services</b>							
Regional Tourism Grant - Waste Dump Point	0	15,000	0	15,000	0	0	15,000
<b>Other property and services</b>							
Royalties for Regions Grant	345,522	0	(345,522)	0	0	0	0
<b>Total</b>	<b>532,593</b>	<b>851,537</b>	<b>(360,809)</b>	<b>1,023,321</b>	<b>1,421,057</b>	<b>(833,141)</b>	<b>1,611,237</b>

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

## 23. RATING INFORMATION

### (a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
<b>Differential general rate / general rate</b>										
<b>Gross rental valuations</b>										
Residential	0.092622	2,964	53,635,700	4,967,845	30,217	1,295	4,999,357	4,967,652	140,000	5,107,652
Commercial	0.092622	53	13,515,720	1,251,853	4,015	467	1,256,335	1,251,867		1,251,867
Industrial	0.092622	62	5,640,340	522,420	151,208	1,865	675,493	522,425		522,425
Small Holding	0.092622	350	7,749,040	717,732	2,985	(824)	719,893	717,739		717,739
<b>Unimproved valuations</b>										
Broad Acre Rural	0.005760	481	27,483,000	1,578,718	(5,950)	1,066	1,573,834	1,578,718		1,578,718
Interim & Back Rating	0.005760	0	0	0	0		0			0
<b>Sub-Total</b>		3,910	108,023,800	9,038,568	182,475	3,869	9,224,912	9,038,401	140,000	9,178,401
<b>Minimum payment</b>										
<b>Gross rental valuations</b>										
Residential	1,424	1,646	21,465,736	2,343,904	97,900	3,809	2,445,613	2,343,904		2,343,904
Commercial	1,424	7	73,940	9,968			9,968	9,968		9,968
Industrial	1,424	56	680,250	79,744			79,744	79,744		79,744
Small Holding	1,424	75	640,010	106,800			106,800	106,800		106,800
<b>Unimproved valuations</b>										
Broad Acre Rural	1,424	122	18,029,900	173,728	2,384	(240)	175,872	173,728		173,728
Mining	1,424	24	371,867	34,176	(4,038)	202	30,340	34,176		34,176
<b>Sub-Total</b>		1,930	41,261,703	2,748,320	96,246	3,771	2,848,337	2,748,320	0	2,748,320
		5,840	149,285,503	11,786,888	278,721	7,640	12,073,249	11,786,721	140,000	11,926,721
Discounts/concessions (refer note 23(c))							(990)			(990)
<b>Total amount raised from general rate</b>							12,072,259			11,926,721
Specified Area Rate (refer note 23(b))							345,091			345,091
<b>Totals</b>							12,417,350			12,267,591

### SIGNIFICANT ACCOUNTING POLICIES

#### Rates

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

23. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	Rateable Value	Revenue	Interim Rate Revenue	Back Rate Revenue	Total Specified Area Rate Revenue	Budget Rate Revenue	Budget Back Rate Revenue	Budget Interim Rate Revenue	Total Budget Revenue
			\$	\$	\$	\$	\$	\$	\$	\$	\$
Bulk Waste Collection	GRV	0.001489	73,896,838	111,404	0	0	111,403	110,000	0	0	110,000
Eaton Landscaping	GRV	0.002826	81,878,978	233,688	0	0	233,687	231,370	0	0	231,370
				345,092	0	0	345,091	341,370	0	0	341,370

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	Rate Applied to Costs	Rate Set Aside to Reserve	Reserve Applied to Costs	Budget Rate Applied to Costs	Budget Rate Set Aside to Reserve	Budget Reserve Applied to Costs
			\$	\$	\$	\$	\$	\$
Bulk Waste Collection		4,471	103,782	7,622	0	110,000	0	0
Eaton Landscaping		4,251	233,688	0	0	231,370	0	0
			337,470	7,622	0	341,370	0	0

## 23. RATING INFORMATION (Continued)

### (c) Discounts, Incentives, Concessions, & Write-offs

#### Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Rates Written Off			990	500	

### (d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	20-Sep-17	0	0.00%	11.00%
<b>Option Three</b>				
First instalment	20-Sep-17	0	0.00%	11.00%
Second instalment	22-Nov-17	13	5.50%	11.00%
Third instalment	24-Jan-18	13	5.50%	11.00%
Fourth instalment	28-Mar-18	13	5.50%	11.00%

	2018 \$	2018 Budget \$
Interest on unpaid rates	71,270	60,000
Interest on instalment plan	66,493	65,000
Charges on instalment plan	86,411	85,000
	224,174	210,000



## 24. NET CURRENT ASSETS

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

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 17 brought forward</b>	303,456	435,254	435,254
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	2,089,589	1,362,819	1,362,819
Restricted	15,742,984	17,143,656	17,143,656
Receivables			
Rates outstanding	324,805	0	0
Sundry debtors	124,066	760,448	760,448
GST receivable	306,110	611,163	611,163
Loans receivable - clubs/institutions	32,936	64,390	64,390
Fuel Tax Credits	5,715	10,810	10,810
Insurance Claims	1,757	6,595	6,595
Prepaid Expenditure	5,708	28,365	28,365
Accrued Revenue	55,968	0	0
Pensioner Rates Rebate	15,101	11,448	11,448
Inventories			
Materials - Depot	2,166	2,637	2,637
Trading Stock - Eaton Recreation Centre	11,857	14,022	14,022
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry Creditors	(748,816)	(1,069,007)	(1,069,007)
Accrued Interest on Long Term Borrowings	(42,740)	(48,804)	(48,804)
Accrued Salaries & Wages	(24,353)	(16,261)	(16,261)
ATO Liabilities	(134,354)	(156,697)	(156,697)
Other Payables (ESL)	0	(6,445)	(6,445)
Prepaid Revenue - Rates	(436,913)	(95,817)	(95,817)
Prepaid Revenue - Other	0	(11,467)	(11,467)
Accrued Expenses	(61,406)	0	0
Current portion of long term borrowings	(362,288)	(418,802)	(418,802)
Provisions			
Provision for Annual Leave	(680,765)	(454,267)	(454,267)
Provision for RDO	(65,842)	(49,586)	(49,586)
Provision for Long Service Leave	(444,200)	(464,705)	(464,705)
<b>Unadjusted net current assets</b>	<b>15,717,088</b>	<b>17,224,498</b>	<b>17,224,498</b>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(15,742,984)	(17,143,656)	(17,143,656)
Less: Loans receivable - clubs/institutions	(32,936)	(64,390)	(64,390)
Add: Current portion of long term borrowings	362,288	418,802	418,802
<b>Adjusted net current assets - surplus/(deficit)</b>	<b>303,456</b>	<b>435,254</b>	<b>435,254</b>

### Difference

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

## 25. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	17,832,573	18,506,475	17,832,573	18,506,475
Receivables	980,480	1,608,465	979,722	1,608,465
	<u>18,813,053</u>	<u>20,114,940</u>	<u>18,812,295</u>	<u>20,114,940</u>
<b>Financial liabilities</b>				
Payables	1,448,582	1,404,498	1,448,582	1,404,498
Borrowings	2,605,152	3,023,954	2,605,152	3,023,954
	<u>4,053,734</u>	<u>4,428,452</u>	<u>4,053,734</u>	<u>4,428,452</u>

Fair value is determined as follows:

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

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Cash and Cash Equivalents

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

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

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

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

Impact of a 1% <sup>(1)</sup> movement in interest rates on cash	\$	\$
- Equity	178,326	185,065
- Statement of Comprehensive Income	178,326	185,065

*Notes:*

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

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Receivables

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

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

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

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

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

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

	<b>2018</b>	<b>2017</b>
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	76.61%	96.57%
- Overdue	23.39%	3.43%

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2018</b>					
Payables	1,448,582	0	0	1,448,582	1,448,582
Borrowings	362,288	1,071,711	1,171,153	2,605,152	2,605,152
	1,810,870	1,071,711	1,171,153	4,053,734	4,053,734
<b>2017</b>					
Payables	1,404,498	0	0	1,404,498	1,404,498
Borrowings	418,802	1,155,881	1,449,271	3,023,954	3,023,954
	1,823,300	1,155,881	1,449,271	4,428,452	4,428,452

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings		75,900	103,846			2,425,406	2,605,152	4.65%
Weighted average Effective interest rate		4.84%	4.37%			4.65%		
<b>Year ended 30 June 2017</b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings			222,322	162,702		2,638,929	3,023,954	4.69%
Weighted average Effective interest rate			4.83%	4.30%		4.70%		

## 26. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Kids Sport	5,404	17,500	(22,904)	0
Unclaimed Monies	1,176	475		1,651
Extractive Industries Bonds	148,819	1,477		150,296
Retention Bonds	289,806	73,913	(12,785)	350,934
Election Nomination Deposits	0	720	(720)	0
Bunbury Wellington Group of Councils	32,517	3,823		36,340
Hire Bonds	350	7,470	(6,990)	830
Key Bonds	153	400	(360)	193
Kerb Bonds	121,274	630	(30,171)	91,733
Eaton POS	646,026	6,410	(141,612)	510,824
Dardanup POS	55,279	40,048	0	95,327
Burekup POS	251,778	2,498		254,276
Boyanup Capel Dardanup Football Club Inc	272,079	3,014	(275,093)	0
Specified Project - Dardanup Central BFB Beque	91,118	905	0	92,023
Specified Project - Wells Recreation Ground Beq	51,634	512	0	52,146
Specified Project - Eaton Foreshore Playground	0	25,001		25,001
	<u>1,967,413</u>			<u>1,661,574</u>

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

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

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

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

Notes:

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

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

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

Notes:

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

#### Adoption of New and Revised Accounting Standards

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

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

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



## 28. OTHER SIGNIFICANT ACCOUNTING POLICIES

### a) Goods and services tax (GST)

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

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

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

### b) Current and non-current classification

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

### c) Rounding off figures

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

### d) Comparative figures

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

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

### e) Budget comparative figures

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

### f) Superannuation

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

### g) Fair value of assets and liabilities

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

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

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

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

### h) Fair value hierarchy

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

#### Level 1

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

#### Level 2

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

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

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

#### Market approach

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

#### Income approach

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

#### Cost approach

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

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

### i) Impairment of assets

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

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

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

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

## 29. ACTIVITIES/PROGRAMS

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

<b>PROGRAM NAME</b>	<b>OBJECTIVE</b>	<b>ACTIVITIES</b>
<b>GOVERNANCE</b>	To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of Council and the administration support available to 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.
<b>GENERAL PURPOSE FUNDING</b>	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b>	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local-laws relating to the fire prevention, animal control and protection of the environment, and other aspects of public safety including emergency services.
<b>HEALTH</b>	To provide services to achieve community and environmental health.	Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.
<b>EDUCATION AND WELFARE</b>	To provide services to children, youth, the elderly and disadvantaged persons.	Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.
<b>HOUSING</b>	To provide and maintain staff housing and elderly residents' housing.	Provision and maintenance of staff housing and elderly residents' housing.
<b>COMMUNITY AMENITIES</b>	To provide services required by the community.	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.
<b>RECREATION AND CULTURE</b>	To establish and effectively manage infrastructure and resources which help the social well being of the community.	Maintenance of 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.
<b>TRANSPORT</b>	To promote safe, effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, footpaths, cycle ways, parking facilities, traffic control and depot. Cleaning of streets and maintenance of street trees, street lighting, etc.
<b>ECONOMIC SERVICES</b>	To help promote the shire and its economic wellbeing.	Tourism and area promotion, building control, provision of rural services including weed control and vermin control, standpipes.
<b>OTHER PROPERTY AND SERVICES</b>	To monitor and control Council's overheads operating accounts.	Private works operations, plant repairs and operations costs, engineering operation costs.

30. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	0.991	1.029	1.000
Asset consumption ratio	0.652	0.663	0.636
Asset renewal funding ratio	1.029	1.144	1.008
Asset sustainability ratio	1.129	2.090	1.083
Debt service cover ratio	1.512	7.913	17.855
Operating surplus ratio	-0.263	-0.057	0.180
Own source revenue coverage ratio	0.727	0.832	1.129

The above ratios are calculated as follows:

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

**Notes:**

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	727,002	722,710	0
Amount of Financial Assistance Grant received in prior year relating to current year.	722,710	0	691,714

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

	2018	2017	2016
Current ratio	0.993	0.770	1.241
Debt service cover ratio	1.504	6.444	19.318
Operating surplus ratio	(0.269)	(0.101)	0.215
Own source revenue coverage ratio	0.710	0.796	1.121

**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 2018, 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 2018 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 2018 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.

## (Appendix AUD: 8.2)

- 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 Note 30 of the financial report which describes certain ratio information relating to the financial report. Management's calculation of certain ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on the ratios that include these assumptions.

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**

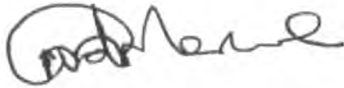
We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

## (Appendix AUD: 8.2)

- a) Apart from the operating surplus ratio, current ratio and debt service cover 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



MARIUS VAN DER MERWE CA  
Director

Perth

Date: 3 December 2018