

Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS, REGISTERED COMPANY
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Liability limited by a scheme approved under Professional Standards Legislation

20 November 2018

John McCleary
Chief Executive Officer
Shire of Upper Gascoyne
4 Scott Street
Gascoyne Junction WA 6701

Dear John

MANAGEMENT LETTER

We have completed our audit of the Shire of Upper Gascoyne for the year ended 30 June 2018.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. While our procedures are designed to identify any material weaknesses and detect misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

It is usual for the auditor to report to management any matters which, in the auditor's opinion, should be brought to their attention. During this audit, there are no matters which we believe need to be brought to your attention.

We would like to take this opportunity to thank you and your staff for the assistance provided during the course of the audit.

If you would like to discuss any matter in relation to the audit, please do not hesitate to contact us.

Yours sincerely

ANDERSON MUNRO & WYLLIE

BILLY-JOE THOMAS

Director

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

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COMMUNITY VISION

The Shire of Upper Gascoyne will be a sustainable service base supporting the pastoral, tourism sector, mining industries and the local community.

Principal place of business:
4 Scott St
Gascoyne Junction, WA 6705

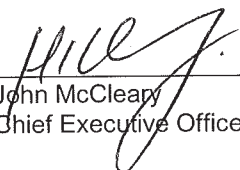
SHIRE OF UPPER GASCOYNE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Upper Gascoyne 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 Upper Gascoyne 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 *Twentieth* day of *November* 2018



John McCleary
Chief Executive Officer

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	27(a)	365,605	408,782	351,590
Operating grants, subsidies and contributions	2(a)	12,662,321	12,253,643	5,998,912
Fees and charges	2(a)	26,603	33,120	36,844
Interest earnings	2(a)	56,009	44,837	90,696
Other revenue	2(a)	199,094	163,245	255,844
		<u>13,309,632</u>	<u>12,903,627</u>	<u>6,733,886</u>
Expenses				
Employee costs		(1,162,950)	(1,105,419)	(975,311)
Materials and contracts		(10,417,797)	(11,970,331)	(1,453,798)
Utility charges		(144,649)	(110,391)	(137,161)
Depreciation on non-current assets	11(b)	(2,167,520)	(2,012,150)	(1,993,176)
Interest expenses	2(b)	(64,632)	(114,208)	(35,044)
Insurance expenses		(210,783)	(206,010)	(165,558)
Other expenditure		(51,000)	(161,906)	(76,561)
		<u>(14,219,331)</u>	<u>(15,680,415)</u>	<u>(4,836,609)</u>
		<u>(909,699)</u>	<u>(2,776,788)</u>	<u>1,897,277</u>
Non-operating grants, subsidies and contributions	2(a)	1,176,936	1,241,392	1,493,639
Profit on asset disposals	11(a)	28,288	0	0
(Loss) on asset disposals	11(a)	(17,165)	(98,466)	(19,478)
(Loss) on devaluation of land for resale to realisable value		0	0	(49,550)
Reversal of prior year loss on revaluation of plant and equipment	9(b)	0	0	(20,902)
Net result		278,360	(1,633,862)	3,300,986
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	1,715,767	0	160,910
Total other comprehensive income		1,715,767	0	160,910
Total comprehensive income		1,994,127	(1,633,862)	3,461,896

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
Revenue				
	2(a)			
Governance		10,758	12,880	(7,807)
General purpose funding		3,094,673	1,723,245	4,526,149
Law, order, public safety		137,956	140,140	142,080
Health		181	1,000	573
Education and welfare		124,860	119,600	80,313
Community amenities		3,850	4,080	3,740
Recreation and culture		25,985	17,250	50,898
Transport		9,595,380	10,500,387	1,732,635
Economic services		246,140	333,145	130,831
Other property and services		69,849	51,900	74,475
		13,309,632	12,903,627	6,733,887
Expenses				
	2(a)			
Governance		(509,261)	(470,841)	(412,234)
General purpose funding		(100,092)	(104,553)	(135,759)
Law, order, public safety		(294,543)	(340,283)	(327,740)
Health		(13,230)	(48,105)	(12,071)
Education and welfare		(298,998)	(297,331)	(273,535)
Housing		(288,768)	(343,854)	(299,219)
Community amenities		(93,124)	(102,831)	(85,581)
Recreation and culture		(285,170)	(282,915)	(286,036)
Transport		(11,608,806)	(12,829,254)	(2,442,842)
Economic services		(566,704)	(746,240)	(422,988)
Other property and services		(96,003)	0	(103,561)
		(14,154,699)	(15,566,207)	(4,801,566)
Finance Costs				
	2(a)			
Governance		0	0	(35,044)
General purpose funding		(55,510)	(108,901)	0
Housing		(9,122)	(5,307)	0
		(64,632)	(114,208)	(35,044)
		(909,699)	(2,776,788)	1,897,277
Non-operating grants, subsidies and contributions	2(a)	1,176,936	1,241,392	1,493,639
Profit on disposal of assets	11(a)	28,288	0	0
(Loss) on disposal of assets	11(a)	(17,165)	(98,466)	(19,478)
(Loss) on devaluation of land for resale to		0	0	(49,550)
Reversal of prior year loss on revaluation of plant and equipment	9(b)	0	0	(20,902)
		1,188,059	1,142,926	1,403,709
		278,360	(1,633,862)	3,300,986
Net result				
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	1,715,767	0	160,910
Total other comprehensive income		1,715,767	0	160,910
Total comprehensive income		1,994,127	(1,633,862)	3,461,896

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

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

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	3,923,069	4,729,135
Trade and other receivables	6	2,157,583	143,230
Inventories	7	99,799	96,100
TOTAL CURRENT ASSETS		6,180,451	4,968,465
NON-CURRENT ASSETS			
Intangible Assets	8	96,473	96,473
Property, plant and equipment	9	11,105,707	10,574,575
Infrastructure	10	65,526,975	62,989,396
TOTAL NON-CURRENT ASSETS		76,729,155	73,660,444
TOTAL ASSETS		82,909,606	78,628,909
CURRENT LIABILITIES			
Trade and other payables	13	701,672	407,270
Short term borrowings	14	1,620,168	17
Current portion of long term borrowings	15(a)	70,691	37,372
Provisions	16	171,861	82,476
TOTAL CURRENT LIABILITIES		2,564,392	527,135
NON-CURRENT LIABILITIES			
Long term borrowings	15(a)	830,003	561,053
Provisions	16	52,062	71,699
TOTAL NON-CURRENT LIABILITIES		882,065	632,752
TOTAL LIABILITIES		3,446,457	1,159,887
NET ASSETS		79,463,149	77,469,022
EQUITY			
Retained surplus		37,590,080	37,522,472
Reserves - cash backed	5	1,517,804	1,307,052
Revaluation surplus	12	40,355,265	38,639,498
TOTAL EQUITY		79,463,149	77,469,022

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

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

	NOTE	RETAINED SURPLUS	CASH/INVESTMENT BACKED	RESERVES REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		34,434,895	1,093,643	38,478,588	74,007,126
Comprehensive income					
Net result		3,300,986	0	0	3,300,986
Changes on revaluation of assets	12	0	0	160,910	160,910
Total comprehensive income		3,300,986	0	160,910	3,461,896
Transfers from/(to) reserves		(213,409)	213,409	0	0
Balance as at 30 June 2017		37,522,472	1,307,052	38,639,498	77,469,022
Comprehensive income					
Net result		278,360	0	0	278,360
Changes on revaluation of assets	12	0	0	1,715,767	1,715,767
Total comprehensive income		278,360	0	1,715,767	1,994,127
Transfers from/(to) reserves		(210,752)	210,752	0	0
Balance as at 30 June 2018		37,590,080	1,517,804	40,355,265	79,463,149

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		397,405	408,782	343,190
Operating grants, subsidies and contributions		10,617,202	12,253,643	5,880,057
Fees and charges		26,603	33,120	36,844
Interest earnings		56,009	44,837	90,696
Goods and services tax		(1,034)	0	0
Other revenue		199,094	163,245	255,844
		<u>11,295,279</u>	<u>12,903,627</u>	<u>6,606,631</u>
Payments				
Employee costs		(1,092,029)	(1,098,072)	(993,145)
Materials and contracts		(10,015,483)	(11,720,544)	(1,339,195)
Utility charges		(144,649)	(110,391)	(137,161)
Interest expenses		(65,233)	(114,208)	(31,667)
Insurance expenses		(210,783)	(206,010)	(165,558)
Goods and services tax		0	0	(908,300)
Other expenditure		(51,000)	(161,919)	(76,561)
		<u>(11,579,177)</u>	<u>(13,411,144)</u>	<u>(3,651,587)</u>
Net cash provided by (used in) operating activities	17	<u>(283,898)</u>	<u>(507,517)</u>	<u>2,955,044</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,241,634)	(1,177,937)	(608,426)
Payments for construction of infrastructure		(2,437,707)	(2,917,432)	(11,129,327)
Less Retentions held for Bridge Project		(112,182)	0	176,810
Payments for Capital Works in Progress		0	0	281,492
Non-operating grants, subsidies and contributions		1,176,936	1,241,392	1,493,639
Proceeds from sale of fixed assets		170,000	130,000	90,909
Net cash provided by (used in) investment activities		<u>(2,444,587)</u>	<u>(2,723,977)</u>	<u>(9,694,903)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(52,732)	(52,719)	(35,557)
Proceeds from new long term borrowings		355,000	355,000	0
Net cash provided by (used in) financing activities		<u>302,268</u>	<u>302,281</u>	<u>(35,557)</u>
Net increase (decrease) in cash held		<u>(2,426,217)</u>	<u>(2,929,213)</u>	<u>(6,775,416)</u>
Cash at beginning of year		4,729,118	4,729,135	11,504,534
Cash and cash equivalents at the end of the year	17	<u><u>2,302,901</u></u>	<u><u>1,799,922</u></u>	<u><u>4,729,118</u></u>

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
	28	3,242,126	3,249,787	9,439,228
		3,242,126	3,249,787	9,439,228
Revenue from operating activities (excluding rates)				
Governance		10,758	12,880	(7,807)
General purpose funding		2,730,721	1,314,463	4,174,559
Law, order, public safety		137,956	140,140	142,080
Health		181	1,000	573
Education and welfare		124,860	119,600	80,313
Community amenities		3,850	4,080	3,740
Recreation and culture		25,985	17,250	50,898
Transport		9,623,668	10,500,387	1,732,635
Economic services		246,140	333,145	130,831
Other property and services		69,849	51,900	74,475
		12,973,968	12,494,845	6,382,297
Expenditure from operating activities				
Governance		(509,261)	(470,841)	(447,278)
General purpose funding		(155,602)	(213,454)	(135,759)
Law, order, public safety		(294,543)	(340,283)	(327,740)
Health		(13,230)	(48,105)	(12,071)
Education and welfare		(298,998)	(297,331)	(273,535)
Housing		(297,890)	(349,161)	(299,219)
Community amenities		(93,124)	(102,831)	(85,581)
Recreation and culture		(285,170)	(282,915)	(286,036)
Transport		(11,625,971)	(12,927,720)	(2,462,319)
Economic services		(566,704)	(746,240)	(472,538)
Other property and services		(96,003)	0	(103,561)
		(14,236,496)	(15,778,881)	(4,905,637)
Operating activities excluded				
(Profit) on disposal of assets	11(a)	(28,288)	0	0
Loss on disposal of assets	11(a)	17,165	98,466	19,478
Loss on revaluation of fixed assets	10(b)	0	0	0
(Reversal) of prior year loss on revaluation of fixed assets		4,740	0	0
Movement in employee benefit provisions (non-current)		(19,637)	7,334	32,380
Depreciation and amortisation on assets	11(b)	2,167,520	2,012,150	1,993,176
Amount attributable to operating activities		4,121,098	2,083,701	12,960,922
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,176,936	1,241,392	1,493,639
Proceeds from disposal of assets	11(a)	170,000	130,000	90,909
Payments for Capital Works in Progress		0	0	281,492
Purchase of property, plant and equipment	9(b)	(1,241,634)	(1,177,937)	(570,407)
Less acquisitions through Bridge Project		0	0	11,532
Purchase and construction of infrastructure	10(b)	(2,437,707)	(2,917,432)	(11,129,327)
Less 2014/15 bridge expenditure		0	0	12,742
Reclassification of 2017 bank overdraft		17	0	0
Amount attributable to investing activities		(2,332,388)	(2,723,977)	(9,809,420)
FINANCING ACTIVITIES				
Repayment of long term borrowings	15(a)	(52,732)	(52,719)	(35,557)
Proceeds from new long term borrowings	15(b)	355,000	355,000	0
Transfers to reserves (restricted assets)	5	(669,752)	(529,787)	(251,736)
Transfers from reserves (restricted assets)	5	459,000	459,000	38,327
Amount attributable to financing activities		91,516	231,494	(248,966)
Surplus(deficiency) before general rates		1,880,226	(408,782)	2,902,536
Total amount raised from general rates	27(a)	363,952	408,782	351,590
Net current assets at June 30 c/fwd - surplus/(deficit)	28	2,244,178	0	3,254,126

*The \$12,000 difference between the 30 June 2017 carried forward surplus and 1 July 2018 brought forward surplus relates to Fuel Roadhouse which was incorrectly recorded in the 30 June 2017 calculation. See note 27 for further detail.

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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

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

CRITICAL ACCOUNTING ESTIMATES

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

CRITICAL ACCOUNTING ESTIMATES (Continued)

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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 30 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

Significant revenue

During the year the Shire received reimbursements in relation to flood damage to roads under the Western Australia Natural Disaster Relief and Recovery Arrangements (WANDRRA)

Other revenue

Reimbursements and recoveries
Works Income

Fees and Charges

Governance
Law, order, public safety
Health
Education and welfare
Community amenities
Recreation and culture
Economic services

	2018 Actual	2017 Actual
	\$	\$
	8,539,168	0
	149,062	225,007
	50,032	30,837
	199,094	255,844
	100	100
	7,351	6,654
	180	573
	0	368
	3,850	3,740
	13,213	23,082
	1,909	2,327
	26,603	36,844

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance (refunded)	0	(20,000)
General purpose funding	11,201,087	4,078,455
Law, order, public safety	128,825	133,957
Education and welfare	97,000	54,841
Transport	1,006,180	1,503,299
Economic services	159,380	198,500
Other property and services	69,849	49,861
	12,662,321	5,998,913
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	14,000
Education and welfare	0	7,045
Recreation and culture	61,081	0
Transport	1,115,855	1,472,594
	1,176,936	1,493,639
Total grants, subsidies and contributions	13,839,257	7,492,552

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 26. 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 reporting period.

Interest earnings

- Reserve funds
- Other funds
- Other interest revenues (refer Note 27(e))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
	22,801	24,837	19,786
	24,071	15,000	62,913
	9,137	5,000	7,997
	56,009	44,837	90,696

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Significant expense

During the year the Shire incurred materials and contracts expenditure to reinstate roads as a result of flood damage. This is subject to reimbursement under the Western Australia Natural Disaster Relief and Recovery Arrangements

Auditors remuneration

- Audit of the Annual Financial Report
- Other services

Interest expenses (finance costs)

Debentures (refer Note 15(a))
WA Treasury Loan Guarantee Fee
Interest on Overdraft

	2018	2017
	\$	\$
	8,824,192	128,927
	13,130	17,700
	2,850	9,062
	15,980	26,762
	38,337	30,952
	2,925	4,088
	23,370	4
	64,632	35,044

3. CASH AND CASH EQUIVALENTS

	NOTE	2018 \$	2017 \$
Unrestricted		2,342,289	2,535,288
Restricted		1,580,780	2,193,847
		<u>3,923,069</u>	<u>4,729,135</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	5	87,231	85,555
Plant Replacement Reserve	5	434,806	663,830
Airport Reserve	5	62,371	40,969
Tourism Precinct Reserve	5	367,897	340,786
Building Reserve	5	53,042	110,732
Works Reserve	5	72,456	65,180
Economic Development Reserve	5	345,000	0
Roads Flood Damage Reserve	5	75,000	0
Bridge Maintenance Reserve	5	20,000	0
Unspent grants	26	62,977	886,795
Unspent loans	15(c)	0	0
		<u>1,580,780</u>	<u>2,193,847</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

4. INVESTMENTS

The Shire did not have any financial assets at fair value through profit and loss as at the reporting date.

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.

(iii) Available-for-sale financial assets

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

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

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

Impairment

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

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

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;
- (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

5. RESERVES - CASH BACKED

	2018		2018		2018		2018		2018		2017		2017	
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	2018 Actual	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Actual Transfer (from)	Actual Closing Balance
Leave Reserve	\$ 85,555	\$ 1,676	\$ 0	\$ 87,231	\$ 85,555	\$ 1,711	\$ 0	\$ 87,266	\$ 97,323	\$ 1,559	\$ (13,327)	\$ 85,555		
Plant Replacement Reserve	663,830	90,976	(320,000)	434,806	663,830	46,277	(320,000)	390,107	501,584	162,246	0	663,830	0	0
Airport Reserve	40,969	21,402	0	62,371	40,969	21,419	0	62,388	20,000	20,969	0	40,969	0	0
Tourism Precinct Reserve	340,786	27,111	0	367,897	340,786	27,251	0	368,037	292,951	47,835	0	340,786	0	0
Building Reserve	110,732	17,310	(75,000)	53,042	110,732	18,129	(75,000)	53,861	117,785	17,947	(25,000)	110,732	0	0
Works Reserve	65,180	71,277	(64,000)	72,457	65,180	70,000	(64,000)	71,180	64,000	1,180	0	65,180	0	0
Economic Development Reserve	0	345,000	0	345,000	0	250,000	0	250,000	0	0	0	0	0	0
Roads Flood Damage Reserve	0	75,000	0	75,000	0	75,000	0	75,000	0	0	0	0	0	0
Bridge Maintenance Reserve	0	20,000	0	20,000	0	20,000	0	20,000	0	0	0	0	0	0
	1,307,052	669,752	(459,000)	1,517,804	1,307,052	779,787	(459,000)	1,627,839	1,093,643	251,736	(38,327)	1,307,052		

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Note 1	- to be used to fund annual and long service leave requirements.
Plant Replacement Reserve	Note 1	- to be used for the purchase of major plant and also to fund major mechanical breakdowns.
Airport Reserve	30/6/25	- to fund the resealing of the Gascoyne Junction Airport.
Tourism Precinct Reserve	Note 1	- to be used for future significant repairs or upgrades on an as required basis.
Building Reserve	Note 1	- to be used for new buildings, future repairs or upgrades on an as required basis (excluding the Tourism Precinct).
Works Reserve	Note 1	- to be used to support funding of major infrastructure projects.
Economic Development Reserve	Note 1	- to set aside funds for economic development initiatives.
Roads Flood Damage Reserve	Note 1	- to be used towards the required Shire contribution for WANDRRA funding.
Bridge Maintenance Reserve	Note 1	- to be used for repairs and maintenance of Killilli Bridge as required.

Note 1 Reserve not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

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

7. INVENTORIES

Current

Fuel and materials
Land for Sale - Current Asset

2018	2017
\$	\$
87,799	84,100
12,000	12,000
99,799	96,100

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.

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.

8. INTANGIBLE ASSETS

Non-current

Liquor Licence

2018	2017
\$	\$
96,473	96,473
96,473	96,473

SIGNIFICANT ACCOUNTING POLICIES

General

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured at the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite intangible assets are reviewed annually. Changes in the expected pattern of consumption or

useful life are accounted for prospectively by changing the amortisation method or period.

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

9 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land and buildings at:		
Land - Independent valuation 2017 - level 2	834,000	834,000
	834,000	834,000
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	895,393	895,393
Less: accumulated depreciation	(12,631)	0
	882,762	895,393
Buildings - specialised at:		
- Independent valuation 2017 - level 3	6,343,613	6,343,613
- Additions after valuation - cost	639,893	0
Less: accumulated depreciation	(105,985)	(881)
	6,877,521	6,342,732
Total buildings	7,760,283	7,238,125
Total land and buildings	8,594,283	8,072,125
Furniture and equipment at:		
- Management valuation 2016 - level 3	429,036	429,036
- Additions after valuation - cost	91,262	78,229
Less: accumulated depreciation	(419,033)	(389,260)
	101,265	118,005
Plant and equipment at:		
- Independent valuation 2016 - level 2	1,951,874	2,201,874
- Management valuation 2016 - level 3	149,127	149,127
- Additions after valuation - cost	968,441	414,425
Less: accumulated depreciation	(803,964)	(490,970)
	2,265,478	2,274,456
Capital Works in Progress at:		
- at cost	144,681	109,989
	144,681	109,989
Total property, plant and equipment	11,105,707	10,574,575

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Capital Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	825,554	825,554	895,000	6,271,897	7,166,897	7,992,451	75,727	2,350,663	391,481	10,810,322
Additions	15,000	15,000	41,610	21,143	62,753	77,753	78,229	414,425	0	570,407
(Disposals)	0	0	0	0	0	0	0	(110,386)	0	(110,386)
Revaluation increments/ (decrements) transferred to revaluation surplus	(6,554)	(6,554)	(28,587)	150,874	122,287	115,733	0	20,902	(281,492)	(144,857)
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	0	(20,902)	0	(20,902)
Depreciation (expense)	0	0	(12,630)	(101,182)	(113,812)	(113,812)	(35,951)	(380,246)	0	(530,009)
Carrying amount at 30 June 2017	834,000	834,000	895,393	6,342,732	7,238,125	8,072,125	118,005	2,274,456	109,989	10,574,575
Additions	0	0	0	639,893	639,893	639,893	13,033	554,016	34,692	1,241,634
(Disposals)	0	0	0	0	0	0	0	(158,877)	0	(158,877)
Depreciation (expense)	0	0	(12,631)	(105,104)	(117,735)	(117,735)	(29,773)	(404,117)	0	(551,625)
Carrying amount at 30 June 2018	834,000	834,000	882,762	6,877,521	7,760,283	8,594,283	101,265	2,265,478	144,681	11,105,707

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	Level 2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	2017	Price per hectare / market borrowing rate
Buildings - non-specialised	Level 2	Sales comparison approach	Independent registered valuer	2017	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments inputs
Buildings - specialised	Level 3	Improvements to land valued using cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuer	2017	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment					
	Level 3	Market approach using recent observable market data for similar assets (Gross valuation method)	Management Valuation	2016	Purchase costs and current condition, residual values and remaining useful life assessments inputs
Plant and equipment					
Mobile Plant	Level 2	Market approach using recent observable market data for similar assets (Gross valuation method)	Independent registered valuer	2016	Market price per item
Other Plant	Level 3	Market approach using recent observable market data for similar assets (Gross valuation method)	Management Valuation	2016	Purchase costs and current condition, residual values and remaining useful life assessments inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, 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 either level 2 or level 3 inputs.

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

10 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Independent valuation 2016 - level 3	0	71,110,352
- Independent valuation 2018 - level 3	87,888,969	0
- Additions after valuation - cost	0	11,142,068
Less: accumulated depreciation	(27,173,142)	(24,179,616)
	<u>60,715,827</u>	<u>58,072,804</u>
Infrastructure - Other		
- Independent valuation 2016 - level 3	0	5,045,000
- Independent valuation 2018 - level 3	4,811,148	0
Less: accumulated depreciation	0	(128,408)
	<u>4,811,148</u>	<u>4,916,592</u>
Total infrastructure	<u>65,526,975</u>	<u>62,989,396</u>

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

10. 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.

	Roads \$	Other \$	Total Infrastructure \$
Balance at 1 July 2016	48,265,494	5,045,000	53,310,494
Additions	11,129,327	0	11,129,327
(Disposals)	0	0	0
(Decrements) Transferred to revaluation Surplus	12,742	0	12,742
Depreciation (Expense)	(1,334,759)	(128,408)	(1,463,167)
Carrying amount at 30 June 2017	58,072,804	4,916,592	62,989,396
Additions	2,406,626	31,081	2,437,707
(Disposals)	0	0	0
(Decrements) Transferred to revaluation Surplus	1,723,885	(8,118)	1,715,767
Depreciation (Expense)	(1,487,488)	(128,407)	(1,615,895)
Carrying amount at 30 June 2018	60,715,827	4,811,148	65,526,975

10. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last	Inputs Used
Roads	Level 3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other	Level 3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuer	2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, 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.

11. 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 carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

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 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.

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

11. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Transport								
P56 1984 Howard Porter Semi Trailer	22,165	5,000	0	(17,165)	22,000	0	0	(22,000)
P37 CAT 140M Grader	136,712	165,000	28,288	0	206,466	130,000	0	(76,466)
Transport	158,877	170,000	28,288	(17,165)	228,466	130,000	0	(98,466)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	12,631	12,630
Buildings - specialised	105,104	101,182
Furniture and equipment	29,773	35,951
Plant and equipment	404,117	380,246
Infrastructure - Roads	1,487,488	1,334,759
Infrastructure - Other	128,407	128,408
	2,167,520	1,993,176

11. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings	30 - 50 Yrs
Furniture and equipment	1 - 5 yrs
Plant and equipment	5 - 15 yrs
Sealed roads and streets formation pavement seal	Not depreciated 35 yrs 15 yrs
Gravel roads formation pavement	Not depreciated 20 yrs
Formed roads (unsealed) formation	Not depreciated
Footpaths - slab	40 yrs

Depreciation (Continued)

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

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

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

12. REVALUATION SURPLUS

	2018			2018			2017			2017		
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance		
Land	\$ 293,272	0	0	0	\$ 293,272	\$ 299,826	0	0	0	\$ 293,272		
Buildings	122,287	0	0	0	122,287	0	122,287	0	122,287	122,287		
Plant & Reserve	258,841	0	0	0	258,841	226,407	32,434	0	32,434	258,841		
Roads Infrastructure	37,474,471	1,723,885	0	1,723,885	39,198,356	37,461,728	12,743	0	12,743	37,474,471		
Other Infrastructure	490,627	0	(8,118)	(8,118)	482,509	490,627	0	0	0	490,627		
	38,639,498	1,723,885	(8,118)	1,715,767	40,355,265	38,478,588	167,464	(6,554)	160,910	38,639,498		

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.

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Retentions held Gascoyne River Bridge Project	
Accrued interest on debentures	
Accrued Wages & Superannuation	
Employee cleaning costs	

	2018	2017
	\$	\$
	610,193	204,180
	64,627	176,810
	12,729	13,330
	13,423	12,250
	700	700
	<u>701,672</u>	<u>407,270</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

14. SHORT-TERM BORROWINGS

Unsecured

Bank overdraft	
Represented by:	
Unrestricted – Municipal bank overdraft	

	1,620,168	17
	<u>1,620,168</u>	<u>17</u>
	1,620,168	17

15. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal 1 July 2017 \$	New Loans \$	Principal Repayments		Principal 30 June 2018		Interest Repayments	
			Actual	Budget	Actual	Budget	Actual	Budget
Housing			\$	\$	\$	\$	\$	\$
Loan 29 Staff Housing	0	355,000	15,360	15,347	339,640	339,653	9,122	5,307
Economic services								
Loan 28 Tourism Precinct	598,426		37,372	37,372	561,054	561,054	29,215	29,696
	598,426	355,000	52,732	52,719	900,694	900,707	38,337	35,003

The Shire did not have any self supporting loans as at the reporting date
All loan repayments were financed by general purpose revenue
All other loan repayments were financed by general purpose revenue

Borrowings

	2018	2017
Current	\$	\$
Non-current	70,691	37,372
	830,003	561,053
	900,694	598,425

15. 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	Actual	Unspent
WATC Debenture #29 - 2 x Staff Homes	\$ 355,000	\$ 355,000	WATC	Debenture	10	\$ 58,341	2.99%	\$ 355,000	\$ 355,000	\$ 0	\$ 0
	355,000	355,000				58,341		355,000	355,000	0	0

(c) Unspent Borrowings

The Shire did not have any unspent borrowings as at 30 June 2018.

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
Bank overdraft limit	\$ 3,700,000	\$ 3,700,000
WANDRRA overdraft at balance date	(1,620,168)	(16)
Credit card limit	10,000	10,000
Credit card balance at balance date	(9,144)	(1,119)
Total amount of credit unused	2,080,688	3,708,865

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

Unused loan facilities at balance date

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.

16. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision

Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	68,168	14,308	82,476
Non-current provisions	0	71,699	71,699
	68,168	86,007	154,175
Additional provision	21,628	48,120	69,748
Balance at 30 June 2018	89,796	134,127	223,923
Comprises			
Current	89,796	82,065	171,861
Non-current	0	52,062	52,062
	89,796	134,127	223,923

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate

Other long-term employee benefits (Continued)

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

The 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.

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	3,923,069	1,799,922	4,729,135
Bank overdraft	(1,620,168)	0	(17)
	<u>2,302,901</u>	<u>1,799,922</u>	<u>4,729,118</u>

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	278,360	(1,633,862)	3,300,986
Non-cash flows in Net result:			
Depreciation	2,167,520	2,012,150	1,993,176
(Profit)/loss on sale of asset	(11,123)	98,466	19,478
Loss on revaluation of fixed assets	0	0	49,550
Reversal of loss on revaluation of fixed assets	0	0	20,902
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(2,014,353)	0	(115,225)
(Increase)/decrease in inventories	(3,699)	0	134,609
Increase/(decrease) in payables	406,585	249,774	(914,292)
Increase/(decrease) in employee provisions	69,748	7,347	(40,501)
Grants contributions for the development of assets	(1,176,936)	(1,241,392)	(1,493,639)
Net cash from operating activities	<u>(283,898)</u>	<u>(507,517)</u>	<u>2,955,044</u>

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

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	3,212,159	1,199,487
General purpose funding	2,321,950	3,433,544
Health	1,745	2,094
Education and welfare	654,371	656,972
Housing	1,763,901	1,236,437
Community amenities	123,821	149,878
Recreation and culture	1,049,280	1,012,521
Transport	64,011,708	61,400,098
Economic services	7,096,010	6,639,908
Other property and services	2,674,661	2,897,970
	82,909,606	78,628,909

19. CONTINGENT LIABILITIES

The Shire is not aware of any contingent liabilities at this time.

20. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments as at the reporting date.

(a) Operating Lease Commitments

The Shire did not have any future operating lease commitments at the reporting date.

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 amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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 in the periods in which they are incurred.

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

21. JOINT VENTURE ARRANGEMENTS

The Shire does not have any Joint Venture arrangements as at the reporting date.

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

Separate joint venture entities providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 22 for a description of the equity method of accounting.

Interests in joint arrangements (Continued)

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

22. INVESTMENTS IN ASSOCIATES

The Shire does not have any investments in associates as at the reporting date.

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

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

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

23. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	74,675	72,500	74,675
President's allowance	19,570	19,000	19,570
Deputy President's allowance	4,893	4,750	4,893
Travelling expenses	32,342	23,230	20,412
Telecommunications allowance	24,500	24,499	24,500
	<u>155,980</u>	<u>143,979</u>	<u>144,050</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	578,591	491,619
Post-employment benefits	81,558	115,850
Other long-term benefits	13,697	7,766
Termination benefits	0	0
	<u>673,846</u>	<u>615,235</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Associated companies/individuals:		
Sale of goods and services	0	0
Purchase of goods and services	218,625	222,400
Amounts outstanding from related parties:		
Trade and other receivables	0	0
Loans to associated entities	0	0
Loans to key management personnel	0	0
Amounts payable to related parties:		
Trade and other payables	16,410	0
Loans from associated entities	0	0

23. RELATED PARTY TRANSACTIONS (Cont)

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

24. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2017/2018 financial year.

25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2017/2018 financial year.

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

26. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Governance							
Structural Reform	20,000	0	20,000	40,000	0	(40,000)	0
Recreation and culture							
Museum Development	11,000	0	(11,000)	0	0	0	0
DLGSC - Resurface tennis court	0	0	0	0	12,445	(12,445)	0
Lotterywest - Pavilion Shade sail	0	0	0	0	20,000	0	20,000
Lotterywest - ANZAC Memorial	0	0	0	0	25,000	(25,000)	0
DVA - ANZAC Memorial	0	0	0	0	3,636	(3,636)	0
Transport							
Roads to Recovery	21,379	0	(21,379)	0	868,271	(829,341)	38,930
Royalties for Regions - Bridge Grant	9,044,772	0	(8,271,689)	773,083	0	(764,736)	8,347
Regional Road Group Project Grants	0	0	0	0	437,520	(437,520)	0
MRWA Indigenous Access RRG Grant	0	0	0	0	204,500	(204,500)	0
FAGS Special Project / Indigenous Access	0	0	0	0	100,000	(100,000)	0
Roads to Recovery Indigenous Access	0	0	0	0	100,000	(100,000)	0
Economic services							
GDC - Kennedy Range Loop Road	0	50,000	0	50,000	0	(50,000)	0
GDC - Paraburdo Rd Realignment	0	148,500	(124,788)	23,712	121,500	(149,512)	(4,300)
GDC - Tourist Rest Areas	0	0	0	0	37,880	(37,880)	0
Total	9,097,151	198,500	(8,408,856)	886,795	1,930,752	(2,754,570)	62,977

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.

27. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Differential general rate / general rate											
Gross rental valuations											
GRV - Gascoyne Junction	0.0815	20	151,366	12,336	0	0	12,336	12,336	0	0	12,336
Unimproved valuations											
UV - Pastoral	0.0374	27	1,886,492	54,310	0	0	54,310	54,310	0	0	54,310
UV - Mining	0.1393	103	1,452,139	308,669	(45,053)	5,770	269,386	314,216	0	0	314,216
Sub-Total		150	3,489,997	375,315	(45,053)	5,770	336,032	380,862	0	0	380,862
Minimum payment											
Minimum	\$										
Gross rental valuations											
GRV - Gascoyne Junction	185	4	1,795	740	0	0	740	740	0	0	740
Unimproved valuations											
UV - Pastoral	200	12	23,895	2,400	0	0	2,400	2,400			2,400
UV - Mining	420	59	75,037	24,780	0	0	24,780	24,780			24,780
Sub-Total		75	100,727	27,920	0	0	27,920	27,920	0	0	27,920
Discounts/concessions (refer note 27(d))		225	3,590,724	403,235	(45,053)	5,770	363,952	408,782	0	0	408,782
Total amount raised from general rate											
Specified Area Rate (refer note 27(b))							363,952				408,782
Ex-gratia rates							0				0
Rates Written-off							1,425				1,400
Totals							228				410,182
							365,605				

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.

27. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Shire did not impose any Specified Area Rates during the 2017/2018 financial year.

(c) Service Charges

The Shire did not impose any Service Charges during the 2017/2018 financial year.

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

The Shire did not grant any Discounts, Waivers, or Concessions during the 2017/2018 financial year.

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	12-Oct-17	0		11.00%
Option Two				
First instalment	12-Oct-17	0	5.50%	11.00%
Second instalment	12-Dec-17	5	5.50%	11.00%
Third instalment	12-Feb-18	5	5.50%	11.00%
Fourth instalment	12-Apr-18	5	5.50%	11.00%
			2018	2018
			\$	\$
Interest on unpaid rates			8,894	4,500
Interest on instalment plan			243	500
Charges on instalment plan			215	2,000
			9,352	7,000

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

28. NET CURRENT ASSETS

Composition of net current assets

	2018 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	2,244,178	3,242,126	3,254,126
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	2,405,265	2,535,288	3,422,083
Restricted	1,517,804	2,193,847	1,307,052
Receivables			
Control Account: Rates Debtors	38,943	48,780	48,780
Control Account: Trade Debtors	1,178,443	131,519	131,519
GST receivable	1,284	250	250
Provisions: Bad & Doubtful Debts	(59,282)	(37,319)	(37,319)
WANDRRA	998,195	0	
Inventories			
Fuel and materials	87,799	84,100	84,100
Land for Sale - Current Asset	12,000	12,000	12,000
Fuel Roadhouse	0	0	12,000
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(610,193)	(204,180)	(204,180)
Retentions held Gascoyne River Bridge Project	(64,627)	(176,810)	(176,810)
Accrued interest on debentures	(12,729)	(13,330)	(13,330)
Accrued Wages & Superannuation	(13,423)	(12,250)	(12,250)
Employee cleaning costs	(700)	(700)	(700)
Bank Overdraft	(1,620,168)	(17)	(17)
Current portion of long term borrowings	(70,691)	(37,372)	(37,372)
Provisions			
Provision for annual leave	(89,796)	(68,168)	(68,168)
Provision for long service leave	(82,065)	(14,308)	(14,308)
Unadjusted net current assets	3,616,059	4,441,330	4,453,330
Adjustments			
Less: Reserves - restricted cash	(1,517,803)	(1,307,052)	(1,307,052)
Land for Sale - Current Asset	(12,000)	(12,000)	(12,000)
Add: Secured by floating charge	70,691	37,372	37,372
Add: Cash Backed Reserve - Current Leave Prov'n	87,231	82,476	82,476
Adjusted net current assets - surplus/(deficit)	2,244,178	3,242,126	3,254,126

Difference

The \$12,000 difference between the 30 June 2017 carried forward surplus and 1 July 2018 brought forward surplus relates to Fuel Roadhouse which was incorrectly recorded in the 30 June 2017 calculation.

29. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,923,069	4,729,135	3,923,069	4,729,135
Receivables	2,157,583	143,230	2,157,583	143,230
	6,080,652	4,872,365	6,080,652	4,872,365
Financial liabilities				
Payables	701,672	407,270	701,672	407,287
Borrowings	900,694	598,425	900,694	598,425
Short term borrowings	1,620,168	17	1,620,168	17
	3,222,534	1,005,712	3,222,534	1,005,729

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.

Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

29. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets - none held by the Shire

Held-to-maturity investments - none held by the Shire

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

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

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

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

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

	2018	2017
Impact of a 1% ⁽¹⁾ movement in interest rates on cash	\$	\$
- Equity	39,231	47,291
- Statement of Comprehensive Income	39,231	47,291

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

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

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29. 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 Sensitivity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<u>2018</u>	\$	\$	\$	\$	\$
Payables	701,672	0	0	701,672	701,672
Borrowings	70,691	400,426	429,577	900,694	900,694
Bank Overdraft	1,620,168	0	0	1,620,168	1,620,168
	<u>2,392,531</u>	<u>400,426</u>	<u>429,577</u>	<u>3,222,534</u>	<u>3,222,534</u>
<u>2017</u>					
Payables	407,270	0	0	407,270	407,270
Borrowings	37,372	169,558	391,496	598,426	598,425
Bank Overdraft	17	0	0	17	17
	<u>444,659</u>	<u>169,558</u>	<u>391,496</u>	<u>1,005,713</u>	<u>1,005,712</u>

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings (Continued)

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:

<u>Year ended 30 June 2018</u>	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Debentures	70,691	73,642	76,723	79,942	83,304	516,392	900,694	4.27%
Weighted average Effective interest rate	4.27%	4.27%	4.27%	4.27%	4.27%	4.27%		
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	37,372	39,279	41,283	43,390	45,605	391,496	598,425	5.04%
Weighted average Effective interest rate	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%		

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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30. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Community Fund	461	0	0	461
Bond - Tourism Precinct	75,127	6,640	0	81,767
Election Deposits	80	0	(80)	0
	<u>75,668</u>			<u>82,228</u>

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

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

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

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

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

Notes:

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

31. 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 (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

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

Adoption of New and Revised Accounting Standard

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

32. 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

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as 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 statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

For non-cash generating specialised assets such as roads, drains, public buildings and the like, no annual assessment 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.

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

33. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and rate payers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Provide a range of appropriate services via the Community Resource Centre.
HOUSING	Maintain staff housing to facilitate attraction and retention of staff in this remote area.	Provide housing for staff.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social well-being of the community.	Maintenance of public use buildings and areas including various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
TRANSPORT	Facilitate safe, effective and efficient transport options for 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.
ECONOMIC	To help promote the shire and its economic well-being.	Tourism and area promotion. Building Control.
OTHER PROPERTY AND SERVICES	To monitor and control council's overheads operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

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

34. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.88	6.24	1.32
Asset sustainability ratio	0.70	0.78	1.41
Debt service cover ratio	11.65	57.67	(9.30)
Operating surplus ratio	(1.33)	2.46	(1.93)
Own source revenue coverage ratio	0.05	0.15	0.24
Asset consumption ratio	0.76	0.58	0.68
Asset renewal funding ratio	0.75	0.73	0.29

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$