

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

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**COMMUNITY VISION**

***"A thriving, inclusive and growing community built on opportunity"***

Principal place of business:  
28 Yougenup Road  
GNOWANGERUP WA 6335

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Gnowangerup 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 Gnowangerup 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 21<sup>st</sup> day of November 2018  
*Shelley Pike*



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Chief Executive Officer

Shelley Pike

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Name of Chief Executive Officer

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
Rates	20(a)	3,858,184	3,857,491	3,724,133
Operating grants, subsidies and contributions	2(a)	1,466,396	863,103	2,195,339
Fees and charges	2(a)	223,463	289,583	211,038
Interest earnings	2(a)	102,785	68,500	109,837
Other revenue	2(a)	7,941,351	6,079,291	2,011,003
		13,592,179	11,157,968	8,251,350
<b>Expenses</b>				
Employee costs		(2,405,761)	(2,276,669)	(2,182,154)
Materials and contracts		(9,228,386)	(8,182,912)	(3,242,984)
Utility charges		(152,816)	(169,080)	(142,256)
Depreciation on non-current assets	10(b)	(2,594,679)	(2,480,475)	(2,461,460)
Interest expenses	2(b)	(49,491)	(52,271)	(63,490)
Insurance expenses		(169,375)	(220,083)	(158,494)
Other expenditure		(191,101)	(354,417)	(217,598)
		(14,791,609)	(13,735,907)	(8,468,436)
		(1,199,430)	(2,577,939)	(217,086)
Non-operating grants, subsidies and contributions	2(a)	654,212	685,135	1,258,389
(Loss) on asset disposals	10(a)	(25,074)	0	(67,171)
(Loss) on revaluation of Infrastructure - Sewer	9(b)	(12,035)	0	0
(Loss) on revaluation of Infrastructure - Solid waste	9(b)	(46,326)	0	0
<b>Net result</b>		<b>(628,653)</b>	<b>(1,892,804)</b>	<b>974,132</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	11	(36,952,558)	0	4,419,218
<b>Total other comprehensive income</b>		<b>(36,952,558)</b>	<b>0</b>	<b>4,419,218</b>
<b>Total comprehensive income</b>		<b>(37,581,211)</b>	<b>(1,892,804)</b>	<b>5,393,350</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**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		182	2,100	5,964
General purpose funding		5,128,420	4,447,986	5,626,722
Law, order, public safety		75,889	53,393	85,735
Health		395	300	297
Education and welfare		12,023	11,400	14,219
Housing		79,729	72,280	75,293
Community amenities		317,181	284,192	282,639
Recreation and culture		36,259	22,955	73,102
Transport		7,721,579	6,144,100	1,863,845
Economic services		15,524	10,932	17,373
Other property and services		204,998	108,330	206,159
		<b>13,592,179</b>	<b>11,157,968</b>	<b>8,251,348</b>
<b>Expenses</b>				
	2(b)			
Governance		(679,597)	(988,233)	(681,545)
General purpose funding		(164,396)	(142,372)	(82,805)
Law, order, public safety		(288,803)	(311,336)	(292,895)
Health		(243,068)	(233,540)	(221,466)
Education and welfare		(15,828)	(22,709)	(21,222)
Housing		(43,942)	(48,629)	(50,029)
Community amenities		(512,513)	(511,465)	(389,424)
Recreation and culture		(1,403,089)	(1,390,887)	(1,244,477)
Transport		(10,762,311)	(9,760,863)	(4,888,584)
Economic services		(83,267)	(140,955)	(64,385)
Other property and services		(545,304)	(132,647)	(468,112)
		<b>(14,742,118)</b>	<b>(13,683,636)</b>	<b>(8,404,944)</b>
<b>Finance Costs</b>				
	2(b)			
General purpose funding		0	(5,000)	0
Housing		(16,094)	(16,874)	(28,622)
Community amenities		(993)	(1,078)	(1,789)
Recreation and culture		(28,905)	(29,319)	(33,079)
Transport		(3,499)	0	0
		<b>(49,491)</b>	<b>(52,271)</b>	<b>(63,490)</b>
		<b>(1,199,430)</b>	<b>(2,577,939)</b>	<b>(217,086)</b>
Non-operating grants, subsidies and contributions	2(a)	654,212	685,135	1,258,389
(Loss) on disposal of assets	10(a)	(25,074)	0	(67,171)
(Loss) on revaluation of Infrastructure - Sewer	9(b)	(12,035)	0	0
(Loss) on revaluation of Infrastructure - Solid waste	9(b)	(46,326)	0	0
		<b>570,777</b>	<b>685,135</b>	<b>1,191,218</b>
		<b>(628,653)</b>	<b>(1,892,804)</b>	<b>974,132</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	11	(36,952,558)	0	4,419,218
<b>Total other comprehensive income</b>		<b>(36,952,558)</b>	<b>0</b>	<b>4,419,218</b>
<b>Total comprehensive income</b>		<b>(37,581,211)</b>	<b>(1,892,804)</b>	<b>5,393,350</b>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	2,579,916	3,074,039
Trade and other receivables	5	2,476,325	928,787
Inventories	6	29,548	21,203
<b>TOTAL CURRENT ASSETS</b>		<b>5,085,789</b>	<b>4,024,029</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	5	216,796	235,287
Investments	7	6,186	6,186
Property, plant and equipment	8	30,246,527	30,606,092
Infrastructure	9	89,736,973	127,087,536
<b>TOTAL NON-CURRENT ASSETS</b>		<b>120,206,482</b>	<b>157,935,101</b>
<b>TOTAL ASSETS</b>		<b>125,292,271</b>	<b>161,959,130</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	233,001	224,247
Current portion of long term borrowings	13(a)	1,163,536	163,109
Provisions	14	324,814	316,537
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,721,351</b>	<b>703,893</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	13(a)	749,852	913,388
Provisions	14	104,800	44,370
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>854,652</b>	<b>957,758</b>
<b>TOTAL LIABILITIES</b>		<b>2,576,003</b>	<b>1,661,651</b>
<b>NET ASSETS</b>		<b>122,716,268</b>	<b>160,297,479</b>
<b>EQUITY</b>			
Retained surplus		42,631,778	43,354,363
Reserves - cash backed	4	1,990,309	1,896,377
Revaluation surplus	11	78,094,181	115,046,739
<b>TOTAL EQUITY</b>		<b>122,716,268</b>	<b>160,297,479</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**

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>		<b>42,486,763</b>	<b>1,789,845</b>	<b>110,627,521</b>	<b>154,904,129</b>
Comprehensive income					
Net result		974,132	0	0	974,132
Changes on revaluation of assets	11	0	0	4,419,218	4,419,218
Total comprehensive income		974,132	0	4,419,218	5,393,350
Transfers from/(to) reserves	4	(106,532)	106,532	0	0
<b>Balance as at 30 June 2017</b>		<b>43,354,363</b>	<b>1,896,377</b>	<b>115,046,739</b>	<b>160,297,479</b>
Comprehensive income					
Net result		(628,653)	0	0	(628,653)
Changes on revaluation of assets	11	0	0	(36,952,558)	(36,952,558)
Total comprehensive income		(628,653)	0	(36,952,558)	(37,581,211)
Transfers from/(to) reserves	4	(93,932)	93,932	0	0
<b>Balance as at 30 June 2018</b>		<b>42,631,778</b>	<b>1,990,309</b>	<b>78,094,181</b>	<b>122,716,268</b>

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		\$	\$	\$
<b>Receipts</b>				
Rates		3,856,107	3,826,158	3,685,469
Operating grants, subsidies and contributions		1,466,396	1,538,103	2,195,339
Fees and charges		223,463	289,583	211,038
Interest earnings		103,186	68,500	110,318
Goods and services tax		219,811	53,132	599,322
Other revenue		6,509,853	6,079,291	1,728,439
		12,378,816	11,854,767	8,529,925
<b>Payments</b>				
Employee costs		(2,336,517)	(2,228,555)	(2,121,800)
Materials and contracts		(9,242,787)	(8,333,083)	(3,196,799)
Utility charges		(152,816)	(169,080)	(142,256)
Interest expenses		(47,254)	(52,271)	(65,472)
Insurance expenses		(169,375)	(220,083)	(158,494)
Goods and services tax		(330,000)	(55,171)	(652,152)
Other expenditure		(191,101)	(354,417)	(204,938)
		(12,469,850)	(11,412,660)	(6,541,911)
<b>Net cash provided by (used in) operating activities</b>	15	(91,034)	442,107	1,988,014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	8(b)	(667,361)	(938,439)	(812,289)
Payments for construction of infrastructure	9(b)	(1,294,628)	(1,341,535)	(1,755,875)
Non-operating grants, subsidies and contributions	2(a)	654,212	685,135	1,258,389
Proceeds from sale of fixed assets	10(a)	41,445	142,000	147,227
<b>Net cash provided by (used in) investment activities</b>		(1,266,332)	(1,452,839)	(1,162,548)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of long term borrowings	13(a)	(163,109)	(163,109)	(234,924)
Proceeds from self supporting loans	13(a)	26,352	26,352	78,621
Proceeds from new short term borrowings	13(b)	1,000,000	0	0
<b>Net cash provided by (used in) financing activities</b>		863,243	(136,757)	(156,303)
<b>Net increase (decrease) in cash held</b>		(494,123)	(1,147,489)	669,163
Cash at beginning of year		3,074,039	3,074,039	2,404,876
<b>Cash and cash equivalents at the end of the year</b>	3	2,579,916	1,926,550	3,074,039

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>				
		1,560,516	1,648,385	754,796
		1,560,516	1,648,385	754,796
<b>Revenue from operating activities (excluding rates)</b>				
Governance		182	2,100	5,964
General purpose funding		1,510,711	829,414	2,134,524
Law, order, public safety		75,889	53,393	85,735
Health		395	300	297
Education and welfare		12,023	11,400	14,219
Housing		79,729	72,280	75,293
Community amenities		317,181	284,192	282,639
Recreation and culture		36,259	22,955	73,102
Transport		7,721,579	6,144,100	1,863,845
Economic services		15,524	10,932	17,373
Other property and services		204,998	108,330	206,159
		9,974,470	7,539,396	4,759,150
<b>Expenditure from operating activities</b>				
Governance		(679,597)	(988,233)	(681,545)
General purpose funding		(164,396)	(147,372)	(82,805)
Law, order, public safety		(288,803)	(311,336)	(300,725)
Health		(243,068)	(233,540)	(221,466)
Education and welfare		(15,828)	(22,709)	(21,222)
Housing		(60,036)	(65,503)	(78,651)
Community amenities		(513,506)	(512,543)	(391,213)
Recreation and culture		(1,431,994)	(1,420,206)	(1,277,556)
Transport		(10,790,884)	(9,760,863)	(4,916,519)
Economic services		(83,267)	(140,955)	(95,791)
Other property and services		(603,665)	(132,647)	(468,112)
		(14,875,044)	(13,735,907)	(8,535,605)
<b>Operating activities excluded</b>				
Loss on disposal of assets	10(a)	25,074	0	67,171
Loss on revaluation of infrastructure	9(b)	58,361	0	0
Movement in deferred pensioner rates (non-current)		(8,941)	0	(12,533)
Movement in employee benefit provisions (non-current)		60,430	47,144	(739)
Depreciation and amortisation on assets	10(b)	2,594,679	2,480,475	2,461,460
<b>Amount attributable to operating activities</b>		(610,455)	(2,020,507)	(506,300)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		654,212	685,135	1,258,389
Proceeds from disposal of assets	10(a)	41,445	142,000	147,227
Purchase of property, plant and equipment	8(b)	(667,361)	(938,439)	(812,289)
Purchase and construction of infrastructure	9(b)	(1,294,628)	(1,341,535)	(1,755,875)
<b>Amount attributable to investing activities</b>		(1,266,332)	(1,452,839)	(1,162,548)
<b>FINANCING ACTIVITIES</b>				
Repayment of long term borrowings	13(a)	(163,109)	(163,109)	(234,924)
Proceeds from new short term borrowings	13(b)	1,000,000	0	0
Proceeds from self supporting loans	13(a)	26,352	26,352	78,621
Transfers to reserves (restricted assets)	4	(322,881)	(516,057)	(182,911)
Transfers from reserves (restricted assets)	4	228,949	507,588	76,379
<b>Amount attributable to financing activities</b>		769,311	(145,226)	(262,835)
<b>Surplus(deficiency) before general rates</b>		(1,107,476)	(3,618,572)	(1,931,683)
<b>Total amount raised from general rates</b>	20	3,617,709	3,618,572	3,492,198
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	21	<b>2,510,233</b>	<b>0</b>	<b>1,560,515</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 Interpretations of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown Land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008 have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

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**

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 23 to these financial statements.

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

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
<b>Significant revenue</b>		
WANDRRA Flood damage reimbursements	7,636,478	1,717,904
<b>Other revenue</b>		
Reimbursements and recoveries	7,761,597	1,840,105
Other	179,754	170,898
	7,941,351	2,011,003
<b>Fees and Charges</b>		
Governance	0	1,364
General purpose funding	14,570	15,270
Law, order, public safety	5,311	6,260
Health	240	0
Education and welfare	12,023	14,219
Community amenities	133,226	117,351
Recreation and culture	22,388	23,218
Transport	105	206
Economic services	14,782	16,773
Other property and services	20,818	16,377
	223,463	211,038

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

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

**2. REVENUE AND EXPENSES (Continued)**

**(a) Revenue (Continued)**

**Grant Revenue**

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

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Operating grants, subsidies and contributions</b>		
General purpose funding	1,310,189	1,945,928
Law, order, public safety	70,578	79,342
Recreation and culture	1,900	25,045
Transport	83,729	142,735
Other property and services	0	2,288
	<b>1,466,396</b>	<b>2,195,338</b>
<b>Non-operating grants, subsidies and contributions</b>		
Recreation and culture	0	312,945
Transport	654,212	945,444
	<b>654,212</b>	<b>1,258,389</b>
<b>Total grants, subsidies and contributions</b>	<b>2,120,608</b>	<b>3,453,727</b>

**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 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

**Interest earnings**

- Loans receivable - clubs/institutions
- Reserve funds
- Other funds
- Other interest revenue (refer note 20(c))

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
	\$	\$	\$
- Loans receivable - clubs/institutions	5,141	0	15,991
- Reserve funds	40,157	27,000	42,222
- Other funds	22,129	15,000	18,357
Other interest revenue (refer note 20(c))	35,358	26,500	33,267
	<b>102,785</b>	<b>68,500</b>	<b>109,837</b>

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

**Significant expense**

WANDRRA Flood damage expenses

**Auditors remuneration**

- Audit of the Annual Financial Report

- Other services

**Interest expenses (finance costs)**

Long term borrowings (refer Note 13(a))

**Rental charges**

- Operating leases

	2018	2017
	\$	\$
	7,634,977	1,870,254
	18,680	18,100
	0	780
	18,680	18,880
	49,491	63,490
	49,491	63,490
	11,830	11,830
	11,830	11,830

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

3. CASH AND CASH EQUIVALENTS	NOTE	2018 \$	2017 \$
Unrestricted		584,970	1,153,453
Restricted		1,994,946	1,920,586
		2,579,916	3,074,039
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave	4	84,089	81,091
Plant and equipment	4	884,288	734,406
Ongerup effluent	4	54,629	88,529
Area promotion	4	29,619	29,005
Swimming pool upgrade	4	150,222	92,268
Land development	4	501,969	608,697
Computer replacement	4	7,819	7,657
Waste disposal	4	240,319	227,448
Future funds	4	15,917	15,587
Liquid waste facility	4	21,438	11,690
Unspent grants	19	4,637	24,208
		1,994,946	1,920,586

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

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

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

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

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave	81,091	2,998	0	84,089	81,091	61,155	0	142,246	69,451	11,640	0	81,091
Plant and equipment	734,406	149,882	0	884,288	734,406	220,456	0	954,862	665,686	68,720	0	734,406
Ongerup effluent	88,529	11,875	(45,775)	54,629	88,529	11,260	(80,000)	19,789	125,564	12,965	(50,000)	88,529
Area promotion	29,005	614	0	29,619	29,005	413	0	29,418	28,336	669	0	29,005
Royalty for Regions	0	0	0	0	0	0	0	0	1,167	0	(1,167)	0
Swimming pool upgrade	92,268	57,954	0	150,222	92,268	57,314	0	149,582	35,431	56,837	0	92,268
Land development	608,696	76,447	(183,174)	501,969	608,696	72,223	(427,588)	253,331	619,284	14,624	(25,212)	608,696
Computer replacement	7,657	162	0	7,819	7,657	30,109	0	37,766	7,480	177	0	7,657
Waste disposal	227,448	12,871	0	240,319	227,448	3,239	0	230,687	222,219	5,229	0	227,448
Future funds	15,587	330	0	15,917	15,587	50,222	0	65,809	15,227	360	0	15,587
Liquid waste facility	11,690	9,748	0	21,438	11,690	9,666	0	21,356	0	11,690	0	11,690
	1,896,377	322,881	(228,949)	1,990,309	1,896,377	516,057	(507,588)	1,904,846	1,789,845	182,911	(76,379)	1,896,377

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave	Ongoing	to be used to fund annual and long service leave requirements
Plant and equipment	Ongoing	to be used for the purchase of major plant
Ongerup effluent	Ongoing	to be used for the maintenance of the Ongerup Effluent System
Area promotion	Ongoing	to be used for the promotion of the Gnowangerup Shire
Royalty for Regions	June 2017	to be used to hold unspent Royalties funding.
Swimming pool upgrade	Ongoing	to be used to assist with upgrade of the Gnowangerup Swimming Pool
Land development	Ongoing	to be used to fund the purchase of or development of land and buildings and building renewal
Computer replacement	Ongoing	to be used to fund the maintenance and replacement of the administration computer system
Waste disposal	Ongoing	to be used to fund waste disposal in the Shire, including rehabilitation, transfer stations and post closure of sites
Future funds	Ongoing	to be used for contributions towards major externally grant funded projects and programs within the Shire of Gnowangerup.
Liquid waste facility	Ongoing	to be used to fund the maintenance, renewal and upgrade of the liquid waste facility.

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

**5. TRADE AND OTHER RECEIVABLES**

**Current**

Rates outstanding	
Sundry debtors	
GST receivable	
Loans receivable - clubs/institutions	
Accrued Interest on Loans Receivable	

**Non-current**

Rates outstanding - pensioners	
Loans receivable - clubs/institutions	

**Rates outstanding**

Includes:	
Past due and not impaired	

**Rates outstanding aged analysis**

The ageing of past due but not impaired rates outstanding is as follows:

Greater than 90 days

**Sundry debtors**

Includes:	
Past due and not impaired	

**Sundry debtors aged analysis**

The ageing of past due but not impaired sundry debtors is as follows:

31 - 60 days

61 - 90 days

Greater than 90 days

	2018	2017
	\$	\$
Rates outstanding	183,345	178,173
Sundry debtors	2,155,204	723,706
GST receivable	110,253	64
Loans receivable - clubs/institutions	27,432	26,352
Accrued Interest on Loans Receivable	91	492
	<u>2,476,325</u>	<u>928,787</u>
Rates outstanding - pensioners	127,561	118,620
Loans receivable - clubs/institutions	89,235	116,667
	<u>216,796</u>	<u>235,287</u>
Includes:		
Past due and not impaired	310,906	296,793
Greater than 90 days	310,906	296,793
Past due and not impaired	5,538	22,984
31 - 60 days	1,492	22,314
61 - 90 days	291	207
Greater than 90 days	3,755	463
	<u>5,538</u>	<u>22,984</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other receivables**

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

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

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

**Classification and subsequent measurement**

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

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

## 6. INVENTORIES

### Current

Fuel & materials

2018	2017
\$	\$
29,548	21,203
29,548	21,203

### SIGNIFICANT ACCOUNTING POLICIES

#### General

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

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

#### Land held for sale

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

#### Land held for sale (Continued)

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

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

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

## 7. INVESTMENTS

### Non-current

LG House Unit Trust

2018	2017
\$	\$
6,186	6,186
6,186	6,186

### SIGNIFICANT ACCOUNTING POLICIES

#### Classification and subsequent measurement

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

#### (ii) Held-to-maturity investments

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

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

#### Impairment

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

#### Impairment (continued)

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

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the



## 7. INVESTMENTS (Continued)

### SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment (continued)

carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

#### Initial recognition and measurement

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

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

#### Classification and subsequent measurement

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

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;

#### Classification and subsequent measurement (continued)

- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, (if any), between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

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

#### Derecognition

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

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

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2/3	1,032,500	1,032,500
- Additions after valuation at cost	250,688	0
	<u>1,283,188</u>	<u>1,032,500</u>
Total land	1,283,188	1,032,500
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	1,574,000	1,574,000
- Additions after valuation at cost	16,920	0
Less: accumulated depreciation	(39,773)	0
	<u>1,551,147</u>	<u>1,574,000</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	24,422,280	24,422,280
- Less Assets Transferred	(62,000)	0
- Additions after valuation at cost	53,739	0
Less: accumulated depreciation	(503,150)	0
	<u>23,910,869</u>	<u>24,422,280</u>
Total buildings	25,462,016	25,996,280
Total land and buildings	<u>26,745,204</u>	<u>27,028,780</u>
Furniture and equipment at:		
- Independent valuation 2016 - level 3	41,500	41,500
- Less Assets Transferred	(1,900)	0
- Additions after valuation at cost	66,065	47,326
Less: accumulated depreciation	(27,064)	(15,453)
	<u>78,601</u>	<u>73,373</u>
Plant and equipment at:		
- Independent valuation 2016 - level 3	3,425,050	3,516,300
- Additions after valuation at cost	673,729	346,455
Less: accumulated depreciation	(676,057)	(358,816)
	<u>3,422,722</u>	<u>3,503,939</u>
<b>Total property, plant and equipment</b>	<u>30,246,527</u>	<u>30,606,092</u>

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

### (b) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	1,143,000	0	1,143,000	1,698,779	22,388,419	24,087,198	25,230,198	42,250	3,723,300	28,995,748
Additions	25,212	0	25,212	43,939	349,357	393,296	418,508	47,326	346,455	812,289
(Disposals)	0	0	0	0	(35,764)	(35,764)	(35,764)	0	(178,633)	(214,397)
Revaluation increments/ (decrements) transferred to revaluation surplus	(135,712)	0	(135,712)	(425,690)	4,980,619	4,554,929	4,419,217	0	0	4,419,217
Depreciation (expense)	0	0	0	(32,727)	(335,219)	(367,946)	(367,946)	(16,203)	(387,183)	(771,332)
Transfers	0	0	0	289,699	(2,925,132)	(2,635,433)	(2,635,433)	0	0	(2,635,433)
<b>Carrying amount at 30 June 2017</b>	1,032,500	0	1,032,500	1,574,000	24,422,280	25,996,280	27,028,780	73,373	3,503,939	30,606,092
Additions	250,688	0	250,688	16,920	53,739	70,659	321,347	18,739	327,275	667,361
(Disposals)	0	0	0	0	0	0	0	0	(66,519)	(66,519)
Depreciation (expense)	0	0	0	(39,773)	(505,642)	(545,415)	(545,415)	(13,511)	(341,973)	(900,899)
Transfers	0	0	0	0	(59,508)	(59,508)	(59,508)	0	0	(59,508)
<b>Carrying amount at 30 June 2018</b>	1,283,188	0	1,283,188	1,551,147	23,910,869	25,462,016	26,745,204	78,601	3,422,722	30,246,527

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

### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	Level 2/3	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology; Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Price per hectare/market borrowing rate; Improvements to land using construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Buildings - non-specialised	Level 2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare/market borrowing rate
Buildings - specialised	Level 3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuer	June 2017	Improvements to land using construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
<b>Furniture and equipment</b>					
	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2016	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
	Level 2/3	Market approach using recent observable market data for similar assets, or Cost approach using depreciated replacement cost	Independent registered valuers	June 2016	Purchase costs for similar assets (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs.

### Plant and equipment

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

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

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

9 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2015 - level 3	0	114,340,023
- Management valuation 2018 - level 3	74,692,757	0
- Additions after valuation at cost	0	2,869,837
Less: accumulated depreciation	0	(21,128,258)
	<u>74,692,757</u>	<u>96,081,602</u>
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	0	461,040
- Management valuation 2018 - level 3	743,644	0
- Additions after valuation at cost	0	21,798
Less: accumulated depreciation	0	(147,450)
	<u>743,644</u>	<u>335,388</u>
Infrastructure - Drainage		
- Management valuation 2015 - level 3	0	3,191,960
- Management valuation 2018 - level 3	3,672,772	0
- Additions after valuation at cost	0	3,740
Less: accumulated depreciation	0	(1,174,773)
	<u>3,672,772</u>	<u>2,020,927</u>
Infrastructure - Parks & ovals		
- Management valuation 2015 - level 3	0	6,549,640
- Management valuation 2018 - level 3	6,534,200	0
- Additions after valuation at cost	0	2,639,582
Less: accumulated depreciation	0	(2,348,237)
	<u>6,534,200</u>	<u>6,840,985</u>
Infrastructure - Other		
- Management valuation 2018 - level 3	523,800	0
- Asset Reclassifications	0	4,443
- Additions after valuation at cost	17,500	16,751
Less: accumulated depreciation	0	(1,853)
	<u>541,300</u>	<u>19,341</u>
Infrastructure - Airports		
- Management valuation 2015 - level 3	0	21,595,698
- Management valuation 2018 - level 3	3,282,900	0
- Additions after valuation at cost	0	40,742
Less: accumulated depreciation	0	(655,254)
	<u>3,282,900</u>	<u>20,981,186</u>
Infrastructure - Sewer		
- Management valuation 2015 - level 3	0	967,790
- Management valuation 2018 - level 3	200,600	0
- Additions after valuation at cost	0	144,941
Less: accumulated depreciation	0	(427,942)
	<u>200,600</u>	<u>684,789</u>

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

9 (a). INFRASTRUCTURE

Infrastructure - Solid waste

- Management valuation 2015 - level 3

- Management valuation 2018 - level 3

- Additions after valuation at cost

Less: accumulated depreciation

**Total infrastructure**

	2018	2017
	\$	\$
	0	135,973
	68,800	0
	0	28,996
	0	(41,651)
	68,800	123,318
	89,736,973	127,087,536

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

9. 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	Infrastructure - Parks & ovals	Infrastructure - Other	Infrastructure - Airports	Infrastructure - Sewer	Infrastructure - Solid waste	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	95,628,241	342,112	2,084,766	4,494,347	16,751	21,156,098	562,335	101,706	124,386,356
Additions	1,580,537	2,875	0	0	0	0	143,702	28,761	1,755,875
Depreciation (expense)	(1,127,176)	(9,599)	(63,839)	(284,530)	(1,675)	(174,912)	(21,248)	(7,149)	(1,690,128)
Transfers	0	0	0	2,631,168	4,265	0	0	0	2,635,433
<b>Carrying amount at 30 June 2017</b>	96,081,602	335,388	2,020,927	6,840,985	19,341	20,981,186	684,789	123,318	127,087,536
Additions	1,218,668	0	0	9,586	17,500	3,099	45,775	0	1,294,628
Revaluation increments/ (decrements) transferred to revaluation surplus	(21,448,726)	417,913	1,715,759	(57,852)	439,715	(17,526,474)	(492,893)	0	(36,952,558)
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	(12,035)	(46,326)	(58,361)
Depreciation (expense)	(1,158,787)	(9,657)	(63,914)	(251,519)	(1,764)	(174,911)	(25,036)	(8,192)	(1,693,780)
Transfers	0	0	0	(7,000)	66,508	0	0	0	59,508
<b>Carrying amount at 30 June 2018</b>	74,692,757	743,644	3,672,772	6,534,200	541,300	3,282,900	200,600	68,800	89,736,973

## 9. INFRASTRUCTURE (Continued)

### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks & ovals	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airports	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Sewer	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs (Level 2); current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Solid waste	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs (Level 2); current condition, 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.



## 10. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

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

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

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

#### Revaluation

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

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

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

#### Land under control

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

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

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under roads

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

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

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

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

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

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

10. 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>Land and buildings</b>								
<b>Community amenities</b>								
Police Station and Court House	0	0	0	0	15,000	15,000	0	0
11 & 13 Bell Street	0	0	0	0	5,000	5,000	0	0
Lot 560 Cuneo Close	0	0	0	0	80,000	80,000	0	0
<b>Plant and Equipment</b>								
<b>Transport</b>								
Isuzu Tipper Truck	35,000	22,727	0	(12,273)	20,000	20,000	0	0
Holden Colorado Single Cab Utility	19,743	9,263	0	(10,480)	11,000	11,000	0	0
Holden Colorado Single Cab Utility	10,000	9,455	0	(545)	11,000	11,000	0	0
<b>Other property and services</b>								
CCTV System	1,776	0	0	(1,776)	0	0	0	0
	66,519	41,445	0	(25,074)	142,000	142,000	0	0

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

10. FIXED ASSETS (Continued)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	39,773	32,727
Buildings - specialised	505,642	335,219
Furniture and equipment	13,511	16,203
Plant and equipment	341,973	387,183
Infrastructure - Roads	1,158,787	1,127,176
Infrastructure - Footpaths	9,657	9,599
Infrastructure - Drainage	63,914	63,839
Infrastructure - Parks & ovals	251,519	284,530
Infrastructure - Other	1,764	1,675
Infrastructure - Airports	174,911	174,912
Infrastructure - Sewer	25,036	21,248
Infrastructure - Solid waste	8,192	7,149
	2,594,679	2,461,460

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

**10. 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.

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.

**Depreciation rates**

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
- formation	not depreciated
- pavement	50 years
Formed roads (unsealed)	
- formation	not depreciated
- pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Airport infrastructure	13 to 100 years
Parks & ovals infrastructure	2 to 100 years
Other infrastructure	10 to 50 years

## 11. REVALUATION SURPLUS

	2018		2018		2017		2017		2017	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land - freehold land	814,452	0	0	0	814,452	950,164	0	(135,712)	(135,712)	814,452
Revaluation surplus -Buildings - non-specialised	9,113	0	0	0	9,113	434,803	0	(425,690)	(425,690)	9,113
Revaluation surplus -Buildings - specialised	18,463,939	0	0	0	18,463,939	13,483,320	4,980,619	0	4,980,619	18,463,939
Revaluation surplus -Plant and equipment	503,077	0	0	0	503,077	503,077	0	0	0	503,077
Revaluation surplus - Infrastructure - Roads	70,265,613	0	(21,448,726)	(21,448,726)	48,816,887	70,265,613	0	0	0	70,265,613
Revaluation surplus - Infrastructure - Footpaths	0	417,913	0	417,913	417,913	0	0	0	0	0
Revaluation surplus - Infrastructure - Drainage	1,692,771	1,715,759	0	1,715,759	3,408,530	1,692,771	0	0	0	1,692,771
Revaluation surplus - Infrastructure - Parks & ovals	1,960,965	0	(57,852)	(57,852)	1,903,113	1,960,965	0	0	0	1,960,965
Revaluation surplus - Infrastructure - Other	0	439,715	0	439,715	439,715	0	0	0	0	0
Revaluation surplus - Infrastructure - Airports	20,843,916	0	(17,526,474)	(17,526,474)	3,317,442	20,843,916	0	0	0	20,843,916
Revaluation surplus - Infrastructure - Sewer	492,893	0	(492,893)	(492,893)	0	492,893	0	0	0	492,893
Revaluation surplus - Infrastructure - Solid waste	0	0	0	0	0	0	0	0	0	0
	115,046,739	2,573,387	(39,525,945)	(36,952,558)	78,094,181	110,627,522	4,980,619	(561,402)	4,419,217	115,046,739

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

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

**12. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors  
Accrued interest on long term borrowings  
Accrued salaries and wages  
Rates received in advance  
Accrued expenses

	2018	2017
	\$	\$
	145,688	188,969
	10,130	7,893
	12,220	11,683
	15,078	3,042
	49,885	12,660
	233,001	224,247

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other payables**

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

**Trade and other payables (Continued)**

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

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

13. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Borrowing Institution	Interest Rate %	Principal 1 July 2017	Principal New Loans	Principal Repayments		Interest 30 June 2018		Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
			\$	\$	\$	\$	\$	\$	\$	\$
<b>Housing</b>										
L 277 - GROH Housing	WATC*	4.20%	420,902	0	77,332	77,332	343,570	343,570	16,094	16,874
<b>Community amenities</b>										
L 270 - Yongergnow	WATC*	6.34%	19,957	0	13,092	13,092	6,865	6,865	993	1,078
<b>Recreation and culture</b>										
L 273 - Gnp Community Centre	WATC*	6.18%	176,126	0	15,153	15,152	160,973	160,974	10,542	10,654
L 278 - Borden Pavilion	WATC*	4.29%	105,307	0	15,742	15,743	89,565	89,564	4,188	4,351
L 279 - Gnp Complex Synthetic Turf	WATC*	4.23%	211,185	0	15,438	15,438	195,747	195,747	8,724	8,772
<b>Other property and services</b>										
Loan 280 Short Term Loan	WATC*	0	0	1,000,000	0	0	1,000,000	0	3,499	0
			933,477	1,000,000	136,757	136,757	1,796,720	796,720	44,040	41,729

Particulars	Borrowing Institution	Interest Rate %	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget
			\$	\$	\$	\$	\$	\$	\$	\$
<b>Self Supporting Loans</b>										
<b>Recreation and culture</b>										
L 275 - Gnp Sporting Complex	WATC*	4.06%	99,014	0	18,244	18,244	80,770	80,770	3,774	3,837
L 276 - Borden Pavilion	WATC*	4.06%	44,006	0	8,108	8,108	35,898	35,898	1,677	1,705
			143,020	0	26,352	26,352	116,668	116,668	5,451	5,542
			1,076,497	1,000,000	163,109	163,109	1,913,388	913,388	49,491	47,271

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

Borrowings

	2018	2017
	\$	\$
Current	1,163,536	163,109
Non-current	749,852	913,388
	1,913,388	1,076,497

### 13. 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)		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
Short Tem Loan	1,000,000	0	WATC	Fixed	1	1,015,000	2.41%	1,000,000	0	0
	0	1,000,000				1,015,000		1,000,000	0	0

#### (c) Undrawn Borrowing Facilities

##### Credit Standby Arrangements

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

**Total amount of credit unused**

##### Loan facilities

Loan facilities - current

Loan facilities - non-current

**Total facilities in use at balance date**

**Unused loan facilities at balance date**

	2018	2017
	\$	\$
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	(710)	(1,599)
<b>Total amount of credit unused</b>	<b>509,290</b>	<b>508,401</b>
<b>Loan facilities</b>		
Loan facilities - current	1,163,536	163,109
Loan facilities - non-current	749,852	913,388
<b>Total facilities in use at balance date</b>	<b>1,913,388</b>	<b>1,076,497</b>
<b>Unused loan facilities at balance date</b>	<b>NIL</b>	<b>NIL</b>

#### 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.



## 14. PROVISIONS

### Opening balance at 1 July 2017

Current provisions  
Non-current provisions

Additional provision  
Amounts used

### Balance at 30 June 2018

### Comprises

Current  
Non-current

Assessments indicate that actual settlement of the above liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period  
More than 12 months after the end of the reporting period

	Provision for Annual & Sick Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	211,680	104,857	316,537
Non-current provisions	0	44,370	44,370
	211,680	149,227	360,907
Additional provision	159,029	77,594	236,623
Amounts used	(161,687)	(6,229)	(167,916)
Balance at 30 June 2018	209,022	220,592	429,614
Comprises			
Current	209,022	115,792	324,814
Non-current		104,800	104,800
	209,022	220,592	429,614
Assessments indicate that actual settlement of the above liabilities is expected to occur as follows:			
Within 12 months of the end of the reporting period	116,535	31,439	147,974
More than 12 months after the end of the reporting period	92,487	189,153	281,640
	209,022	220,592	429,614

## SIGNIFICANT ACCOUNTING POLICIES

### Employee benefits

#### Short-term employee benefits

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

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

#### Other long-term employee benefits

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

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

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

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

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

#### Provisions

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

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

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

**15. 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	2,579,916	1,926,550	3,074,039

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

Net result	(628,653)	(1,892,804)	974,132
Non-cash flows in Net result:			
Depreciation	2,594,679	2,480,475	2,461,460
(Profit)/loss on sale of asset	25,074	0	67,171
Fair value adjustments to fixed assets at fair value through profit or loss	0	0	0
Loss on revaluation of infrastructure assets	58,361	0	0
Reversal of loss on revaluation of fixed assets	0	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(1,555,399)	718,132	(312,574)
(Increase)/decrease in inventories	(8,345)	0	(692)
Increase/(decrease) in payables	8,754	(226,675)	1,858
Increase/(decrease) in provisions	68,707	48,114	55,047
Non-operating grants and contributions for the development of assets	(654,212)	(685,135)	(1,258,389)
Net cash from operating activities	(91,034)	442,107	1,988,013

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

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
General purpose funding	310,906	296,793
Law, order, public safety	1,721,658	1,769,429
Health	561,113	547,636
Education and welfare	15,000	15,000
Housing	1,792,512	1,736,500
Community amenities	1,468,250	2,011,940
Recreation and culture	27,832,344	28,565,765
Transport	86,282,185	122,977,881
Economic services	325,534	94,076
Other property and services	1,524,184	1,355,327
Unallocated	3,458,585	2,588,783
	125,292,271	161,959,130

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

**17. LEASING COMMITMENTS**

**(a) Operating Lease Commitments**

Non-cancellable operating leases contracted for but

Payable:

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

2018	2017
\$	\$
13,050	11,831
30,450	0
0	0
43,500	11,831

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

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

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

**Leases (Continued)**

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

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

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

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

**18. RELATED PARTY TRANSACTIONS**

**Elected Members Remuneration**

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

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
	\$	\$	\$
Meeting Fees	72,000	80,000	72,000
President's allowance	15,000	15,000	15,000
Deputy President's allowance	3,000	3,000	3,000
Travelling expenses	4,178	6,500	2,896
Telecommunications allowance	5,940	5,940	5,940
	<b>100,118</b>	<b>110,440</b>	<b>98,836</b>

**Key Management Personnel (KMP) Compensation Disclosure**

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

	<b>2018</b>	<b>2017</b>
	\$	\$
Short-term employee benefits	270,493	284,575
Post-employment benefits	46,423	38,307
Other long-term benefits	6,625	6,550
	<b>323,541</b>	<b>329,432</b>

*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 and annual leave benefits accruing during the year.

**Transactions with related parties**

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

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:

	<b>2018</b>	<b>2017</b>
	\$	\$
Purchase of goods and services	0	0

## 18. RELATED PARTY TRANSACTIONS

### Related Parties

#### The Shire's main related parties are as follows:

*i. Key management personnel*

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

*ii. Close family members of key management personnel*

Family members who may be expected to influence, or be influenced by that KMP in their dealings with Council.

*iii. Entities that are controlled, or jointly controlled by key management personnel or their close family members*

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

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing Balance
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>Law, order, public safety</b>							
Bushfire Operational Grant	14,621	40,200	(43,814)	11,007	45,622	(55,934)	695
SES Operational Grant	4,833	39,143	(37,649)	6,327	21,209	(26,459)	1,077
<b>Recreation and culture</b>							
ICCWA - Stay On Your Feet	476	0	0	476	0	0	476
DSR - KidzSports Grant	0	9,000	(4,116)	4,884	0	(4,884)	0
CLGF - Youth Dev Scholarship	0	1,514	0	1,514	875	0	2,389
<b>Total</b>	<b>19,930</b>	<b>89,857</b>	<b>(85,579)</b>	<b>24,208</b>	<b>67,706</b>	<b>(87,277)</b>	<b>4,637</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.

## 20. RATING INFORMATION

### (a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	2018 Rate Revenue \$	2018 Interim Rates \$	2018 Back Rates \$	2018 Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$	2017 Total Revenue \$
<b>Differential general rate / general rate</b>											
<b>Gross rental valuations</b>											
GRV - Residential	0.152730	339	2,552,449	392,703	1,192	469	394,364	389,835	0	389,835	376,652
GRV - Commercial	0.152730	36	515,246	78,694	3,818	0	82,512	78,694	0	78,694	76,032
GRV - Industrial	0.152730	17	180,748	27,606	0	0	27,606	27,606	0	27,606	26,672
GRV - Amelup Tourism	0.152730	4	130,780	19,972	0	0	19,972	19,973	0	19,973	19,299
<b>Unimproved valuations</b>											
Rural	0.010794	355	279,618,496	3,018,202	(6,033)	111	3,012,280	3,018,200	1,430	3,019,630	2,912,788
Mining	0.010794	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>		751	282,997,719	3,537,177	(1,023)	580	3,536,734	3,534,308	1,430	3,535,738	3,411,443
<b>Minimum payment</b>											
<b>Gross rental valuations</b>											
GRV - Residential	714	77	130,257	54,978	714	0	55,692	57,834	0	57,834	56,000
GRV - Commercial	714	14	22,423	9,996	0	0	9,996	9,996	0	9,996	10,381
GRV - Industrial	714	9	19,336	6,426	0	0	6,426	6,426	0	6,426	6,300
GRV - Amelup Tourism	714	1	4,160	714	0	0	714	714	0	714	700
<b>Unimproved valuations</b>											
Rural	714	20	734,204	14,280	0	0	14,280	14,280	0	14,280	14,000
Mining	714	5	53,229	3,570	186	97	3,853	3,570	0	3,570	3,023
<b>Sub-Total</b>		126	963,609	89,964	900	97	90,961	92,820	0	92,820	90,404
		877	283,961,328	3,627,141	(123)	677	3,627,695	3,627,128	1,430	3,628,558	3,501,847
Discounts/concessions (refer note 20(c))							(9,986)			(9,986)	(9,649)
<b>Total amount raised from general rate</b>							3,617,709			3,618,572	3,492,198
Specified Area Rate (refer note 20(b))							208,898			208,419	201,425
Ex-gratia rates							31,577			30,500	30,509
<b>Totals</b>							3,858,184			3,857,491	3,724,132

### 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.



20. RATING INFORMATION (Continued)

(b) Specified Area Rate/ Waste Collection 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
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gnp Sporting Complex	GRV	0.004012	2,624,853	10,531	0	0	10,531	10,531	0	0	10,531
Gnp Sporting Complex	UV	0.000156	124,977,500	19,556	(68)	0	19,488	19,556	0	0	0
Borden Pavilion	GRV	0.001999	259,124	518	0	0	518	518	0	0	0
Borden Pavilion	UV	0.000100	98,138,500	9,814	(20)	0	9,794	9,814	0	0	0
Ongerup Effluent	GRV	0.077996	448,743	35,000	0	0	35,000	35,000	0	0	35,000
Waste Collection Rate	GRV	0.000001	3,555,399	56,000	0	0	56,000	56,000	0	0	0
Waste Collection Rate	UV	0.000001	280,405,929	77,000	567	0	77,567	77,000	0	0	77,000
				208,419	479	0	208,898	208,419	0	0	122,531

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
			\$	\$	\$	\$	\$	\$
<b>Gnp Sporting Complex</b>	To meet part of the loan repayments for the Gnowangerup Sporting Complex Facility.	Applied to all properties in the Old Gnowangerup Townsite Ward and Gnowangerup Rural Ward.	30,019	0	0	30,087	0	0
<b>Borden Pavilion</b>	To meet the loan repayments for the Borden Pavilion Facility.	Applied to all properties of the Old Borden Townsite Ward and the Borden Rural Ward.	10,312	0	0	10,332	0	0
<b>Ongerup Effluent</b>	To contribute towards the maintenance, renewal and replacement of the Ongerup Effluent System.	Applied to all properties in the Ongerup Townsite.	35,000	0	0	35,000	0	0
<b>Waste Collection Rate</b>	To assist Council meet some of the costs associated with managing waste within the Shire	Applied to all properties within the district	133,567	0	0	133,000	0	0
			208,898	0	0	208,419	0	0

## 20. RATING INFORMATION (Continued)

### Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
General rates on Assessment A213	Concession	50.00%	N/A	2,978	2,978
General rates on Assessment A293	Concession	50.00%	N/A	5,003	5,003
General rates on Assessment A314	Concession	50.00%	N/A	814	814
General rates on Assessment A556	Concession	50.00%	N/A	1,191	1,191
				9,986	9,986

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
General rates on Assessment A213	General rates on Assessment A213	To assist promote the tourist industry in the Amelup Tourism	To assist promote the tourist industry in the Amelup Tourism Precinct.
General rates on Assessment A293	General rates on Assessment A293	To assist promote the tourist industry in the Amelup Tourism	To assist promote the tourist industry in the Amelup Tourism Precinct.
General rates on Assessment A314	General rates on Assessment A314	To assist promote the tourist industry in the Amelup Tourism	To assist promote the tourist industry in the Amelup Tourism Precinct.
General rates on Assessment A556	General rates on Assessment A556	To assist promote the tourist industry in the Amelup Tourism	To assist promote the tourist industry in the Amelup Tourism Precinct.

## 20. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	29-Sep-17	0	0.00%	11.00%
<b>Option Two</b>				
First instalment	29-Sep-17	0	0.00%	11.00%
Second instalment	01-Dec-17	10	5.50%	11.00%
Third instalment	02-Feb-18	10	5.50%	11.00%
Fourth instalment	02-Apr-18	10	5.50%	11.00%

	2018		
	2018	Budget	2017
	\$	\$	\$
Interest on unpaid rates	22,428	13,000	21,122
Interest on instalment plan	12,014	11,500	12,145
Interest on deferred pensioner rates	916	2,000	0
Charges on instalment plan	4,740	4,500	4,780
	40,098	31,000	38,047

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 21. NET CURRENT ASSETS

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

	<b>2018 (30 June 2018 Carried Forward)</b>	<b>2017 (1 July 2017 Brought Forward)</b>
	\$	\$
<b>Surplus/(Deficit) 1 July 17 brought forward</b>	2,510,233	1,560,516
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Unrestricted	584,970	1,153,453
Restricted	1,994,946	1,920,586
Receivables		
Rates outstanding	183,345	178,173
Sundry debtors	2,155,204	723,706
GST receivable	110,253	64
Loans receivable - clubs/institutions	27,432	26,352
Accrued Interest on Loans Receivable	91	492
Inventories		
Fuel & materials	29,548	21,203
<b>LESS: CURRENT LIABILITIES</b>		
Trade and other payables		
Sundry creditors	(145,688)	(188,969)
Accrued interest on long term borrowings	(10,130)	(7,893)
Accrued salaries and wages	(12,220)	(11,683)
Rates received in advance	(15,078)	(3,042)
Accrued expenses	(49,885)	(12,660)
Current portion of long term borrowings	(1,163,536)	(163,109)
Provisions		
Provision for annual leave and sick leave	(209,022)	(211,680)
Provision for long service leave	(115,792)	(104,857)
<b>Unadjusted net current assets</b>	3,364,438	3,320,136
<b>Adjustments</b>		
Less: Reserves - restricted cash	(1,990,309)	(1,896,377)
Less: Loans receivable - clubs/institutions	(27,432)	(26,352)
Add: Current portion of long term borrowings	1,163,536	163,109
<b>Adjusted net current assets - surplus/(deficit)</b>	2,510,233	1,560,516

### Difference

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

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

**22. 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	2,579,916	3,074,039	2,579,916	3,074,039
Receivables	2,693,121	1,164,074	2,693,121	1,164,074
	5,273,037	4,238,113	5,273,037	4,238,113
<b>Financial liabilities</b>				
Payables	233,001	224,247	233,001	224,247
Borrowings	1,913,388	1,076,497	1,913,388	1,076,497
	2,146,389	1,300,744	2,146,389	1,300,744

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.

## 22. 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.

	2018	2017
	\$	\$
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	25,799	30,740
- Statement of Comprehensive Income	25,799	30,740

*Notes:*

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

**22. 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	100.00%	97.00%
- Overdue	0.00%	3.00%

## 22. 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	233,001	0	0	233,001	233,001
Borrowings	1,204,221	661,907	199,670	2,065,798	1,913,388
	1,437,222	661,907	199,670	2,298,799	2,146,389
<b>2017</b>					
Payables	224,247	0	0	224,247	224,247
Borrowings	211,306	795,628	270,170	1,277,104	1,076,497
	435,553	795,628	270,170	1,501,351	1,300,744

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	1,006,864	0	0	460,238	89,563	356,724	1,913,389	3.44%
Weighted average Effective interest rate	2.44%	0.00%	0.00%	4.16%	4.29%	5.11%		
<b>Year ended 30 June 2017</b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings	0	19,556	0	0	0	1,056,941	1,076,497	4.56%
Weighted average Effective interest rate	0.00%	6.34%	0.00%	0.00%	0.00%	4.53%		



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**23. 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:

	<b>1 July 2017</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>30 June 2018</b>
	\$	\$	\$	\$
Builders Registration Board	0	2,185	(2,185)	0
BCITF	0	1,378	(1,378)	0
Hall Hire Bonds	0	610	(610)	0
Agricultural Society	4,436			4,436
Early Morning Swimming Bonds	0			0
Gnp Airstrip Donation	1,266	0	(1,266)	0
Housing Bonds	9,324	1,000	(1,019)	9,305
GESB Trust	0			0
Unclaimed Rates	56	528	(528)	56
Micro-Chip Deposits	0	330	(330)	0
Police Licensing	0	594,407	(594,407)	0
Cat Trap Bonds	0	200	(50)	150
Nomination Deposits	0	400	(400)	0
Other - Interest	0	59	0	59
MRWA - Overpayment	0	210,801	(210,801)	0
Superannuation Payments Returned	0	169	(169)	0
	<u>15,083</u>			<u>14,007</u>

## 24. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

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

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

	<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.

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

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <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

## 25. 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 operating 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).

### 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.

## **25. OTHER SIGNIFICANT ACCOUNTING POLICIES**

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.

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.

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**26. 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	Administration and operation of members of Council. Other costs that relate to the tasks 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	To collect revenue in the form of rates, interest and general purpose Government grants to allow for the provision of services.
<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 fire prevention, animal control and other aspects of public safety including emergency services
<b>HEALTH</b>	To provide an operational framework for environmental and community health	Inspection of food outlets and their control, noise control and waste disposal compliance
<b>EDUCATION AND WELFARE</b>	To provide services to the elderly, children and youth	The provision of pre-school facilities to relevant community groups and the support of youth in the community.
<b>HOUSING</b>	To provide and maintain staff and other housing	Provision and maintenance of staff and other housing
<b>COMMUNITY AMENITIES</b>	To provide services required by the community	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences
<b>RECREATION AND CULTURE</b>	To establish and effectively manage infrastructure and resource which will help the social well being of the community	Maintenance of public halls, civic centres, swimming pool, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library and other cultural facilities
<b>TRANSPORT</b>	To provide safe, effective and efficient transport services to the community	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
<b>ECONOMIC SERVICES</b>	To help promote the shire and its economic wellbeing	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control
<b>OTHER PROPERTY AND SERVICES</b>	To monitor and control Shire's overheads operating accounts	Private works operation, plant repair and operation costs and engineering operation costs, administration costs allocated and other unclassified works and services

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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27. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.89	3.67	2.08
Asset consumption ratio	0.80	0.86	0.86
Asset renewal funding ratio	0.66	0.67	0.81
Asset sustainability ratio	0.65	0.96	1.59
Debt service cover ratio	6.68	7.51	3.48
Operating surplus ratio	(0.10)	(0.07)	(0.41)
Own source revenue coverage ratio	0.81	0.51	0.60

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

## INDEPENDENT AUDITOR'S REPORT

### To the Electors of the Shire of Gnowangerup

### Report on the Audit of the Financial Report

#### **Opinion**

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

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

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

#### **Basis for Opinion**

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

#### **Emphasis of Matter – Basis of Accounting**

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

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

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

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



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

### ***Auditor's Responsibility for the Audit of the Financial Report***

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

- (i) In our opinion, the following matters indicate significant adverse trends in the financial position or the financial management practices of the Shire of Gnowangerup:
  - a. Asset sustainability ratio as reported in Note 27 of the financial report of 0.65 is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of 0.8 for the year ended 30 June 2018; and
  - b. Operating surplus ratio as reported in Note 27 of the financial report of (0.10) is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years.

- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law was identified during the course of our audit:
  - a. Public notice was not given for the proposal to borrow monies not included within the 2017-18 budget as required by Section 6.20 2(a) of the *Local Government Act 1995*.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

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

**AMD Chartered Accountants**



**TIM PARTRIDGE**  
**Director**

28-30 Wellington Street, Bunbury, Western Australia    Dated this 20<sup>th</sup> day of November 2018