

Shire of Lake Grace

2017/18

ANNUAL REPORT



The Growing Centre



DISCLAIMER*

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Shire of Lake Grace 2018

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Content Page

President’s Report.....	IV
Chief Executive Officer Report.....	VI
Corporate and Community Services.....	IX
Infrastructure Services.....	XI
Health Services.....	XIII
Building Services.....	XIV
Integrated Planning and Reporting.....	X
Measuring Outcomes.....	XVII
National Competition Policy Reporting Requirements.....	XXI
Disability Services Plan.....	XXII
Recordkeeping Plan.....	XXIII
Register of Complaints.....	XXIII
Report of Employees Remuneration.....	XXIV
Commonwealth Funding – Financial Assistance Grants.....	XXIV

SECTION TWO

Cover Page Financial Report for the year ending 30 June 2018.....	XXV
Financial Report for the year ending 30 June 2018.....	1
Statement by Chief Executive Officer.....	2
Financial Report.....	3
Auditors Report.....	50

President's Report



Jeanette De Landgraft
President

I am pleased to present the 2017/18 Annual Report for the Shire of Lake Grace.

Some Senior Management changes took place throughout the 2017/18 period. Paul Webb Manager Infrastructure Services left the Shire's employment and David Holland was appointed to the position. David briefly held this position before leaving the Shire in February 2018. Following David Holland's resignation, John Dyer was appointed as Acting Manager Infrastructure Services in February 2018, and then in May 2018 John was appointed Manager Infrastructure Services. Linda Gray resigned from the position of Deputy Chief Executive Officer and left the Shire's employment in

March 2018.

In conjunction with the Shire of Kent and DFES new Community Emergency Services Manager (CESM) Mike Barnes was appointed in September 2017 for three years.

The October 2017 elections saw Cr Andrew Walker retire after more than sixteen years on council, seven years as Shire President. We thank Andrew for his commitment and fairness over the years serving our community. Cr Len Armstrong departed after six years, two as Shire President and we thank Len for his time and dedication. We welcome two new councillors Cr Mikaela Spurr and Cr Peter Stoffberg who bring new fresh ideas and opinions to our council.

Western Australia Natural Disaster and Relief and Recovery Arrangements (WANDRRA) Contractors began working on priority sections of road in early December 2017 and as of June 2018 were estimated to have completed 47% of outstanding works, officially at the half way mark of the designated timeframe to complete the works.

The Shire has continued to build on its solid relationships with its neighbouring shires through partnerships such as the Voluntary Regional Organisation of Councils (VROC), 4WDL (Wagin, West Arthur, Williams, Woodanilling, Dumbleyung and Lake Grace). This union has again successfully utilised funding from the State and Commonwealth Governments to jointly provide independent living units (ILUs) for our over 55's across the region.

On Thursday 14 December, it was a pleasure to attend the official opening and to join Peter Rundle MLA in officiating at the unveiling of the plaque of the Independent Living Units (ILUs) in Lake Grace. The opening was well attended by locals and fellow 4WDL Shire Presidents and CEOs all keen to see the end result. The Shire's building team must be congratulated on their efforts and fine workmanship of the construction of the ILUs, along with our local contractors they have delivered a quality outcome for our community. The feedback on the day was very positive, well done to all involved.



The Newdegate Active Precinct Committee submitted a proposal to the Shire for the design and construction of a skate park and all ages nature-based playground for which grants were sought to fund the project. With the support of the Shire and funding from Lotterywest, Department for Sport and Recreation CSRFF grant, Royalties for Regions, CBH, the Newdegate Community Cropping Group and the Newdegate Machinery Field Days Committee the committee progressed with outstanding results achieved for use by the Newdegate community and passing tourists.

The Lake King Playgroup was supported by the shire in its grant application to Lotterywest for new 'nature' play equipment to be erected between the pavilion and the hall for which it was notified of its success in March 2018.

The Varley District Museum applied for a Building Better Regions grant to go towards lining and painting the interior walls, new lighting, blinds and flooring to enhance the building and improve the historical displays in this tourist location.

The Lake Grace Artspace held a display during Heritage Week titled 'ANZAC' during the April – May period another tourist attraction for our district.

On 5th and 6th September the Newdegate community once again held a very successful Newdegate Machinery Field Days event. The Shire is proud to be a major sponsor and I congratulate the Newdegate community for their efforts and hard work in making the 46th Newdegate Machinery Field Days such a popular and exciting occasion.

Councillors participated and contributed towards the Local Government Act 1995 Review – Phase 1 'Agile, Smart, Inclusive - Local Governments for the future' Phase 1: Consultation Paper.



Varley & Districts Museum Volunteers



Newdegate Skate Park site prior to work commencing

Finally I would like to close by sincerely thanking our CEO Denise Gobbart, fellow Councillors and staff of the Shire of Lake Grace for their efforts and commitment over the past twelve months.

Jeanette De Landgraft
SHIRE PRESIDENT



Aerial view of completed Newdegate Skate Park

Councillors & CEO



Back: Cr Murray Stanton, Vice President Steve Hunt, Cr Allan Marshall, Cr Peter Stoffberg, Cr Ross Chappell, CEO Denise Gobbart

Front: Cr Mikaela Spurr, President Jeanette De Landgrafft, Cr Roz Lloyd, Cr Debrah Clarke.

Councillor Terms of Office

Expiring October 2019

Cr Debrah Clarke
Cr Steve Hunt
Cr Roz Lloyd
Cr Allan Marshall

Expiring October 2021

Cr Ross Chappell
Cr Jeanette De Landgrafft
Cr Mikaela Spurr
Cr Murray Stanton
Cr Peter Stoffberg



Denise Gobbart
CEO

Chief Executive Officer Report

The 2017/18 year proved to be a very busy year with significant staffing changes taking place as a result of Managers Infrastructure Services, Paul Webb leaving in August, Dave Holland in February and Deputy Chief Executive Officer Linda Gray's resignation in March.

These changes gave opportunity to our current Manager Infrastructure Services, John Dyer to join the leadership team moving from position of Infrastructure Supervisor. I acknowledge John for his expertise and contributions in the work he has carried out throughout the year. I thank John for his planning in restructuring our road construction team and developing a program that has been outcome based.

During the early part of this year we farewelled staff that had accumulated a large number of loyal years working for the Shire. Jeanette Bennett Executive Officer, Bob Palmer Mechanic and Doug Whiting Infrastructure Supervisor left the Shire's employment after sixteen years, ten years and nine years of service, respectively.

The Shire held functions to thank these staff members for contributions they made over their years of service and to offer best wishes to them and their families on behalf of the Shire and the community.

In October 2017 we welcomed Mike Barnes Community Emergency Services Manager to our team. Mike was most recently employed with the Shire of Carnarvon. Mike's service is shared between the Shire's of Kent, Lake Grace and the Department of Fire and Emergency Services. We welcome his knowledge within Emergency Services field.

2017/18 Highlights

Highlights of the year include:

- ◆ Appointment of Community Emergency Services Manager
- ◆ CEO Support Program
- ◆ October 2017 Local Government Elections – First election with 'No Wards'
- ◆ Opening of the Lake Grace Independent Living Units.
- ◆ Enterprising Communities - Community Film Nights
- ◆ Katherine Outback Experience Show and Tom Curtain Live Music Event
- ◆ \$10,607,882 million on WANDRRA Flood damaged roads.
- ◆ Re-opening of Lake Grace Sports Pavilion – Kitchen Upgrade
- ◆ Newdegate Recreation Centre acoustics and air-conditioning installation
- ◆ Wheatbelt Development Commission – 'Meeting the Minister' Forum
- ◆ Newdegate Skate Park
- ◆ Official Launch of the Public Silo Trail in Newdegate
- ◆ Local Government Act Review

The major challenge for the year has been the management of the WANDRRA Flood Damage Contracts to carry out the repair work on our roads due to the major Flood Event in February 2017. The event was unprecedented across the state. The Shire received notification from Main Roads WA on the 9 June 2017 that our costs estimate of \$10,607,882 for AGRN: 743 Natural Disaster Relief and Recovery Arrangements had been approved.

Further work is required in relation to Asset Sustainability; the ratio for asset sustainability is used to identify any potential decline or improvement in asset conditions. Our ratio has been trending downwards over the past few years; this may be a reflection of new project expenditure increasing with the construction of the Independent Living Units in Newdegate and Lake Grace and renewal works not being done during this time.

We continue to strive for improvement in all areas of operations, to meet the service level expectations of the community. This can only be achieved across the organisation with the commitment and dedication of our staff; who are critical to our ongoing success.

I thank Councillors and staff for your support and commitment, and look forward to an exciting year ahead.

Denise Gobbart
Chief Executive Officer



Corporate and Community



Linda Gray
Deputy CEO

The new Financial Year commenced as per usual with the rollover of the financial processes to 2017/18 and the compilation of the new Budget for the Shire. Also completed was the revaluation process for Shire land and buildings, these revaluations have to be finalised each year in different asset categories under the Local Government's Integrated Planning and Reporting Framework and can be onerous for all concerned.

Planning started in regard to the Shire of Lake Grace's stand at the Newdegate Machinery Field Days in September, with the team consisting of Cheryl Chappell, Jo Morgan and myself with assistance from volunteers. As the Community Strategic Plan has an increased focus on tourism, it was decided that this would be included with a fresh approach; new photographs being a start. This led into the decision to use the stand to demonstrate the Shire's commitment to the new Community Strategic Plan by showcasing all the actions during the year that were aligned to its objectives.

Also in the planning stage was the Newdegate Active Precinct or Newdegate Skate Park and All Ages Playground, and meetings were being held with the Newdegate Active Precinct Committee members, as a request for quotes was being finalised.

Similarly, The Lake King Playgroup met to discuss their proposed improvements to their playgrounds at Lake King, and quotes and descriptions of "their vision" was submitted to the Shire based on their idea that the old playground areas would be incorporated into one and upgraded. This would then be progressed for grant funding to LotteryWest.

Other issues still being resolved within the Shire were the upgrade to the Newdegate Recreational Centre and its acoustics, and the maintenance work on the Lake Grace Swimming Pool. Both these were being researched. In regard to acoustics - relevant information was also provided by the interested parties that visited various Recreation Centres around the Wheatbelt region that had resolved their acoustics problem.



Lake King Playgrounds in dire need of upgrading

The Newdegate Machinery Field Days were a pleasure to attend – what beautiful weather, and thanks to the assistance we received from volunteers in the sourcing of new material.

With the auditors coming in October, preparation was underway to submit the financial reports they required. The budget compilation had been completed, mainly using the Chief Executive Officer's expertise.

Various film nights were organised by the Shire throughout 2017/18 and these had various responses, picking the right film for the right audience and the right town is always difficult. The Shire also ran in October, through a facilitator, community consultation sessions focusing on the revitalisation of regional communities. These were illustrated by episodes from "Backroads" by the ABC, showing what other towns within regional Australia had achieved. The input from these sessions has been compiled in a document which will be used as part of the Shire's community strategies.

As part of the Shire's community strategies attention was being paid to the general condition of the Australian Inland Mission Hospital, and with the approval of Council, the Shire had included in the budget

a review of its condition by a heritage architect and structural engineer. Whilst the reports were reasonable, it was clear that over the next couple of years more monitoring of the “cracks” would be required with remedial actions being put in place. The building is safe, however, and tours of the building will continue to be offered to both locals and visitors.

The end of 2017 highlighted the end of the Shire’s contract with the Department of Transport, and as the Shire recognises the benefit to the community in having this facility on hand, the relationship would be continued. However, a review of the costs to the ratepayer was also done prior to being submitted for Council approval.

Other financial compliance returns were due by the end of 2017 to the Department of Local Government, Sport and Cultural Industries, and these were completed. The auditors’ report was received and tabled at the Audit Committee Meeting on 18 December 2017, with a compliment for it being completed on time.

By Christmas our CEO was due for a well-earned holiday, and I continued as Acting CEO for January 2018. This gave me valuable experience in the multitude of large and small problems that crop up day to day which and have to be dealt with, these are outside the “normal duties” a CEO has to complete on behalf of both State and Local Government regulatory processes and procedures.

In February 2018, we focussed on the maintenance of the Lake Grace Pool trying to understand the repair processes that are involved in a pool of its type. In addition, the building of the Newdegate Skatepark and All Ages Playground commenced, and the grant application on behalf of the Lake King Playgroup was submitted and received favourably.

By the end of March 2018, I had family commitments become more urgent and felt it necessary to move back further south to assist with their resolution. It was with the greatest regret that I left the Shire of Lake Grace and the wonderful community.

Linda Gray

Deputy Chief Executive Officer



Shire of Lake Grace staff, Linda Gray, Cheryl Chappell and Jo Morgan showcasing the Community Strategic Plan at the Newdegate Machinery Field Days and the Flood Event 2017.



John Dyer
Manager Infrastructure

Infrastructure Services

The 2017/18 financial year saw the completion of most of the construction programme, various building works and maintenance completed and parks and gardens in the shire towns looked after.

The Construction Team completed a substantial resealing programme which in many cases involved extensive preparation work prior to resealing as several roads were well overdue for new treatment.

Major road reconstruction involved the final four kilometres of Holt Rock Road and three kilometres to extend the bitumen on the Magenta Road. Also a 1.5 kilometre section of the Lake Grace-Karlgarin Road known as the Kuender Bends was realigned as part of the Black Spot Funding.

Other works, by the construction crew included some gravel re-sheeting and back slope pruning and clearing along some sections of the shire road network.

Maintenance grading work continue throughout the year in order to maintain gravel roads, some of which are heavily trafficked at times. School bus routes were given priority grading as required.

During the year, major repairs have been carried out on some of the construction plant in order for all items of plant to be serviceable.

In December 2017 work commenced on the repairs to roads damaged during the February 2017 Flood Event, the repair work has been carried out by four contractors working continuously on the shire road network. Works generally involved repairs to drainage systems, major gravel re-sheeting and washed silt removal.

The shire gardeners have maintained various parks and gardens at Lake Grace, Lake King and



Construction Team gravel re-sheeting, clearing back slopes and roadsides and pruning

Varley during the year, also cemetery grounds in these towns have been maintained. Newdegate parks and gardens have been maintained by the local Contractor. The ovals at Lake Grace have been verti-mowed and sanded.

The Shire's Building Maintenance Team have maintained and in some cases upgraded building infrastructure. In order to cover the volumes of various building works, local contractors have also been utilised.

Rubbish disposal sites have been maintained at the towns within the Shire with earthworks to these sites being carried out as required.

John Dyer

Manager Infrastructure Services



Kuender 'S' Bends Black Spot Funding



Lake Grace Railway Station Gardens



Independent Living Units Bennett Street Lake Grace

Health Services



Will Pearce
Environmental Health
Officer

RoeHEALTH Environmental Health Services, Environmental Health Officer Will Pearce, has undertaken Environmental Health work in accordance with the RoeHEALTH Operational Guidelines during the 2017/18 period. The work has generally been based on a 3 day, or 23 hours per fortnight schedule.

A summary of work performed:

WASTE

- Lake Grace Landfill inspections and submission of Annual Environmental Report to Department of Water and Environmental Regulation (DWER)
- Liaison with DWER regarding Lake Grace Landfill and compliance issues and amended licenses
- Newdegate Landfill inspections and submission of Annual Environmental Report to DWER
- Newdegate Landfill groundwater bore sampling

WATER

- Ensure Lake Grace and Newdegate Public Pools have water samples as per the Code of Practice for Aquatic Facilities and the Health (Aquatic Facilities) Regulations 2007
- Sampling of waste water treatment ponds at Lake Grace Waste Water Treatment Plant
- Assessments and approval of onsite effluent disposal systems
- Correspondence with Economic Regulation Authority Western Australian (ERA) regarding sewerage scheme compliance, and assisting the Technical Officer in the role of sewerage infrastructure compliance.

FOOD

- Food premises inspections in Lake Grace, Newdegate, Lake King and Varley
- Newdegate Field Days food stall inspections
- Maintained Food Business Register
- Compilation of a Food Act 2008 report required annually by the Department of Health Food Unit.

SAFETY

- Caravan Park inspections at Newdegate and Lake King Caravan Parks
- Lodging House inspections at Lake King and Newdegate
- Liaison with Committee for Newdegate Field Days

MISCELLANEOUS

- Advice or comments given to residents of the Shire of Lake Grace in relation to Environmental Health issues
- Dealt with complaints from the public
- Trading in thoroughfare applications
- Assistance with health annual fees and charges schedule development

Will Pearce

ENVIRONMENTAL HEALTH OFFICER



Lake Grace & Newdegate Swimming Pools

Building Services



Josiah Farrell
Building Surveyor
Trainee

The role of the Building Services is to oversee all building and demolition work proposed for the whole district. The role includes but is not limited to;

- ⇒ Processing applications ensuring the plans comply with the National Construction Code, applicable Building Standards and relevant regulations
- ⇒ Issue Permits and Certificates
- ⇒ Conducting inspections, checking the new development complies with the appropriate standards
- ⇒ Check private swimming pool safety barriers
- ⇒ Enforcement of the Building Act 2011
- ⇒ Provide advice to the rate paying public and assist them to comply with the Building Act 2011

The Shire of Lake Grace has an agreement with the Shire of Narrogin for the provision of a Building Surveyor service using Mr Josiah Farrell to carry out the above and visit the shire district on a fortnightly basis.

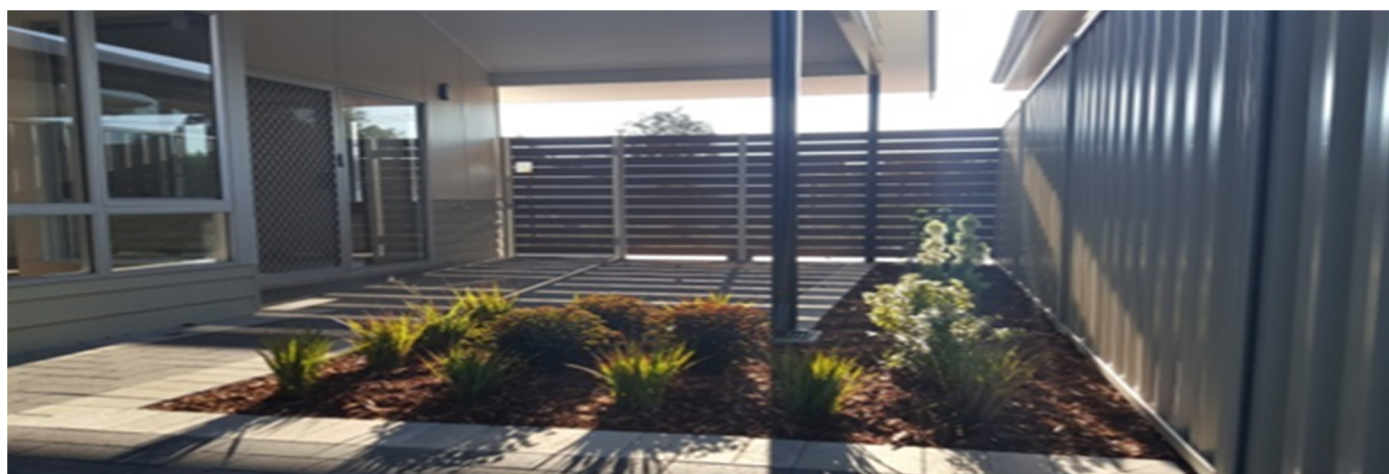
During the 2017/18 financial year, 30 Permit applications to the total development value of \$2,550,441 were submitted to the Shire of Lake Grace, all of which a Permit was issued. The following fees collected by the Shire of Lake Grace in relation to the approved Building Permits;

Building Permits \$6,774.64
Building Services Levy \$4,441.79
BCITF \$3,860.14*
Total \$15,076.57

The Shire received commission of \$235.75 for collecting funds on behalf of the Building Commission and Construction Training Fund.*

Prior to commencing any building or demolition work within the Shire of Lake Grace, residents are reminded that various approvals and certifications are required. For information on what is required to comply with regulations, please contact the Shire office.

Josiah Farrell
BUILDING SURVEYOR TRAINEE



Completed Independent Living Units situated at Lot 107 Bennett Street Lake Grace



STRATEGIC COMMUNITY PLAN 2017 - 2027

Integrated Planning and Reporting Framework

All local governments are required to prepare a Plan for the Future for their district under *Section 5.56(1) of the Local Government Act 1995*. The Plan for the Future comprises the following two key strategic documents being:

Strategic Community Plan – Council's principal 10 year strategy and planning tool. It is the principal guiding document for the remainder of the Shire's strategic planning as community engagement is central to the Plan

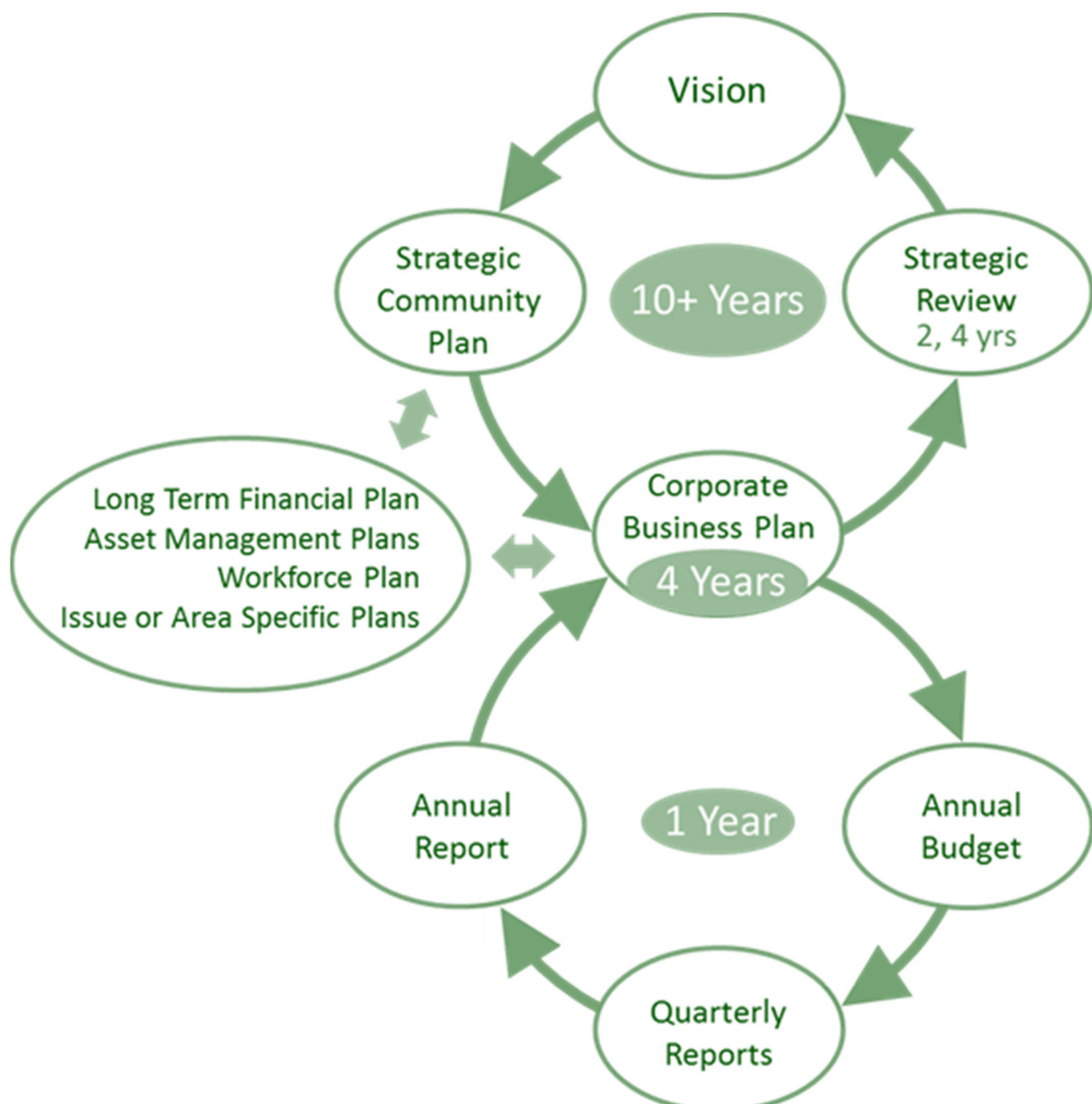
Corporate Business Plan – Council's 4 year planning document. The core components of this Plan include a four year delivery program, aligned to the Strategic Community Plan and accompanied by four year financial projections.

Our Vision:

“A safe, inclusive and growing community embracing opportunity”

Importantly, the Strategic Community Plan and Corporate Business Plan are informed by several other key strategy documents and processes, shown in the following diagram.

Diagram: The Strategic Planning Framework



Measuring Outcomes

Economic Objective

A prosperous agricultural based economy, supporting diversification of industry

The following outcomes and strategies have been identified to achieve this objective.

Outcome 1.1 An innovative, productive agriculture industry

1.1.1 Enhance and maintain transport network

1.1.2 Improve flood mitigation for transport infrastructure

1.1.3 Support and promote the agricultural productivity of the district

1.1.4 Maintain and provide water infrastructure and lobby to support drought-proofing and water-harvesting initiatives

1.1.5 Liaise with key stakeholders for the improvement of the agricultural industry

Outcome 1.2 A diverse and prosperous



economy

1.2.1 Advocate for improved communications and support infrastructure

1.2.2 Support local business and promote further investment in the district

Outcome 1.3 An attractive destination for visitors



1.3.1 Promote and develop tourism as part of a regional approach

1.3.2 Maintain and enhance local iconic attractions and infrastructure

1.3.3 Continue to provide and maintain visitor support services



Social Objective

A valued, healthy and inclusive community and life-style

The following outcomes and strategies have been identified to achieve this objective.

Outcome 2.1 An engaged, supportive and inclusive community

2.1.1 Community services and infrastructure meeting the needs of the district

2.1.2 Maintain and support the growth of education, childcare, youth and aged services

2.1.3 Actively promote and support community events and activities within the district



Outcome 2.2 A healthy and safe community

2.2.1 Maintain and enhance sport and recreation facilities

2.2.2 Provide and advocate for medical and health services

2.2.3 Support provision of emergency services and encourage community volunteers



Late Night Shopping Event Lake Grace

Environment Objective

Protect and enhance our natural and built environment

The following outcomes and strategies have been identified to achieve this objective.

Outcome 3.1 A well maintained attractive built environment servicing the needs of the community

3.1.1 Maintain, rationalise, improve or renew buildings and community infrastructure

3.1.2 Maintain the integrity of heritage buildings and places

Outcome 3.2 A natural environment for the



benefit and enjoyment of current and future generations

3.2.1 Manage and preserve the natural environment

3.2.2 Support pest and weed control within the district

3.2.3 Provide an effective waste management service



Leadership Objective

Strong governance and leadership, demonstrating fair and equitable community values

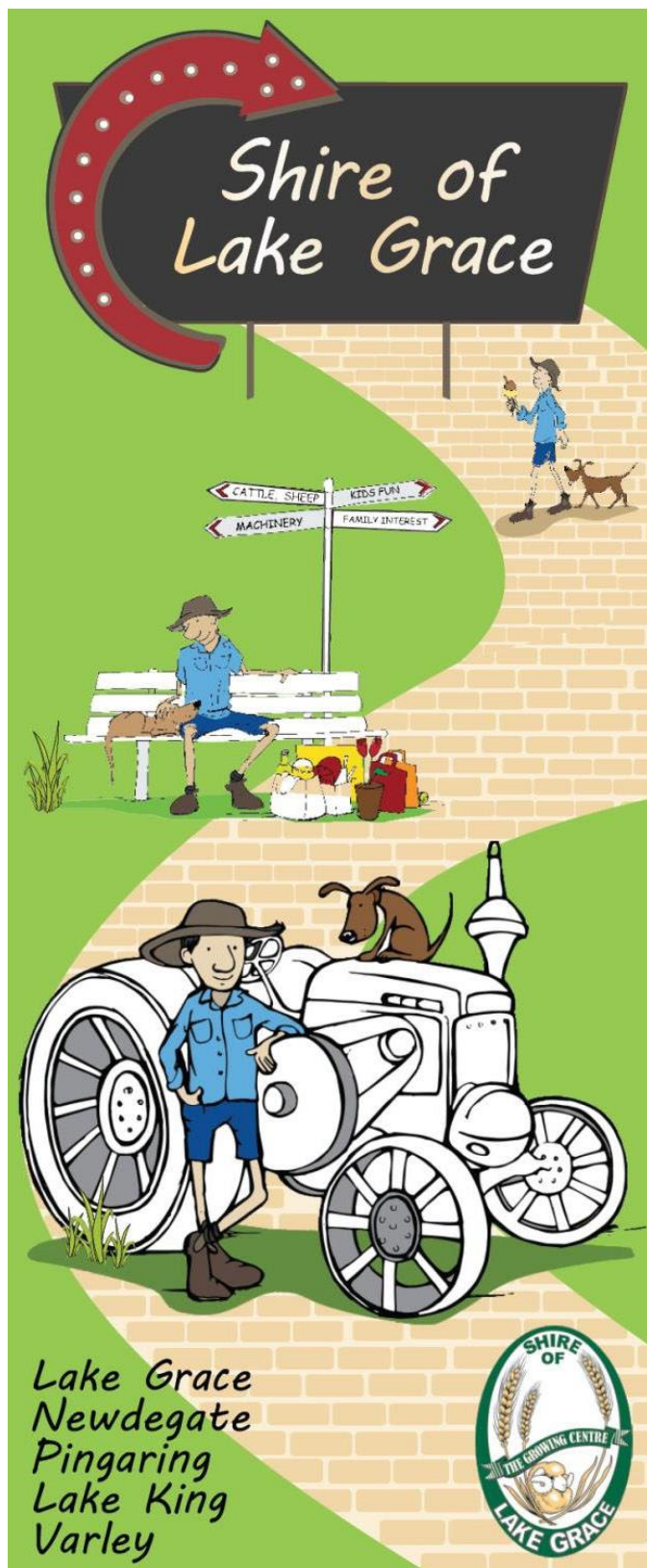
The following outcomes and strategies have been identified to achieve this objective.

Outcome 4.1 A strategically focused, unified Council functioning efficiently

- 4.1.1 Provide informed leadership on behalf of the community
- 4.1.2 Promote and advocate for the community and district
- 4.1.3 Provide strategic leadership and governance

Outcome 4.2 An efficient and effective organisation

- 4.2.1 Maintain accountability and financial responsibility through effective planning.
- 4.2.2 Comply with statutory and legislative requirements
- 4.2.3 Provide a positive and safe workplace



Statutory Reports

National Competition Policy

Competitive Neutrality

The National Competition Policy (NCP) was introduced by the Commonwealth Government in 1995 to promote competition for the benefit of business, consumers and the economy by removing what was considered to be unnecessary protection of monopolies of markets where competition can be enhanced.

It effects local governments as factors such as exemption from company and income tax or possible local regulations and law may give local government a potential advantage over private contractors.

The Shire of Lake Grace has not acquired any new entities in the 2017/18 financial year that require competitive neutrality testing.

Structural Reform

Before local governments privatise a monopoly business activity or introduce competition into a sector dominated by a monopoly or near monopoly, the regulatory and commercial activities must be separated and a review undertaken.

Where applicable, all local governments in Australia must report their adherence to the structural reform principles. At present, this requirement has a very limited impact on local government in Western Australia, and most will not need to provide this information.

The Shire of Lake Grace did not privatise any activities in 2017/18 and hence there were no obligations for the Council with respect to structural reform under the NCP.

Legislation Review

All local authorities are required to assess which of their Local Laws might impact on competition and to conduct a review of each to determine how any restrictive practices might be overcome.

A statement indicating that the Clause 7 legislation review principles have been complied with. (The Clause 7 statement is the agreement reached between the Western Australian Local Government Association and the State Government on application of NCP.)

In 2000, Council reviewed the Local Laws and a further review was undertaken in 2015.

Review of the operating procedures and Local Laws for the Shire of Lake Grace confirm legislative requirements have been complied with, as required.



Disability Access and Inclusion Plan

Under the Disability Services Act 1993, all Western Australian Local Governments are required to develop and implement a Disability Access and Inclusion Plan (DAIP), addressing seven desired outcomes, to be reviewed on an annual basis and reported on to the Disability Services Commission (DSC) by 31 July each year.

The *Disability Services Act* requires that not more than five years may elapse between the date of lodging plan and the review being presented to DSC.

The Shire of Lake Grace reviewed its Disability Access and Inclusion Plan May 2014 and added a new seventh outcome to the plan namely;

“People with disability have the same opportunities as other people regarding employment practices (recruitment and retention) by a public authority”.

Disability Services Commission has also changed the wording:

“People with disabilities” to “People with disability”.

These changes were made to the Shire’s 2014-2019 Disability Access and Inclusion plan and after a Community Consultation period were adapted by Council, then forwarded to the Disability Services Commission for adoption.

Council’s 2014-2019 Disability Access and Inclusion Plan aims to make a positive difference in the lives of people with disability, their families and carers by identifying access barriers and outlining strategies to address those barriers.

The Disability Access and Inclusion Plan describes Council’s current functions, provides details of existing Council facilities and identifies future requirements for the provision of adequate services for people with disability.

During 2017/18 some areas identified and provisions made to provide adequate services are;

- Lake Grace Independent Living units were constructed. The three units are designed for over 55’s and include all elements of access, some of these are; appropriate showers, taps, no steps, wider doorways and passages.
- Administration implemented a stylus for trouble-free use of the touch screen EFTPOS machine. This simple tool made paying for transactions straightforward for clients to select their accounts and PIN details.
- Newdegate Skate Park also constructed in 2017/18 includes provision for wheelchairs at the tables and a slide bench to allow disabled children to access the playground.



Recordkeeping Plan

The *State Records Act 2000* requires the Shire to maintain and dispose of all records in the prescribed manner.

Principle 6 Compliance: Government Organisations ensure their employees comply with the record keeping plan.

Rationale:

An organisation and its employees must comply with the organisation's record keeping plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The record keeping plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's record keeping system is evaluated not less than one every five years;
2. The organisation conducts a record keeping training program;
3. The efficiency and effectiveness of the record keeping training program is reviewed from time to time; and
4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's record keeping plan.

The Shire of Lake Grace has complied with items one to four.

The State Records Commission approved our current Record Keeping Plan 2015 on 7 August 2015. The next review must be submitted to the State Records Office by 7 August 2020.

Register of Minor Complaints

Section 5.121 of the *Local Government Act 1995 (Register of Certain Complaints of Minor Breaches)* requires the Complaints Officer for each local government to maintain a Register of Complaints which records all complaints that result in action under Section 5.110(6) (b) or (c) of the *Act (Conduct of Certain Officials)*.

Section 5.53 (2) (hb) of the *Local Government Act 1995 (Annual Reports)* requires disclosure in the Annual Report of details of entries made under Section 5.121 during the financial year in the Register of Complaints, including:

- The number of Complaints recorded in the register of complaints;
- How the recorded complaint was dealt with; and
- Any other details that the Regulations may require.

In accordance with these requirements, it is advised that no complaints or minor breaches under the *Local Government Act 1995* were received during 2017/18.



Report of Employees Remuneration

Administration Regulation 19B requires a local government to report details of the number of employees entitled to an annual salary of \$100,000 or more in bands of \$10,000 for each band over \$100,000. These are disclosed as follows:

Salary Range	2018	2017
\$100,000 - \$110,000	1	1
\$110,001 - \$120,000		
\$120,001 - \$130,000		1
\$130,001 - \$140,000	1	
\$140,001 - \$150,000		

Commonwealth Funding

Financial Assistance grants are a vital part of the revenue base of all councils in essential community infrastructure and services ranging from local roads and parks to swimming pools and libraries.

The Shire of Lake Grace acknowledges the importance of the Commonwealth's funding through the Financial Assistance Grants programme for the continued delivery of council services and infrastructure.

The Shire of Lake Grace received \$2,407,530 in 2017/2018 Commonwealth Financial Assistance Grants of which \$1,272,223 was prepaid in 2016/17.

The Shire of Lake Grace received \$1,490,422 in Roads to Recovery funding from the Commonwealth.

The Shire of Lake Grace ensures that this Commonwealth funding, and other funding provided by the Commonwealth Government under relevant grant programmes, is appropriately identified as Commonwealth grant funding in Council's publications, including annual reports.





Shire of Lake Grace

Section Two

Financial Report Year Ending

30 June 2018



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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	50

COMMUNITY VISION

A safe, inclusive and growing community embracing opportunity

Principal place of business:
1 Bishop St
Lake Grace WA 6353

**SHIRE OF LAKE GRACE
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 Lake Grace 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 Lake Grace 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

25th

day of

February

2019



Denise Gobbart
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	19(a)	4,113,864	4,110,180	4,004,054
Operating grants, subsidies and contributions	2(a)	2,686,422	9,453,478	3,849,867
Fees and charges	2(a)	351,373	368,865	594,771
Interest earnings	2(a)	122,649	93,000	109,494
Other revenue	2(a)	5,713,116	131,992	455,301
		12,987,424	14,157,515	9,013,487
Expenses				
Employee costs		(2,056,481)	(2,650,461)	(2,284,068)
Materials and contracts		(6,955,330)	(11,230,697)	(1,751,185)
Utility charges		(245,993)	(248,568)	(236,557)
Depreciation on non-current assets	9(b)	(2,965,441)	(2,827,850)	(2,926,046)
Interest expenses	2(b)	(86,378)	(79,767)	(99,964)
Insurance expenses		(161,122)	(165,181)	(164,991)
Other expenditure		(182,976)	(241,247)	(541,712)
		(12,653,721)	(17,443,771)	(8,004,523)
		333,703	(3,286,256)	1,008,964
Non-operating grants, subsidies and contributions	2(a)	3,037,344	2,633,743	1,520,647
Profit on asset disposals	9(a)	17,933	17,766	0
(Loss) on asset disposals	9(a)	(251,860)	(85,801)	(114,663)
		2,803,417	2,565,708	1,405,984
Net result		3,137,120	(720,548)	2,414,948
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	17,331,130	0	(9,823,515)
Total other comprehensive income		17,331,130	0	(9,823,515)
Total comprehensive income		20,468,250	(720,548)	(7,408,567)

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		33,536	11,800	33,484
General purpose funding		5,438,272	4,140,150	6,381,612
Law, order, public safety		63,583	15,306	47,287
Health		36,791	7,205	65,306
Housing		21,022	23,400	22,686
Community amenities		291,481	301,497	440,412
Recreation and culture		1,140,529	1,134,315	1,169,572
Transport		5,704,023	8,315,765	502,514
Economic services		117,990	116,577	259,435
Other property and services		140,197	91,500	91,179
		12,987,424	14,157,515	9,013,487
Expenses	2(a)			
Governance		(273,379)	(390,033)	(498,404)
General purpose funding		(155,301)	(183,035)	(176,808)
Law, order, public safety		(262,072)	(205,783)	(159,360)
Health		(251,954)	(330,271)	(476,986)
Education and welfare		(33,835)	(63,157)	(35,318)
Housing		(160,621)	(139,486)	(104,653)
Community amenities		(676,510)	(1,002,223)	(716,479)
Recreation and culture		(1,573,603)	(1,773,442)	(1,354,896)
Transport		(8,613,585)	(12,563,797)	(3,466,188)
Economic services		(432,448)	(621,004)	(427,294)
Other property and services		(134,035)	(91,773)	(488,173)
		(12,567,343)	(17,364,004)	(7,904,559)
Finance Costs	2(a)			
Governance		(19,907)	(18,581)	(21,648)
General purpose funding		0	(1,000)	0
Health		(4,755)	(4,245)	(6,264)
Housing		(1,755)	(1,662)	(3,861)
Community amenities		0	0	(6)
Recreation and culture		(31,100)	(28,539)	(34,158)
Transport		(12,384)	(10,767)	(14,287)
Economic services		(14,110)	(12,841)	(16,628)
Other property and services		(2,367)	(2,132)	(3,112)
		(86,378)	(79,767)	(99,964)
		333,703	(3,286,256)	1,008,964
Non-operating grants, subsidies and contributions	2(a)	3,037,344	2,633,743	1,520,647
Profit on disposal of assets	9(a)	17,933	17,766	0
(Loss) on disposal of assets	9(a)	(251,860)	(85,801)	(114,663)
		2,803,417	2,565,708	1,405,984
Net result		3,137,120	(720,548)	2,414,948
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	17,331,130	0	(9,823,515)
Total other comprehensive income		17,331,130	0	(9,823,515)
Total comprehensive income		20,468,250	(720,548)	(7,408,567)

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	5,846,942	5,902,440
Trade and other receivables	5	4,161,034	501,177
Inventories	6	9,896	13,627
TOTAL CURRENT ASSETS		10,017,872	6,417,244
NON-CURRENT ASSETS			
Other receivables	5	34,019	61,330
Inventories	6	300,000	300,000
Property, plant and equipment	7	43,778,545	44,000,188
Infrastructure	8	157,178,968	138,618,333
TOTAL NON-CURRENT ASSETS		201,291,532	182,979,851
TOTAL ASSETS		211,309,404	189,397,095
CURRENT LIABILITIES			
Trade and other payables	11	2,525,375	788,278
Current portion of long term borrowings	12(a)	250,052	267,560
Provisions	13	332,469	399,932
TOTAL CURRENT LIABILITIES		3,107,896	1,455,770
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	1,080,421	1,298,032
Provisions	13	42,387	32,843
TOTAL NON-CURRENT LIABILITIES		1,122,808	1,330,875
TOTAL LIABILITIES		4,230,704	2,786,645
NET ASSETS		207,078,700	186,610,450
EQUITY			
Retained surplus		150,192,617	148,280,576
Reserves - cash backed	4	3,929,074	2,703,995
Revaluation surplus	10	52,957,009	35,625,879
TOTAL EQUITY		207,078,700	186,610,450

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

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

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		146,840,693	1,728,930	45,449,394	194,019,017
Comprehensive income					
Net result		2,414,948	0	0	2,414,948
Changes on revaluation of assets	10	0	0	(9,823,515)	(9,823,515)
Total comprehensive income		2,414,948	0	(9,823,515)	(7,408,567)
Transfers from/(to) reserves		(975,065)	975,065	0	0
Balance as at 30 June 2017		148,280,576	2,703,995	35,625,879	186,610,450
Comprehensive income					
Net result		3,137,120	0	0	3,137,120
Changes on revaluation of assets	10	0	0	17,331,130	17,331,130
Total comprehensive income		3,137,120	0	17,331,130	20,468,250
Transfers from/(to) reserves		(1,225,079)	1,225,079	0	0
Balance as at 30 June 2018		150,192,617	3,929,074	52,957,009	207,078,700

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		4,100,644	4,137,138	4,172,640
Operating grants, subsidies and contributions		2,193,835	9,530,978	3,910,135
Fees and charges		351,373	368,865	594,771
Interest earnings		122,649	93,000	109,494
Goods and services tax		859,204	1,140,500	484,401
Other revenue		2,713,116	131,992	457,296
		10,340,821	15,402,473	9,728,737
Payments				
Employee costs		(2,119,629)	(2,631,461)	(2,294,972)
Materials and contracts		(5,216,366)	(10,998,572)	(1,868,107)
Utility charges		(245,993)	(278,568)	(236,557)
Interest expenses		(79,285)	(77,102)	(101,420)
Insurance expenses		(161,122)	(165,181)	(164,991)
Goods and services tax		(1,013,039)	(1,140,500)	(472,783)
Other expenditure		(182,976)	(241,247)	(163,946)
		(9,018,410)	(15,532,631)	(5,302,776)
Net cash provided by (used in) operating activities	14	1,322,411	(130,158)	4,425,961
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,001,004)	(1,410,644)	(1,129,879)
Payments for construction of infrastructure		(3,365,941)	(2,573,015)	(2,465,306)
Non-operating grants, subsidies and contributions		3,037,344	2,633,743	1,520,647
Proceeds from sale of fixed assets		159,715	158,636	109,773
Net cash provided by (used in) investment activities		(1,169,886)	(1,191,280)	(1,964,765)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(235,119)	(267,562)	(246,010)
Proceeds from self supporting loans		27,096	32,000	30,723
Proceeds from new long term borrowings		0	0	45,502
Net cash provided by (used in) financing activities		(208,023)	(235,562)	(169,785)
Net increase (decrease) in cash held		(55,498)	(1,557,000)	2,291,411
Cash at beginning of year		5,902,440	5,902,439	3,611,029
Cash and cash equivalents at the end of the year	14	5,846,942	4,345,439	5,902,440

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		2,842,899	2,667,279	1,608,569
		2,842,899	2,667,279	1,608,569
Revenue from operating activities (excluding rates)				
Governance		33,536	11,800	33,484
General purpose funding		2,600,548	1,303,827	3,631,724
Law, order, public safety		63,583	15,306	47,287
Health		36,791	7,205	65,306
Housing		21,022	23,400	22,686
Community amenities		291,481	301,497	440,412
Recreation and culture		1,140,529	1,134,315	1,169,572
Transport		5,721,956	8,333,531	502,514
Economic services		117,990	116,577	259,435
Other property and services		140,197	91,500	91,179
		10,167,633	11,338,958	6,263,599
Expenditure from operating activities				
Governance		(385,823)	(408,614)	(551,242)
General purpose funding		(155,301)	(184,035)	(176,808)
Law, order, public safety		(262,072)	(205,783)	(159,360)
Health		(265,519)	(343,618)	(483,250)
Education and welfare		(33,835)	(63,157)	(35,318)
Housing		(162,376)	(141,148)	(108,514)
Community amenities		(676,510)	(1,002,223)	(716,485)
Recreation and culture		(1,666,363)	(1,801,981)	(1,466,198)
Transport		(8,676,078)	(12,651,263)	(3,486,804)
Economic services		(446,558)	(633,845)	(443,922)
Other property and services		(175,146)	(93,905)	(491,285)
		(12,905,581)	(17,529,572)	(8,119,186)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(17,933)	(17,766)	0
Loss on disposal of assets	9(a)	251,860	85,801	114,663
Loss on revaluation of land held for resale		0	0	208,167
Loss on revaluation of infrastructure of flood damage		0	0	169,600
Movement in deferred pensioner rates (non-current)		(814)	0	24,243
Movement in employee benefit provisions		(57,920)	0	6,925
Depreciation on assets	9(b)	2,965,441	2,827,850	2,926,046
Amount attributable to operating activities		3,245,585	(627,450)	3,202,626
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		3,037,344	2,633,743	1,520,647
Proceeds from disposal of assets	9(a)	159,715	158,636	109,773
Purchase of property, plant and equipment	7(b)	(1,001,004)	(1,410,644)	(1,129,879)
Purchase and construction of infrastructure	8(b)	(3,365,941)	(2,573,015)	(2,465,306)
Amount attributable to investing activities		(1,169,886)	(1,191,280)	(1,964,765)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(235,119)	(267,562)	(246,010)
Proceeds from new long term borrowings	12(b)	0	0	45,502
Proceeds from self supporting loans	12(a)	27,096	32,000	30,723
Transfers to reserves (restricted assets)	4	(1,225,079)	(4,311,508)	(975,065)
Transfers from reserves (restricted assets)	4	0	3,528,508	0
Amount attributable to financing activities		(1,433,102)	(1,018,562)	(1,144,850)
Surplus before general rates		642,597	(2,837,292)	93,011
Total amount raised from general rates	19	2,837,724	2,836,323	2,749,888
Net current assets at June 30 c/fwd - surplus	20	3,480,321	(969)	2,842,899

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

Significant revenue

WA Local Government Grants Commission made an early payment of \$1,272,223. This was reported in "operating grants" in the statement of comprehensive income by nature and type and as "general purpose funding" in the statement of comprehensive income by program.

Flood damage reimbursement

This reimbursement was reported in "other revenue" in the statement of comprehensive income by nature and type and as "transport" in the statement of comprehensive income by program.

Other revenue

Reimbursements and recoveries

Other

Fees and Charges

Governance

General purpose funding

Law, order, public safety

Health

Community amenities

Recreation and culture

Economic services

Other property and services

	2018 Actual	2017 Actual
	\$	\$
	1,272,223	1,212,897
	5,500,371	0
	5,627,312	269,383
	85,804	185,918
	5,713,116	455,301
	908	988
	7,311	7,784
	5,641	5,023
	7,975	12,774
	151,752	290,816
	46,113	42,298
	65,943	187,215
	65,730	47,873
	351,373	594,771

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	2,411,530	3,463,149
Law, order, public safety	57,074	42,265
Health	1,000	2,000
Community amenities	0	16,680
Recreation and culture	7,001	36,000
Transport	178,520	289,773
Economic services	3,800	0
Other property and services	27,497	0
	2,686,422	3,849,867
Non-operating grants, subsidies and contributions		
Housing	380,991	546,570
Recreation and culture	691,074	76,003
Transport	1,965,279	898,074
	3,037,344	1,520,647
Total grants, subsidies and contributions	5,723,766	5,370,514

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

Interest earnings

- Loans receivable - clubs/institutions
 - Reserve funds
 - Other funds
- Other interest revenue (refer note 19(c))

2018 Actual	2018 Budget	2017 Actual
\$	\$	\$
0	0	5,503
50,374	40,000	38,873
49,096	30,000	36,814
23,179	23,000	28,304
122,649	93,000	109,494

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2018	2017
	\$	\$
Significant expense		
Flood damage expenditure	5,594,025	0
In 2018, the Shire undertook significant repairs due to flood damage which has been reported under "Materials and Contracts" in the Statement of Comprehensive Income by Nature and Type and "Transport" in the Statement of Comprehensive Income by Program.		
Impairment loss on roads from flood damage	0	169,601
Loss on revaluation of land held for resale	0	119,174
Land held for resale written off	0	88,993
Auditors remuneration		
- Audit of the Annual Financial Report	22,178	16,000
- Assistance with the finalisation of the annual financial report	1,900	4,070
- Other Services	23,423	52,310
	47,501	72,380
Interest expenses (finance costs)		
Long term borrowings (refer Note 12(a))	86,378	99,964
	86,378	99,964
Rental charges		
- Operating leases	30,000	22,500
	30,000	22,500

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

	NOTE	2018	2017
		\$	\$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,867,287	3,112,058
Restricted		3,979,655	2,790,382
		5,846,942	5,902,440
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Community Water Supply Reserve	4	11,677	11,451
Emergency Services Reserve	4	26,464	25,951
Essential Medical Services Reserves	4	606,179	294,357
History Book Reserve	4	5,326	5,223
Housing Reserve	4	420,701	216,420
Lake Grace Sewerage Scheme Reserve	4	984,463	902,909
Lake Grace TV Services Reserves	4	36,799	36,086
Land Development Reserve	4	119,735	117,413
Leave Reserve	4	168,186	164,923
Newdegate 100 Year Centenary Reserve	4	31,288	25,779
Newdegate Ground Keeping SARS Reserve	4	10,357	5,253
Newdegate Hall Reserve	4	122,048	119,680
Newdegate Sports Dam Reserve	4	26,077	20,668
Newdegate Stadium Reserve	4	23,528	18,169
Newdegate TV Reserve	4	4,503	4,415
Office Furniture and Equipment Reserve	4	12,973	12,722
Plant Replacement Reserve	4	924,020	403,154
Recreational Reserve	4	741	727
Swimming Pool (Lake Grace) Reserve	4	54,814	41,866
Varley Sullage Reserve	4	1,624	1,592
Works and Services Reserve	4	337,571	275,237
Municipal - Restricted - CHOP Housing	See below	44,669	44,669
Municipal - Restricted - Rural salinity program	See below	5,404	5,404
Unspent grants	18	508	36,314
		3,979,655	2,790,382

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.

CHOP Housing is restricted for expenditure on Community Housing in consultation with the Housing Department.
Rural Salinity Program is restricted to be spent on a rural Landcare project, under the terms of the funding.

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Community Water Supply Reserve	11,451	226	0	11,677	11,451	11,789	(11,620)	11,620	11,207	244	0	11,451
Emergency Services Reserve	25,951	513	0	26,464	25,950	26,718	(26,334)	26,334	25,398	553	0	25,951
Essential Medical Services Reserves	294,357	311,822	0	606,179	294,357	933,065	(613,711)	613,711	107,027	187,330	0	294,357
History Book Reserve	5,223	103	0	5,326	5,223	5,377	(5,300)	5,300	5,111	112	0	5,223
Housing Reserve	216,420	204,281	0	420,701	216,420	622,822	(419,621)	419,621	30,751	185,669	0	216,420
Lake Grace Sewerage Scheme Reserve	902,909	81,554	0	984,463	902,909	929,623	(916,266)	916,266	824,817	78,092	0	902,909
Lake Grace TV Services Reserves	36,086	713	0	36,799	36,086	37,154	(36,620)	36,620	35,317	769	0	36,086
Land Development Reserve	117,413	2,322	0	119,735	117,413	120,887	(119,150)	119,150	114,911	2,502	0	117,413
Leave Reserve	164,923	3,263	0	168,186	164,923	169,803	(167,363)	167,363	161,410	3,513	0	164,923
Newdegate 100 Year Centenary Reserve	25,779	5,509	0	31,288	25,779	36,541	(31,160)	31,160	20,336	5,443	0	25,779
Newdegate Ground Keeping SARS Reserve	5,253	5,104	0	10,357	5,253	15,409	(10,331)	10,331	247	5,006	0	5,253
Newdegate Hall Reserve	119,680	2,368	0	122,048	119,680	123,220	(121,450)	121,450	19,261	100,419	0	119,680
Newdegate Sports Dam Reserve	20,668	5,409	0	26,077	20,668	31,280	(25,974)	25,974	15,335	5,333	0	20,668
Newdegate Stadium Reserve	18,169	5,359	0	23,528	18,169	28,707	(23,438)	23,438	12,888	5,281	0	18,169
Newdegate TV Reserve	4,415	88	0	4,503	4,415	4,545	(4,480)	4,480	4,321	94	0	4,415
Office Furniture and Equipment Reserve	12,722	251	0	12,973	12,722	13,098	(12,910)	12,910	12,451	271	0	12,722
Plant Replacement Reserve	403,154	520,866	0	924,020	403,154	815,082	(609,118)	609,118	198,826	204,328	0	403,154
Recreational Reserve	727	14	0	741	727	749	(738)	738	711	16	0	727
Swimming Pool (Lake Grace) Reserve	41,866	12,948	0	54,814	41,866	620	(42,000)	486	36,080	5,786	0	41,866
Varley Sullage Reserve	1,592	32	0	1,624	1,592	1,638	(1,615)	1,615	1,558	34	0	1,592
Works and Services Reserve	275,237	62,334	0	337,571	275,237	383,381	(329,309)	329,309	90,967	184,270	0	275,237
	2,703,995	1,225,079	0	3,929,074	2,703,994	4,311,508	(3,528,508)	3,486,994	1,728,930	975,065	0	2,703,995

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
Community Water Supply Reserve	Ongoing	to fund future commitments with the construction and maintenance of community water supplies.
Emergency Services Reserve	Ongoing	to fund volunteer bush fire brigades and other emergency services.
Essential Medical Services Reserves	Ongoing	to fund the provision of essential medical services and associated legal expenses.
History Book Reserve	Ongoing	to fund expenditure associated with producing local history books.
Housing Reserve	Ongoing	to fund the acquisition, construction, renovation or maintenance of shire staff housing.
Lake Grace Sewerage Scheme Reserve	Ongoing	to fund maintenance, addition and improvements to the Lake Grace sewerage system.
Lake Grace TV Services Reserves	Ongoing	to fund maintenance and upgrades of television and radio services in the Lake Grace town site.
Land Development Reserve	Ongoing	to fund the development of new residential, commercial and industrial land.
Leave Reserve	Ongoing	to fund employee leave liability entitlements.
Newdegate 100 Year Centenary Reserve	Ongoing	to fund the 100 year centenary of the Newdegate town site.
Newdegate Ground Keeping SARS Reserve	Ongoing	to fund expenses relating to the preparation of grounds and acquisition or replacement of related plant and equipment.
Newdegate Hall Reserve	Ongoing	to fund maintenance, renovation, extension or improvements of the Newdegate Town Hall.
Newdegate Sports Dam Reserve	Ongoing	to fund upgrade works for the Newdegate sports dam.
Newdegate Stadium Reserve	Ongoing	to fund upgrade works for the Newdegate stadium floor.
Newdegate TV Reserve	Ongoing	to fund maintenance and upgrades of television and radio services in the Newdegate town site.
Office Furniture and Equipment Reserve	Ongoing	to fund replacement of furniture, office, electrical and computer equipment at the Lake Grace administration centre.
Plant Replacement Reserve	Ongoing	to fund acquisition or replacement of plant and equipment in accordance with the plant replacement program.
Recreational Reserve	Ongoing	to fund the development of sport and recreation facilities.
Swimming Pool (Lake Grace) Reserve	Ongoing	to fund maintenance and improvement of the Lake Grace swimming pool and associated infrastructure.
Varley Sullage Reserve	Ongoing	to fund expenses associated with the operations of the Varley Sullage Scheme.
Works and Services Reserve	Ongoing	to fund expenditure associated with road and street works, including drainage and rehabilitation works.

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
Sundry debtors
GST receivable
Loans receivable - clubs/institutions
Provision for doubtful debts
ESL Control
Accrued Income/Prepayments

Non-current

Rates outstanding - pensioners
Loans receivable - clubs/institutions
SEC Extensions

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

Rates outstanding

Includes:

Past due and not impaired

Sundry debtors

Includes:

Past due and not impaired

Impaired

2018	2017
\$	\$
70,068	57,662
2,232,441	368,922
214,754	60,919
33,029	32,000
(29,348)	(29,348)
2,762	2,398
1,637,328	8,624
4,161,034	501,177
2,851	2,037
27,930	56,055
3,238	3,238
34,019	61,330
70,068	57,662
49,262	7,544
29,348	29,348

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

Fuel and materials

Non-current

Land held for sale - cost

Cost of acquisition

2018	2017
\$	\$
9,896	13,627
9,896	13,627
300,000	300,000
300,000	300,000

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for sale

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

Land held for sale (Continued)

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

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

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

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	2,023,400	2,023,400
- Additions after valuation - cost	14,311	0
	<u>2,037,711</u>	<u>2,023,400</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	552,000	552,000
	<u>552,000</u>	<u>552,000</u>
Total land	<u>2,589,711</u>	<u>2,575,400</u>
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	2,495,000	2,585,000
- Additions after valuation - cost	114,393	0
Buildings - non-specialised - Less: accumulated depreciation	(39,576)	0
	<u>2,569,817</u>	<u>2,585,000</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	34,845,725	34,908,218
- Additions after valuation - cost	1,554,657	0
Buildings - specialised - Less: accumulated depreciation	(524,889)	0
	<u>35,875,493</u>	<u>34,908,218</u>
Total buildings	<u>38,445,310</u>	<u>37,493,218</u>
Total land and buildings	<u>41,035,021</u>	<u>40,068,618</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	11,323	11,323
- Independent valuation 2016 - level 2	70,670	82,110
- Independent valuation 2016 - level 3	9,040	9,040
- Additions after valuation - cost	45,860	23,394
Furniture and equipment - Less: accumulated depreciation	(31,328)	(16,649)
	<u>105,565</u>	<u>109,218</u>
Plant and equipment at:		
- Management valuation 2016 - level 2	260,721	260,721
- Independent valuation 2016 - level 2	1,541,969	1,787,969
- Independent valuation 2016 - level 3	802,875	823,096
- Additions after valuation - cost	475,259	365,438
Plant and equipment - Less: accumulated depreciation	(442,865)	(229,515)
	<u>2,637,959</u>	<u>3,007,709</u>
Works in Progress:		
- at cost	0	814,643
Works in Progress - Less: accumulated depreciation	0	0
	<u>0</u>	<u>814,643</u>
Total property, plant and equipment	<u>43,778,545</u>	<u>44,000,188</u>

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	2,035,282	676,624	2,711,906	2,551,204	34,971,581	37,522,785	40,234,691	102,473	3,029,865	169,384	43,536,413
Additions	25,731	0	25,731	12,309	57,748	70,057	95,788	23,394	365,438	645,259	1,129,879
(Disposals)	0	0	0	0	(77,144)	(77,144)	(77,144)	0	(147,292)	0	(224,436)
Revaluation increments/ (decrements) transferred to revaluation surplus	18,197	(124,624)	(106,427)	74,676	386,131	460,807	354,380	0	0	0	354,380
Depreciation (expense)	0	0	0	(53,189)	(394,998)	(448,187)	(448,187)	(16,649)	(240,302)	0	(705,138)
Transfers	(55,810)	0	(55,810)	0	(35,100)	(35,100)	(90,910)	0	0	0	(90,910)
Carrying amount at 30 June 2017	2,023,400	552,000	2,575,400	2,585,000	34,908,218	37,493,218	40,068,618	109,218	3,007,709	814,643	44,000,188
Additions	14,311		14,311	114,393	740,014	854,407	868,718	22,465	109,821	0	1,001,004
(Disposals)	0	0	0	(85,673)	(61,660)	(147,333)	(147,333)	(6,864)	(239,445)	0	(393,642)
Depreciation (expense)	0	0	0	(43,903)	(525,722)	(569,625)	(569,625)	(19,254)	(240,126)	0	(829,005)
Transfers	0	0	0	0	814,643	814,643	814,643	0	0	(814,643)	0
Carrying amount at 30 June 2018	2,037,711	552,000	2,589,711	2,569,817	35,875,493	38,445,310	41,035,021	105,565	2,637,959	0	43,778,545

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per hectare
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition residual values and remaining useful life assessments inputs
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per square metre
Buildings - specialised	3	Improvements to land valued using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition residual values and remaining useful life assessments inputs
Furniture and equipment					
Management valuation/Independent valuation	3	Cost approach using depreciated replacement costs	Management valuation / Independent registered valuers	June 2016	Purchase costs and current condition. Residual value and remaining useful life assessments inputs
Independent valuation	2	Market approach using recent observable market data for similar assets	Independent registered valuers	June 2016	Price per item
Plant and equipment					
Management valuation/Independent valuation	2	Market approach using recent observable market data for similar assets	Management valuation / Independent registered valuers	June 2016	Price per item
Independent valuation	3	Cost approach using depreciated replacement costs	Independent registered valuers	June 2016	Purchase costs and current condition. Residual value 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, they have the potential to result in a significantly higher or lower fair value measurement.

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

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

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2018 - level 3	140,721,916	0
- Management valuation 2015 - level 3	0	135,171,809
- Impairment loss on infrastructure - roads	0	(10,347,496)
- Additions after valuation - cost	0	5,001,060
Infrastructure - Roads - Less: accumulated depreciation	0	(3,300,732)
	140,721,916	126,524,641
Infrastructure - Parks, Gardens and Recreational Facilities		
- Independent valuation 2018 - level 3	8,105,224	0
- Independent valuation 2015 - level 3	0	5,828,815
- Additions after valuation - cost	0	335,055
Infrastructure - Parks, Gardens and Recreational Facilities - Less: accumulated depreciation	0	(733,714)
	8,105,224	5,430,156
Infrastructure - Sewerage		
- Independent valuation 2018 - level 3	2,632,958	0
- Independent valuation 2015 - level 3	0	2,890,157
- Additions after valuation - cost	0	10,892
Infrastructure - Sewerage - Less: accumulated depreciation	0	(85,766)
	2,632,958	2,815,283
Infrastructure - Urban Infrastructure		
- Independent valuation 2018 - level 3	2,931,402	0
- Management valuation 2018 - level 3	2,787,468	0
- Independent valuation 2015 - level 3	0	3,908,314
- Additions after valuation - cost	0	178,161
Infrastructure - Urban Infrastructure - Less: accumulated depreciation	0	(238,222)
	5,718,870	3,848,253
Total infrastructure	157,178,968	138,618,333

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown at cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value.

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

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Infrastructure - Roads	Infrastructure - Parks, Gardens and	Infrastructure - Sewerage	Infrastructure - Urban Infrastructure	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2016	136,320,892	5,569,733	2,853,676	3,942,030	148,686,331
Additions	2,234,809	198,304	4,545	27,648	2,465,306
Revaluation increments/ (decrements) transferred to revaluation surplus	(10,177,895)	0	0	0	(10,177,895)
Revaluation (loss)/ reversals transferred to profit or loss	(169,601)	0	0	0	(169,601)
Depreciation (expense)	(1,683,564)	(372,981)	(42,938)	(121,425)	(2,220,908)
Transfers	0	35,100	0	0	35,100
Carrying amount at 30 June 2017	126,524,641	5,430,156	2,815,283	3,848,253	138,618,333
Additions	2,933,789	432,152	0	0	3,365,941
Revaluation increments/ (decrements) transferred to revaluation surplus	12,869,328	3,281,215	(139,387)	1,319,974	17,331,130
Depreciation (expense)	(1,605,842)	(386,411)	(42,938)	(101,245)	(2,136,436)
Transfers	0	(651,888)	0	651,888	0
Carrying amount at 30 June 2018	140,721,916	8,105,224	2,632,958	5,718,870	157,178,968

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement costs	Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Parks, Gardens and Recreational Facilities	3	Cost approach using depreciated replacement costs	Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Sewerage	3	Cost approach using depreciated replacement costs	Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments
Infrastructure - Urban Infrastructure	3	Cost approach using depreciated replacement costs	Management/ Independent valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments

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

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

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY
Land under roads

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

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

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

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

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
33 Absolon Street	85,673	0	0	(85,673)	0	0	0	0
RICOH colour photocopier	1,716	0	0	(1,716)	0	0	0	0
RICOH Black & White photocopier	5,148	0	0	(5,148)	0	0	0	0
Health								
2014 Mitsubishi Pajero	34,264	25,455	0	(8,809)	34,557	25,455	0	(9,102)
Recreation and culture								
Toilet Block Sporting Precinct	61,660	0	0	(61,660)	0	0	0	0
Transport								
Dolly Trailer	8,270	3,636	0	(4,634)	8,376	3,636	0	(4,740)
Frhauf Water tanker trailer	15,018	6,864	0	(8,154)	15,095	6,863	0	(8,232)
20116 Mercedes Benz Actros Truck	48,257	31,864	0	(16,393)	48,550	31,864	0	(16,686)
Toyota Landcruiser	16,393	33,682	17,289	0	16,518	33,682	17,164	0
Toyota forklift	6,494	7,136	642	0	6,534	7,136	602	0
2009 HINO 300	34,399	14,136	0	(20,263)	35,307	15,000	0	(20,307)
Easy Go tandem trailer LG863	216	218	2	0	0	0	0	0
CMADE Pipe Trailer LG2092	681	15	0	(666)	0	0	0	0
Other property and services								
Horwood Bagshaw	15,142	2,318	0	(12,824)	0	0	0	0
Cement mixer	372	55	0	(317)	0	0	0	0
Road Broom	1,261	145	0	(1,116)	0	0	0	0
Quad Cutter	243	100	0	(143)	0	0	0	0
2014 Ford PX	28,806	20,000	0	(8,806)	29,056	20,000	0	(9,056)
MIS Ford Territory	29,629	14,091	0	(15,538)	32,678	15,000	0	(17,678)
	393,642	159,715	17,933	(251,860)	226,671	158,636	17,766	(85,801)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	43,903	53,189
Buildings - specialised	525,722	394,998
Furniture and equipment	19,254	16,649
Plant and equipment	240,126	240,302
Infrastructure - Roads	1,605,842	1,683,564
Infrastructure - Parks, Gardens and Recreational Facilities	386,411	372,981
Infrastructure - Sewerage	42,938	42,938
Infrastructure - Urban Infrastructure	101,245	121,425
	2,965,441	2,926,046

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	25 years
Sewerage piping	100 years
Urban infrastructure & drainage systems	50 years
Parks, gardens & recreational facilities	2 to 20 years

Depreciation (Continued)

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

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

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

10. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land - freehold land	27,682,477	0	0	0	27,682,477	27,328,097	354,380	0	354,380	27,682,477
Revaluation surplus -Plant and equipment	1,277,979	0	0	0	1,277,979	1,277,979	0	0	0	1,277,979
Revaluation surplus - Infrastructure - Roads	256,116	12,869,328	0	12,869,328	13,125,444	10,434,011	0	(10,177,895)	(10,177,895)	256,116
Revaluation surplus - Infrastructure - Parks, Gardens and Recreational Facilities	0	3,281,215	0	3,281,215	3,281,215	0	0	0	0	0
Revaluation surplus - Infrastructure - Sewerage	2,793,412	0	(139,387)	(139,387)	2,654,025	2,793,412	0	0	0	2,793,412
Revaluation surplus - Infrastructure - Urban Infrastructure	3,615,895	1,319,974	0	1,319,974	4,935,869	3,615,895	0	0	0	3,615,895
	35,625,879	17,470,517	(139,387)	17,331,130	52,957,009	45,449,394	354,380	(10,177,895)	(9,823,515)	35,625,879

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

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

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
ATO liabilities
Accrued Expenditure
ESL Payable

2018	2017
\$	\$
1,679,488	689,207
21,770	14,677
11,882	15,463
30,845	32,493
775,045	29,962
6,345	6,476
2,525,375	788,278

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017	Loans	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
L175 - CEO's Residence	24,979	0	12,105	12,105	12,874	12,874	1,201	1,375
L181 - Office Redevelopment	296,764	0	14,257	14,257	282,507	282,507	18,706	17,206
Health								
L190 - NGT Medical Centre	79,545	0	12,356	25,060	67,189	54,485	4,755	4,245
Housing								
L184 - Country Housing Authority	13,627	0	13,627	13,627	0	0	877	831
L185 - Country Housing Authority	13,627	0	13,627	13,627	0	0	877	831
Recreation and culture								
L173 - Lake Grace Pool	84,984	0	12,238	12,238	72,746	72,746	5,011	4,705
L182 - Lake Grace Sport Precinct	181,599	0	13,502	13,502	168,097	168,097	12,255	11,456
L192 - Lake Grace Bowling Club	30,832	0	4,759	9,665	26,073	21,167	1,988	1,790
L193 - Newdegate Bowling Club	26,258	0	4,768	4,768	21,490	21,490	1,278	1,223
L198 - Lake Grace Precinct	148,999	0	18,563	18,563	130,436	130,436	7,421	6,582
L202 - Lake King Court Resurface	45,502	0	8,691	8,691	36,811	36,811	1,160	993
Transport								
L196 - Roadworks & Plant	286,844	0	43,413	43,412	243,431	243,432	12,384	10,767
Economic services								
L189 - LG Residential Land	153,293	0	3,965	8,051	149,328	145,242	10,188	9,258
L199 - Standpipe Controllers	53,964	0	26,485	26,485	27,479	27,479	2,099	1,836
Other property and services								
L191 - Staff Housing	36,721	0	5,668	11,511	31,053	25,210	2,367	2,132
	1,477,538	0	208,024	235,562	1,269,514	1,241,976	82,567	75,230
	Principal	New	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017	Loans	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Self Supporting Loans								
Recreation and culture								
L188 - LG Sportman's club	30,833	0	4,760	9,665	26,073	21,168	1,988	1,790
Economic services								
L201 - Lake Grace Develop Assoc	57,221	0	22,335	22,335	34,886	34,886	1,823	1,747
	88,054	0	27,095	32,000	60,959	56,054	3,811	3,537
	1,565,592	0	235,119	267,562	1,330,473	1,298,030	86,378	78,767

Self supporting loans are financed by payments from third parties.

All other loan repayments were financed by general purpose revenue, and with the Western Australia Treasury Corporation.

Borrowings

	2018	2017
	\$	\$
Current	250,052	267,560
Non-current	1,080,421	1,298,032
	1,330,473	1,565,592

12. INFORMATION ON BORROWINGS (Continued)

(b) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit
Bank overdraft at balance date
Credit card limit
Credit card balance at balance date
Total amount of credit unused

Loan facilities

Loan facilities - current
Loan facilities - non-current
Total facilities in use at balance date

Unused loan facilities at balance date

2018	2017
\$	\$
100,000	100,000
0	0
10,000	10,000
0	(164)
110,000	109,836
250,052	267,560
1,080,421	1,298,032
1,330,473	1,565,592
NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision
Balance at 30 June 2018

Comprises

Current
Non-current

Provision for Annual Leave	Provision for Long Service Leave	Total
\$	\$	\$
238,115	161,817	399,932
0	32,843	32,843
238,115	194,660	432,775
(60,064)	2,145	(57,919)
178,051	196,805	374,856
178,051	154,418	332,469
0	42,387	42,387
178,051	196,805	374,856

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	5,846,942	4,345,439	5,902,440
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	3,137,120	(720,548)	2,414,948
Non-cash flows in Net result:			
Depreciation	2,965,441	2,827,850	2,926,046
(Profit)/loss on sale of asset	233,927	68,035	114,663
Loss on revaluation of fixed assets	0	0	377,768
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(3,659,642)	104,458	242,464
(Increase)/decrease in inventories	3,731	8,000	(7,421)
Increase/(decrease) in payables	1,737,097	148,790	(128,785)
Increase/(decrease) in provisions	(57,919)	67,000	6,925
Grants contributions for the development of assets	(3,037,344)	(2,633,743)	(1,520,647)
Net cash from operating activities	1,322,411	(130,158)	4,425,961

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

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	2,639,638	2,720,745
General purpose funding	65,540	62,097
Law, order, public safety	983,142	351,124
Health	3,136,189	1,178,452
Education and welfare	646,305	465,030
Housing	10,032,150	1,945,022
Community amenities	4,634,374	529,912
Recreation and culture	27,743,777	40,694,844
Transport	152,460,319	129,940,599
Economic services	2,606,651	4,721,393
Other property and services	2,678,135	513,276
Unallocated	3,683,184	6,274,601
	211,309,404	189,397,095

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

16. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

Payable:

- not later than one year

No capital expenditure projects were outstanding at the end of the current reporting period (the prior year commitment was for the construction of three independent living units).

2018	2017
\$	\$
0	325,503
0	325,503

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year

30,000	22,500
30,000	22,500

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

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

17. 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	40,000	40,000	32,655
President's allowance	19,864	19,864	19,864
Deputy President's allowance	4,966	4,966	4,966
Travelling expenses	16,132	20,000	17,492
Telecommunications allowance	18,000	18,000	18,350
	98,962	102,830	93,327

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	376,739	329,218
Post-employment benefits	38,990	39,643
Other long-term benefits	20,209	5,848
Termination benefits	41,856	628
	477,794	375,337

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.

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	23,674	127,880
Salaries paid to Other employee related parties	84,732	87,372

Amounts payable to related parties:

Trade and other payables	23,674	127,880
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Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

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

18. 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
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
DFES LG Grant Scheme	22,080	42,265	(43,850)	20,495	11,083	(31,070)	508
Health							
Grant - Seniors	0	1,000	(1,000)	0	1,000	(1,000)	0
Grant - Youth	0	1,000	(1,000)	0	0	0	0
Housing							
Shire of Williams - LGILU'S	0	546,570	(546,570)	0	0	0	0
Recreation and culture							
Department of Local Govt - Youth Grant	10,000	0	(10,000)	0	0	0	0
DSR - Community Pools 15/16	0	32,000	(32,000)	0	0	0	0
DSR - KidSport	1,910	0	(1,215)	695	0	(695)	0
Lake King - Resurfacing	0	22,500	(22,500)	0	0	0	0
Transport							
Roads to Recovery	358,522	383,074	(726,472)	15,124	1,490,422	(1,505,546)	0
Regional Road Group	0	340,000	(340,000)	0	405,826	(405,826)	0
MRWA - Commodities Route	0	175,000	(175,000)	0	0	0	0
Total	392,512	1,543,409	(1,899,607)	36,314	1,908,331	(1,944,137)	508

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.

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

19. 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 \$
General rate											
Gross rental valuations											
Gross Rental Value	0.0798	382	4,552,816	363,406	0	0	363,406	363,406	1,000	0	364,406
Unimproved valuations											
Unimproved Value	0.0082	568	295,616,051	2,429,077	2,401	0	2,431,478	2,429,077	0	0	2,429,077
Sub-Total		950	300,168,867	2,792,483	2,401	0	2,794,884	2,792,483	1,000	0	2,793,483
Minimum payment											
Gross rental valuations											
Gross Rental Value	420	45	79,101	18,900	0	0	18,900	18,900	0	0	18,900
Unimproved valuations											
Unimproved Value	420	57	744,287	23,940	0	0	23,940	23,940	0	0	23,940
Sub-Total		102	823,388	42,840	0	0	42,840	42,840	0	0	42,840
		1,052	300,992,255	2,835,323	2,401	0	2,837,724	2,835,323	1,000	0	2,836,323
Total amount raised from general rate							2,837,724				2,836,323
Specified Area Rate (refer note 19(b))							1,217,085				1,215,642
Ex-gratia rates							59,055				58,215
Totals							4,113,864				4,110,180

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.

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

19. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	Rateable Value	Revenue	Interim Rate Revenue	Back Rate Revenue	Total Specified Area Rate Revenue	Budget Rate Revenue	Budget Back Rate Revenue	Budget Interim Rate Revenue	Total Budget Revenue
			\$	\$	\$	\$	\$	\$	\$	\$	\$
Lake Grace Sewerage											
Residential	GRV	0.041200	2,424,157	99,875	559	153	100,587	99,875	0	0	99,875
Commercial	GRV	0.041200	650,747	26,811	0	0	26,811	26,811	0	0	26,811
Vacant Land	GRV	0.041200	12,200	503	0	0	503	503	0	0	503
1st Major Fixture	Fixtures	\$231.66	0	7,181	0	0	7,181	7,181	0	0	7,181
Additional Fixtures	Fixtures	\$103.26	0	4,647	0	0	4,647	4,647	0	0	4,647
Sport and Recreation											
Varley	GRV	0.034309	153,203	5,256	0	0	5,256	5,256	0	0	5,256
Varley	UV	0.001810	40,003,500	72,406	0	0	72,406	72,406	0	0	72,406
Lake King	GRV	0.025814	290,730	7,505	0	0	7,505	7,505	0	0	7,505
Lake King	UV	0.002031	59,969,400	121,798	0	0	121,798	121,798	0	0	121,798
Newdegate	GRV	0.050142	887,404	44,496	(13)	0	44,483	44,496	0	0	44,496
Newdegate	UV	0.002363	107,316,500	253,589	2	0	253,591	253,589	0	0	253,589
Lake Grace	GRV	0.052824	3,358,649	177,417	745	0	178,162	177,417	0	0	177,417
Lake Grace	UV	0.004449	88,594,700	394,158	(3)	0	394,155	394,158	0	0	394,158
				1,215,642	1,290	153	1,217,085	1,215,642	0	0	1,215,642

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	Rate Applied to Costs	Rate Set Aside to Reserve	Reserve Applied to Costs	Budget Rate Applied to Costs	Budget Rate Set Aside to Reserve	Budget Reserve Applied to Costs
			\$	\$	\$	\$	\$	\$
Lake Grace Sewerage	Applied in full to operate and maintain the Sewerage Scheme	Lake Grace Townsite	76,035	63,694	0	139,017	0	0
Sport and Recreation								
Varley	Applied in full for expenses relating to halls, swimming pools, other recreation and sport, libraries and other culture.	Varley District	35,403	0	0	77,662	0	0
Lake King		Lake King District	68,183	0	0	129,303	0	0
Newdegate		Newdegate District	238,685	20,000	0	298,085	0	0
Lake Grace		Lake Grace District	383,094	12,120	0	571,575	0	0
			801,400	95,814	0	1,215,642	0	0

As at 30 June 2018, the Shire has an unspent specified area rates of \$415,685, out of which \$95,814 has been transferred to restricted reserves.

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

19. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	13-Nov-17	0	0.00%	11.00%
Option Two				
First instalment	13-Nov-17	0	5.50%	11.00%
Second instalment	1-Dec-18	11	5.50%	11.00%
Option Three				
First instalment	13-Nov-17	0	5.50%	11.00%
Second instalment	1-Dec-18	11	5.50%	11.00%
Third instalment	13-Mar-18	11	5.50%	11.00%
Fourth instalment	14-May-18	11	5.50%	11.00%

	2018	2018 Budget
	\$	\$
Interest on unpaid rates	14,232	15,000
Interest on instalment plan	8,947	8,000
Charges on instalment plan	5,423	6,000
	28,602	29,000

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

20. NET CURRENT ASSETS

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

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus 1 July brought forward	3,480,321	2,842,899	2,842,899
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,867,287	3,112,058	3,112,058
Restricted	3,979,655	2,790,382	2,790,382
Receivables			
Rates outstanding	70,068	57,662	57,662
Sundry debtors	2,232,441	368,922	368,922
GST receivable	214,754	60,919	60,919
Loans receivable - clubs/institutions	33,029	32,000	32,000
Provision for doubtful debts	(29,348)	(29,348)	(29,348)
ESL Control	2,762	2,398	2,398
Accrued Income/Prepayments	1,637,328	8,624	8,624
Inventories			
Fuel and materials	9,896	13,627	13,627
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(1,679,488)	(689,207)	(689,207)
Accrued interest on long term borrowings	(21,770)	(14,677)	(14,677)
Accrued salaries and wages	(11,882)	(15,463)	(15,463)
ATO liabilities	(30,845)	(32,493)	(32,493)
Accrued Expenditure	(775,045)	(29,962)	(29,962)
ESL Payable	(6,345)	(6,476)	(6,476)
Current portion of long term borrowings	(250,052)	(267,560)	(267,560)
Provisions			
Provision for annual leave	(178,051)	(238,115)	(238,115)
Provision for long service leave	(154,418)	(161,817)	(161,817)
Unadjusted net current assets	6,909,976	4,961,474	4,961,474
Adjustments			
Less: Reserves - restricted cash	(3,929,074)	(2,703,995)	(2,703,995)
Less: Municipal - restricted cash	(50,073)	(50,073)	(50,073)
Less: Loans receivable - clubs/institutions	(33,029)	(32,000)	(32,000)
Add: Current portion of long term borrowings	250,052	267,560	267,560
Add: Provision for annual and long service leave	332,469	399,933	399,933
Adjusted net current assets - surplus	3,480,321	2,842,899	2,842,899

Difference

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

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

21. 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	5,846,942	5,902,440	5,846,942	5,902,440
Receivables	4,195,053	562,507	4,195,053	562,507
	10,041,995	6,464,947	10,041,995	6,464,947
Financial liabilities				
Payables	2,525,375	788,278	2,525,375	788,278
Borrowings	1,330,473	1,565,592	1,475,846	1,729,367
	3,855,848	2,353,870	4,001,221	2,517,645

Fair value is determined as follows:

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

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

21. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or 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
	\$	\$
- Equity	58,469	59,024
- Statement of Comprehensive Income	58,469	59,024

Notes:

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

21. 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	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	98.10%	90.00%
- Overdue	1.90%	10.00%

21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
2018	\$	\$	\$	\$	\$
Payables	2,525,375	0	0	2,525,375	2,525,375
Borrowings	315,996	795,967	473,600	1,585,563	1,330,473
	2,841,371	795,967	473,600	4,110,938	3,855,848
2017					
Payables	788,278	0	0	788,278	788,278
Borrowings	344,864	947,872	663,255	1,955,991	1,565,592
	1,133,142	947,872	663,255	2,744,269	2,353,870

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

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	40,353	185,274	0	58,300	316,177	730,369	1,330,473	5.18%
Weighted average Effective interest rate	4.50%	5.40%	0.00%	3.20%	4.23%	5.73%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	27,254	78,943	235,151	0	71,759	1,152,485	1,565,592	5.35%
Weighted average Effective interest rate	7.51%	4.94%	5.45%	0.00%	3.53%	5.34%		

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

22. 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
	\$	\$	\$	\$
Number Plates	400	900	(1,300)	0
Hall Deposits	4,500	10,290	(9,790)	5,000
Miscellaneous Deposits	1,327	50	(50)	1,327
Housing Bonds	3,582	2,960	(1,800)	4,742
Nomination Deposits	0	560	(560)	0
Standpipe Bonds	5,550	850	(100)	6,300
Cat Traps	0	100	(100)	0
BCITF	0	3,769	(3,769)	0
Builders Registration Board	0	4,240	(4,240)	0
Retentions	5,000	0	(5,000)	0
Key Bonds	125	0	(50)	75
NGT Swimming Pool Key Bond	100	60	0	160
	20,584			17,604

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

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

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

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

Notes:

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

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

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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

24. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

25. ACTIVITIES/PROGRAMS

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

	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 ratepayers 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 bushfire prevention services and animal control services.	Supervision, enforcement of various local laws, fire prevention, emergency services, animal control and other aspects of public safety.
HEALTH To provide for an operational framework for good community health in conjunction with the Health Department of WA. To provide services for families and children.	Health inspection services in relation to food outlets and their control, pest and noise control and waste disposal compliance and the provision of a Doctor, dental and medical surgeries. Assistance with playgroups and daycare centres.
HOUSING To ensure that adequate housing is available to staff and the community.	Provision and maintenance of staff housing, aged persons units and community accommodation (Joint Venture and LOGCHOP) units.
COMMUNITY AMENITIES To provide services and infrastructure as required by the community.	Rubbish collection services, operation of refuse disposal sites and the Lake Grace sewerage scheme. Administration of the Local Planning Scheme, maintenance of cemeteries and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.	The provision and maintenance of public halls, sports pavillions, recreation grounds, Lake Grace swimming pool, parks, gardens and playgrounds. The operation of public libraries in conjunction with the Education Department and other cultural and heritage facilities.
TRANSPORT To provide safe, effective and efficient transport infrastructure to the community.	Construction and maintenance of streets, roads, drainage, footpaths, and aerodromes. Cleaning of streets, maintenance of street trees, street lighting and works depot. Provision of Department of Transport licensing services.
ECONOMIC SERVICES To help promote the Shire and improve its economic wellbeing.	The regulation and provision of tourism, area promotion, building control, noxious weeds, saleyards and the provision of emergency water supplies.
OTHER PROPERTY AND SERVICES To monitor and control council's overheads operating accounts.	Private works operation, plant repair and operating costs, engineering operation costs.

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

26. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	2.05	2.81	1.55
Asset consumption ratio	0.85	0.88	0.98
Asset renewal funding ratio	1.03	1.95	1.23
Asset sustainability ratio	0.66	0.76	0.93
Debt service cover ratio	9.80	11.33	4.86
Operating surplus ratio	0.01	0.18	(0.29)
Own source revenue coverage ratio	0.79	0.61	0.62

The above ratios are calculated as follows:

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

Notes:

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

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	1,272,223	1,212,897	0
Amount of Financial Assistance Grant received in prior year relating to current year.	1,212,897	0	0
Amount of reimbursement for flood damage received	5,500,371	0	0
Expenditure on flood damage re-instatement	(5,594,025)	0	0

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

	2018	2017	2016
Current ratio	2.03	1.87	1.55
Debt service cover ratio	9.91	7.83	4.86
Operating surplus ratio	0.03	(0.06)	(0.29)
Own source revenue coverage ratio	0.65	0.61	0.62

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF LAKE GRACE

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion, the financial report of the Shire of Lake Grace:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Preparation

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF
THE SHIRE OF LAKE GRACE
(CONTINUED)**

REPORT ON THE AUDIT OF THE FINANCIAL REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF
THE SHIRE OF LAKE GRACE
(CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) All required information and explanations were obtained by us.
- b) All audit procedures were satisfactorily completed in conducting our audit.
- c) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

MATTERS RELATING TO THE ELECTRONIC PUBLICATION OF THE AUDITED FINANCIAL REPORT

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

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Date: 26 February 2019
Perth, WA



GREG GODWIN
PARTNER