

Shire of Lake Grace

2016/17

ANNUAL REPORT



The Growing Centre

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DISCLAIMER*

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Shire of Lake Grace 2017

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President's Report

It is with pleasure that I present the 2016/17 Annual Report for the Shire of Lake Grace.

The Shire of Lake Grace had a few staff changes in the 2016/17 period, with Denise Gobbart being successful for the position of Chief Executive Officer (CEO), and Linda Gray being appointed to the position of Deputy Chief Executive Officer in September 2016. The position of Deputy Chief Executive Officer was new, combining the two previous positions of Manager Community Services and Manager Corporate Services. Paul Webb was appointed to the position of Manager Infrastructure Services in November 2016 replacing Louka Shopov.

In late 2016 the Shire began the process of recruiting a new medical practitioner for the Lake Grace and Newdegate Medical Practice. The Shire worked closely with Rural Health West to achieve a successful outcome of a five year contract with Dr Olayinka Omoniyi and Dr Abiola Olowu.



The Shire conducted a review of its wards and representation in February 2017 and invited public participation regarding ward boundaries and the number of elected members (Councillors). At its 22 March 2017 Ordinary Meeting it was moved that Council recommend to the Local Government Advisory Board that an order be made to maintain the number of elected members of Council at nine (9); to remove all wards; and the current election cycle be maintained. This was approved by the Governor and published in the State Law Publisher in July 2017.

In February 2017 the South West of Western Australia was subjected to a significant storm event which caused vast damage to assets throughout the region and our Shire. The Shire underwent an assessment of the damage and submitted a claim through Western Australia Natural Disaster and Relief and Recovery Arrangements (WANDRRA). This has now been approved to the value of \$10,604,882, and the required processes put in place to engage a Project Manager, two Supervisors and contractors to undertake these major repair works to our roads.

Following an extensive community engagement process earlier this year, the Shire of Lake Grace Strategic Community Plan 2017-2027 was adopted by Council at its 28 June 2017 Ordinary Meeting. The Strategic Community Plan summarises the Shire community's collective vision, values, aspirations and priorities for the next ten years, which will then be included in the Corporate Business Plan. The Shire would like to thank the community for their participation in the development of this plan.

The Shire has continued to forge solid relationships with its neighbouring shires through partnerships such as the Voluntary Regional Organisation of Councils (VROC), 4WDL (Wagin, West Arthur, Williams, Woodanilling and Dumbleyung). 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.

We continue to incorporate a 'shared service' approach through partnerships with neighbouring shires in relation to provision of Environmental Health and Building and Fire & Emergency Services. Roe Health Services based in Corrigin provides the environmental health service with the Shire of Narrogin providing a building surveyor service. This ensures the Shire receives professional services whilst maximising value for money in terms of the ratepayer dollar.



The Shire's Planning services continue to be provided by Exurban, with Director/Principal Town Planner Joe Douglas having a long term association with the Shire since the 1990s and his experience with regard to planning matters within the Shire is invaluable. Exurban also provide a service to several of our neighbouring Shires.

The Newdegate community once again held a very successful Newdegate Machinery Field Days of which the Shire is proud to be a sponsor and I congratulate the Newdegate community for their efforts and hard work in making the 45th Newdegate Machinery Field Days such a popular and exciting event.

The Lake King Progress Association submitted a proposal to the Shire for the upgrade of their multi-purpose courts in Lake King for which grants were sought to fund the project. With the support of the Shire, and funding from the Department for Sport and Recreation CSRFF grant, the Lake King Progress Association and the Lakes Winter Sports the multi-purpose courts were completed with fantastic end results for the community and used for the Winter Sports season.

Finally I would like to close by sincerely thanking our CEO Denise, 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



Councillors & CEO



Councillor Terms of Office

Expiring October 2017

Cr Len Armstrong
Cr Ross Chappell
Cr Jeanette De Landgraft
Cr Murray Stanton
Cr Andrew Walker

Expiring October 2019

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



Chief Executive Officer Report

It is with the greatest pleasure that I present my first Chief Executive Officer Report, having officially commenced in the role on 2 September 2016.

Significant changes have occurred during the year within the Shire administration, Chief Executive Officer Neville Hale departed in August, along with Manager Infrastructure Services Louka Shopov; Louka always gave his best in all he did. I thank Neville for the opportunity to join the Lake Grace team and the faith he had in my ability to lead.

These changes gave opportunity to our Deputy Chief Executive Officer, Linda Gray and Manager Infrastructure Services, Paul Webb to join the leadership team. Both are acknowledged for their contributions throughout the year.

Highlights of the year include:

- The signing of a five year contract with Dr Olayinka Omoniyi and Dr Abiola Olowu.
- Review of 'Ward Boundaries and Elected Member Representation Levels'
- Major review of the Strategic Community Plan 2017 – 2027
- Significant progress made with the construction of the Lake Grace Independent Living Units.
- Upgrade of the Standpipe Control Units, all now operating off the same system.
- Renewal of the Lake King Multi-Purpose Courts.
- Relocating the fence at the Lake Grace Swimming Pool to include the playground into the pool area.
- \$2.2 million spend on road infrastructure capital renewal and upgrades.

The major challenge for the year was the Flood Event in February 2017; this event tested both ours and the community's resolve and spirit. 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 Services

In July 2016 the organisation adopted a new organisational model, and changed from having two Managers; Corporate Affairs and Community Service to a single role of Deputy Chief Executive Officer.

I commenced the position at the Shire of Lake Grace in September 2016, having moved very recently from State Government. Every day is a new experience in terms understanding the important role Local Government plays in the community, and also in understanding the role my position plays in its functions. Fortunately, having taken over from Denise as she moves upwards into the role of Chief Executive Officer has given me robust processes and procedures to follow, to continue to implement and learn what is truly “best practice”.

Whilst continuing to work with the administrative team that was in place, we were able to put into place some new staff; Sharon Lampard, Rebecca Clark, and Lisa Hill, whose presence has further contributed to the efficiency and effectiveness of the administrative office, and the Lake Grace Visitor Centre. Other staff have moved upwards into different and more challenging roles.

I attended the 2016 Newdegate Machinery Field Days shortly after commencing employment, and from that experience I was also able to plan for the 2017 event. Up to Christmas there was much to learn as Auditors came and went, and the previous year’s Annual Report was completed. As well, I learnt about the processes behind the Australia Day Active Citizenship nominations, and how much work members of the community do on a volunteer basis. I enjoyed Australia Day and the breakfast, and also having the special opportunity of watching Father Joseph Sousa’s citizenship ceremony.

The process of consultation for the Shire’s new Strategic Community Plan commenced in February 2017, with engagement workshops throughout the Shire. I have to say that the result was one of the most practical Strategic Community Plan I have ever read; it is relevant and mirrors the community’s attitude to where they want their community to be in ten years’ time. I have to congratulate the facilitators from Moore Stephens for a job well done. Not so positive, was the February Flood, and the repercussions of that will also be with us for the long term.



A successful grant application that provided funds in 2016/17 was the completion of the mural in Lake King that featured the local childrens' perception of what living in Lake King meant to them. This was one of my favourite outcomes for 2016/17. (See below)

In the meantime, corporate services processes and procedures need to be completed on time, with the compliance in terms of following correct procurement requirements, payment of invoices, good financial management as well as providing good customer service through licensing, the administering of shire fees and charges and general inquiries. New staff have become more familiar with all this and become "old staff", and we have continued to improve as a team. Our staff meeting on a Thursday afternoon is always an opportunity to learn something new from each other, and in sharing expertise. Time is always short but the days are always different, and we enjoy working for, and with the community.

Linda Gray
Deputy Chief Executive Officer



Infrastructure Services

The 2016-2017 financial period proved challenging for the infrastructure team with a new Manager being recruited in November 2016. Redirection of the works program was required as a storm event hit in February, causing devastating damage to our road network effectively rendering the works program inoperable.

Many of our roads had been damaged past the point of our ability to fund repair, leaving only the Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA) AGRN: 743 as a funding and repair opportunity for the Shire of Lake Grace, a process that we, and many other Shires affected by storm damage, are working through.



It is estimated that 90% of our reseal program was completed, with all townsites having some coverage.

Reseals included – Norseman Road, Newdegate Road, Magenta Road, Bidy Buniche Road, Alymore Road, North Varley South Road, Holt Rock South Road, Memorial Drive, Mather Street, Dewar Street, Carruthers Street, McMahon Street, Franks Street, Dunham Street, School Place, Wright Place, Betham Street, Mason Street, Coad Street, Lake King School and Go Kart entry, Lake King Tavern entrances, Sugg Road, McCracken Road, Waddell Road, Witham Street, May Street, Collier Street and Francis Street.

Major Road works projects included Holt Rock South Road, which is programmed for completion in the 2017/2018 financial period, and Hatters Hill Road, which was constructed with a significant contribution from Main Roads WA Commodity Route Funding.

Many thanks to our Road Construction Team and Chris Trevenen our Maintenance Grader Operator for their commitment to our road network.

Building

The Shire's building maintenance team undertook general maintenance whilst also progressing construction of the Lake Grace Independent Living Units (ILUs). The ILUs proved to be an enormously onerous task, and was moved over to a Projects Manager Jeff Riley. Many thanks to our Shire team and local contractors for helping us move these projects forwards.



Parks & Gardens

Our parks and gardens team have taken on a works schedule which has mapped a monthly rotating schedule of works. The aim of this program is to better manage the level of service to our communities, ensuring that we have the operational time to manage assets, and to enable the team to forward plan their works.

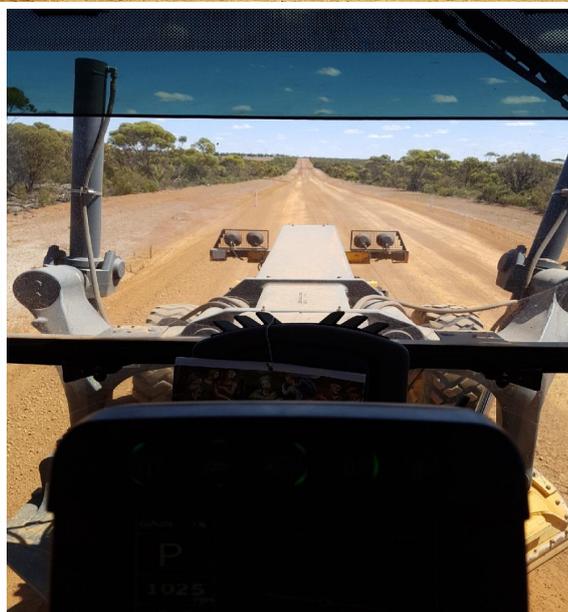
The team have taken to this operational change with enthusiasm, and my thanks go out to them for a great job at making our town look as good as it can all the time. We are endeavouring to implement a schedule for our oval playing surfaces to lift the quality of turf health, reticulation coverage, and sub surface compaction, these will continue to be improved.

Plant Replacement

The plant replacement program saw the replacement of the Works Hino dual cab, and purchase of a tow along roller for the Shires Maintenance Grader. The addition of the roller to this Grader will allow compaction of this loose material back into the surface giving a better finish to maintenance grading.

Paul Webb

Manager Infrastructure Services





Health Services

RoeHEALTH Environmental Health Services, Environmental Health Officer Barry Smith, has undertaken Environmental Health work in accordance with the RoeHEALTH Operational Guidelines during the 2016/17 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 Environment Regulation (DER)
- Liaison with DER regarding Lake Grace Landfill and compliance issues and amended licenses
- Newdegate Landfill inspections and submission of Annual Environmental Report to DER
- 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

Barry Smith

ENVIRONMENTAL HEALTH OFFICER



Building Services

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 2016-2017 financial year, 14 Permit applications to the total development value of \$1,597,744.80 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	\$2,624.74
Building Services Levy	\$1,186.86
BCITF	<u>\$ 756.86*</u>
Total	\$5,198.46

The Shire received commission of \$62.10 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





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

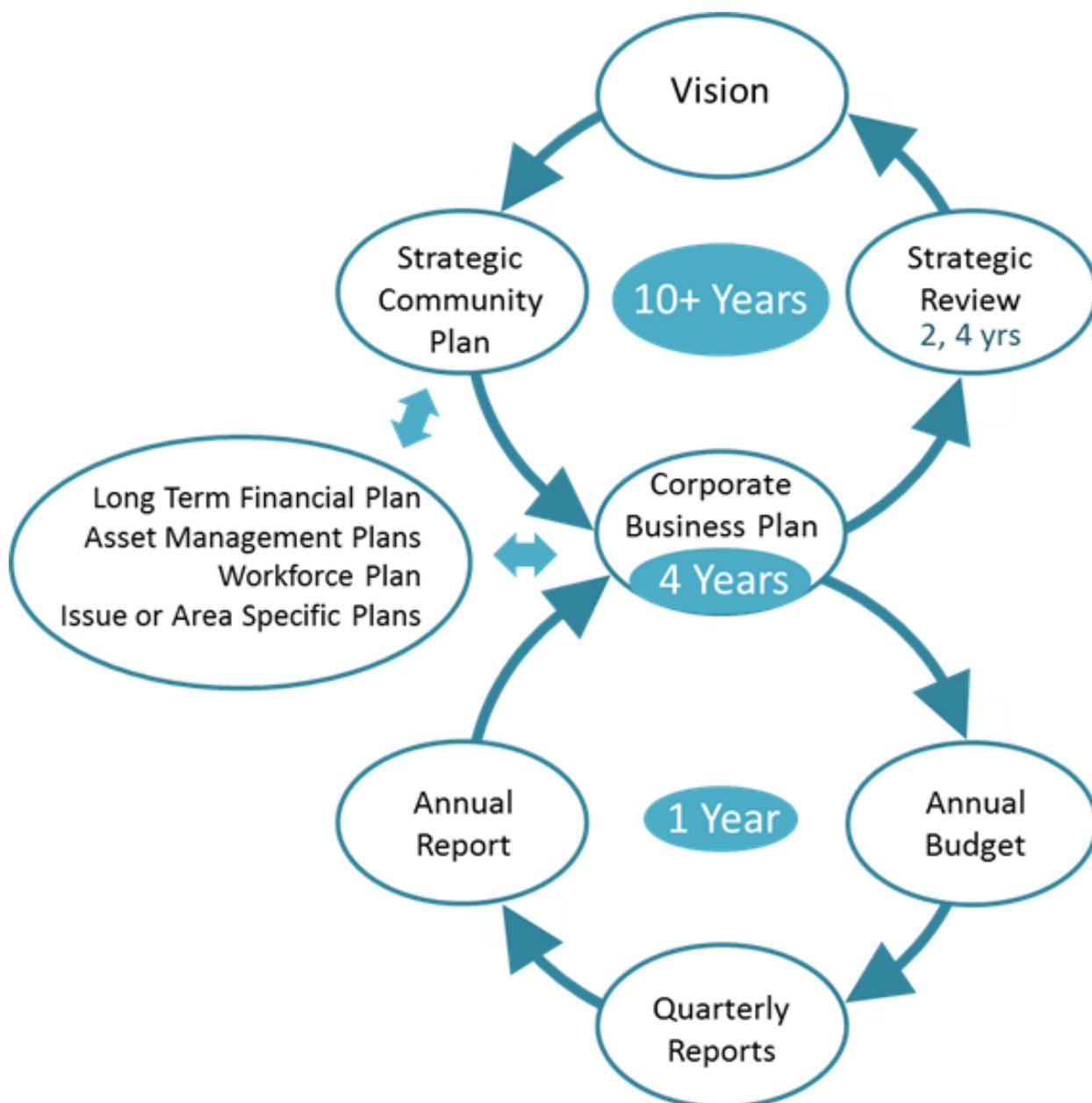
Corporate Business Plan – Council’s 4 year planning document. The core components of this Plan include a four year delivery program, aligned to the Strategic Community Plan and accompanied by four year financial projections.

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



MACK Trucks for Infrastructure Services

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



Independent Living Units under construction

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



Lake King Youth Mural

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



Lake King Multi Purpose Courts

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



Men's Shed 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



Australian Inland Mission Lake Grace

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



Recycling



Leadership Objective

Strong governance and leadership, demonstrating fair and equitable community values

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

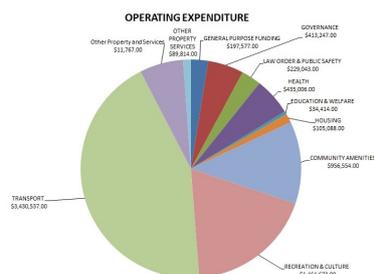
4.2.3 Provide a positive and safe workplace



Councillors

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



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 affects 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 2016/17 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 2016/17 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.

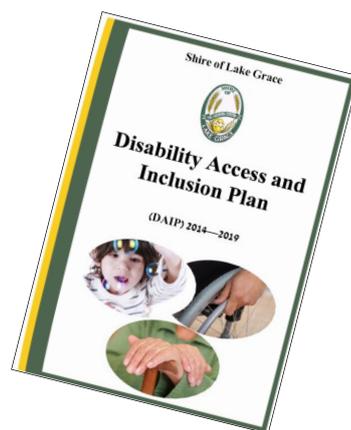
Review of the operating procedures and Local Laws for the Shire of Lake Grace confirm legislative requirements have been complied with, as required.



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 the 2016/2017 the Lake Grace Independent Living units are under construction. 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.



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 the 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 2015023 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 2016/2017.



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	2017	2016
\$100,000 - \$110,000	1	1
\$110,001 - \$120,000		
\$120,001 - \$130,000	1	
\$130,001 - \$140,000		
\$140,001 - \$150,000		1

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 \$3,459,149 in 2016/17, which included an advance payment of \$1,212,897 for the 2017/18 financial year.

The Shire of Lake Grace received \$383,074 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 2017



SHIRE OF LAKE GRACE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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

**SHIRE OF LAKE GRACE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the 14th day of December 2017



Denise Gobbart
Chief Executive Officer

SHIRE OF LAKE GRACE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	22	4,004,054	4,019,816	3,862,018
Operating grants, subsidies and contributions	29	3,849,867	2,644,962	1,436,955
Fees and charges	28	594,771	359,510	572,010
Interest earnings	2(a)	109,494	100,700	112,731
Other revenue	2(a)	455,301	132,513	337,493
		<u>9,013,487</u>	<u>7,257,501</u>	<u>6,321,207</u>
Expenses				
Employee costs		(2,284,068)	(2,310,810)	(2,252,354)
Materials and contracts		(1,751,185)	(2,168,918)	(1,448,567)
Utility charges		(236,557)	(237,993)	(267,589)
Depreciation on non-current assets	2(a)	(2,926,046)	(2,641,800)	(2,940,636)
Interest expenses	2(a)	(99,964)	(89,270)	(106,224)
Insurance expenses		(164,991)	(167,612)	(231,368)
Other expenditure		(541,713)	(147,416)	(238,877)
		<u>(8,004,524)</u>	<u>(7,763,820)</u>	<u>(7,485,615)</u>
		1,008,964	(506,319)	(1,164,408)
Non-operating grants, subsidies and contributions	29	1,520,647	3,884,733	2,664,713
Profit on asset disposals	20	0	4,650	1,121
(Loss) on asset disposals	20	(114,663)	(95,396)	(191,698)
Net result		<u>2,414,948</u>	<u>3,287,668</u>	<u>1,309,728</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(9,823,515)	0	433,886
Total other comprehensive income		<u>(9,823,515)</u>	<u>0</u>	<u>433,886</u>
Total comprehensive income		<u>(7,408,567)</u>	<u>3,287,668</u>	<u>1,743,614</u>

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

SHIRE OF LAKE GRACE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
	2(a)			
Governance		33,484	19,100	56,413
General purpose funding		6,381,612	5,191,854	3,957,023
Law, order, public safety		47,287	55,812	53,558
Health		65,306	4,010	73,984
Housing		22,686	23,400	35,260
Community amenities		440,412	295,296	451,583
Recreation and culture		1,169,572	1,146,148	1,076,529
Transport		502,514	325,773	306,330
Economic services		259,435	107,905	189,366
Other property and services		91,179	88,203	121,161
		<u>9,013,487</u>	<u>7,257,501</u>	<u>6,321,207</u>
Expenses				
	2(a)			
Governance		(498,404)	(379,410)	(389,473)
General purpose funding		(176,808)	(197,577)	(246,683)
Law, order, public safety		(159,360)	(229,043)	(197,266)
Health		(476,986)	(429,532)	(376,803)
Education and welfare		(35,318)	(34,414)	0
Housing		(104,653)	(101,606)	(129,859)
Community amenities		(716,479)	(956,554)	(652,110)
Recreation and culture		(1,354,896)	(1,434,791)	(1,392,938)
Transport		(3,466,188)	(3,337,014)	(3,312,587)
Economic services		(427,294)	(488,541)	(491,919)
Other property and services		(488,171)	(86,068)	(189,753)
		<u>(7,904,557)</u>	<u>(7,674,550)</u>	<u>(7,379,391)</u>
Finance costs				
	2(a)			
Governance		(21,648)	(19,837)	(21,923)
Law, order, public safety		0	0	(47)
Health		(6,264)	(5,474)	(7,194)
Housing		(3,861)	(3,482)	(5,486)
Community amenities		(6)	0	(127)
Recreation and culture		(34,159)	(30,882)	(35,315)
Transport		(14,287)	(12,127)	(14,853)
Economic services		(16,628)	(14,721)	(17,693)
Other property and services		(3,114)	(2,747)	(3,586)
		<u>(99,966)</u>	<u>(89,270)</u>	<u>(106,224)</u>
		1,008,964	(506,319)	(1,164,408)
Non-operating grants, subsidies and contributions	29	1,520,647	3,884,733	2,664,713
Profit on disposal of assets	20	0	4,650	1,121
(Loss) on disposal of assets	20	(114,663)	(95,396)	(191,698)
Net result		<u>2,414,948</u>	<u>3,287,668</u>	<u>1,309,728</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(9,823,515)	0	433,886
Total other comprehensive income		<u>(9,823,515)</u>	<u>0</u>	<u>433,886</u>
Total comprehensive income		<u>(7,408,567)</u>	<u>3,287,668</u>	<u>1,743,614</u>

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

**SHIRE OF LAKE GRACE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017**

	NOTE	30 June 2017 \$	Restated 30 June 2016 \$	Restated 1 July 2015 \$
CURRENT ASSETS				
Cash and cash equivalents	3	5,902,440	3,611,029	3,680,660
Trade and other receivables	4	501,177	718,122	469,810
Inventories	5	13,627	6,206	4,249
TOTAL CURRENT ASSETS		<u>6,417,244</u>	<u>4,335,357</u>	<u>4,154,719</u>
NON-CURRENT ASSETS				
Other receivables	4	61,330	117,572	152,166
Inventories	5	300,000	452,355	540,308
Property, plant and equipment	6	44,000,188	43,536,415	42,324,180
Infrastructure	7	138,618,333	148,686,331	147,875,647
TOTAL NON-CURRENT ASSETS		<u>182,979,851</u>	<u>192,792,673</u>	<u>190,892,301</u>
TOTAL ASSETS		<u>189,397,095</u>	<u>197,128,030</u>	<u>195,047,020</u>
CURRENT LIABILITIES				
Trade and other payables	8	788,278	917,062	332,969
Current portion of long term borrowings	9	267,560	246,010	241,908
Provisions	10	399,932	393,299	373,901
TOTAL CURRENT LIABILITIES		<u>1,455,770</u>	<u>1,556,371</u>	<u>948,778</u>
NON-CURRENT LIABILITIES				
Long term borrowings	9	1,298,032	1,520,091	1,766,100
Provisions	10	32,843	32,551	56,739
TOTAL NON-CURRENT LIABILITIES		<u>1,330,875</u>	<u>1,552,642</u>	<u>1,822,839</u>
TOTAL LIABILITIES		<u>2,786,645</u>	<u>3,109,013</u>	<u>2,771,617</u>
NET ASSETS		<u>186,610,450</u>	<u>194,019,017</u>	<u>192,275,403</u>
EQUITY				
Retained surplus		148,280,576	146,840,693	145,626,263
Reserves - cash backed	11	2,703,995	1,728,930	1,633,632
Revaluation surplus	12	35,625,879	45,449,394	45,015,508
TOTAL EQUITY		<u>186,610,450</u>	<u>194,019,017</u>	<u>192,275,403</u>

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

**SHIRE OF LAKE GRACE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		146,488,102	1,633,632	45,015,508	193,137,242
Correction of Errors	37	(861,839)	0	0	(861,839)
Restated Balance 1 July 2015		<u>145,626,263</u>	<u>1,633,632</u>	<u>45,015,508</u>	<u>192,275,403</u>
Comprehensive income					
Net result		1,309,728	0	0	1,309,728
Total comprehensive income		<u>1,309,728</u>	<u>0</u>	<u>433,886</u>	<u>1,743,614</u>
Transfers from/(to) reserves		(95,298)	95,298	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 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	12	0	0	(9,823,515)	(9,823,515)
Total comprehensive income		<u>2,414,948</u>	<u>0</u>	<u>(9,823,515)</u>	<u>(7,408,567)</u>
Transfers from/(to) reserves		(975,065)	975,065	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2017		<u>148,280,576</u>	<u>2,703,995</u>	<u>35,625,879</u>	<u>186,610,450</u>

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

**SHIRE OF LAKE GRACE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		4,172,640	3,999,814	3,830,684
Operating grants, subsidies and contributions		3,910,135	2,744,962	1,213,330
Fees and charges		594,771	354,510	599,332
Interest earnings		109,494	100,700	112,731
Goods and services tax		484,401	0	630,771
Other revenue		457,296	142,513	337,493
		<u>9,728,737</u>	<u>7,342,499</u>	<u>6,724,341</u>
Payments				
Employee costs		(2,294,972)	(2,160,810)	(2,320,444)
Materials and contracts		(1,868,107)	(1,815,918)	(801,009)
Utility charges		(236,557)	(207,993)	(267,691)
Interest expenses		(101,420)	(89,270)	(108,245)
Insurance expenses		(164,991)	(57,612)	(231,368)
Goods and services tax		(472,783)	0	(646,357)
Other expenditure		(163,946)	(187,896)	(103,174)
		<u>(5,302,776)</u>	<u>(4,519,499)</u>	<u>(4,478,288)</u>
Net cash provided by (used in) operating activities	13(b)	4,425,961	2,823,000	2,246,053
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	6(b)	(1,129,879)	(2,659,752)	(2,066,376)
Payments for construction of infrastructure	7(b)	(2,465,306)	(4,219,084)	(2,948,210)
Non-operating grants, subsidies and contributions		1,520,647	3,884,733	2,664,713
Proceeds from sale of fixed assets	20	109,773	178,400	205,682
Proceeds from sale of land held for resale		0	0	40,909
Net cash provided by (used in) investment activities		<u>(1,964,765)</u>	<u>(2,815,703)</u>	<u>(2,103,282)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures	21	(246,010)	(246,009)	(241,907)
Proceeds from self supporting loans		30,723	30,723	29,505
Proceeds from new debentures		45,502	45,502	0
Net cash provided by (used in) financing activities		<u>(169,785)</u>	<u>(169,784)</u>	<u>(212,402)</u>
Net increase (decrease) in cash held		2,291,411	(162,487)	(69,631)
Cash at beginning of year		3,611,029	3,168,443	3,680,660
Cash and cash equivalents at the end of the year	13(a)	<u>5,902,440</u>	<u>3,005,956</u>	<u>3,611,029</u>

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

**SHIRE OF LAKE GRACE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus		1,608,569	1,608,571	2,108,542
		<u>1,608,569</u>	<u>1,608,571</u>	<u>2,108,542</u>
Revenue from operating activities (excluding rates)				
Governance		33,484	19,100	56,413
General purpose funding		3,631,724	2,314,055	1,258,634
Law, order, public safety		47,287	55,812	54,679
Health		65,306	4,010	73,984
Housing		22,686	23,400	35,260
Community amenities		440,412	295,296	451,583
Recreation and culture		1,169,572	1,146,148	1,076,529
Transport		502,514	330,423	306,330
Economic services		259,435	107,905	189,366
Other property and services		91,178	88,200	121,161
		<u>6,263,598</u>	<u>4,384,349</u>	<u>3,623,939</u>
Expenditure from operating activities				
Governance		(551,242)	(413,247)	(425,078)
General purpose funding		(176,808)	(197,577)	(246,683)
Law, order, public safety		(159,360)	(229,043)	(197,313)
Health		(483,250)	(435,006)	(383,977)
Education and welfare		(35,318)	(34,414)	0
Housing		(108,514)	(105,088)	(135,345)
Community amenities		(716,485)	(956,554)	(652,237)
Recreation and culture		(1,466,199)	(1,464,673)	(2,290,092)
Transport		(3,486,804)	(3,430,537)	(3,500,344)
Economic services		(443,921)	(503,262)	(509,612)
Other property and services		(491,284)	(89,814)	(198,471)
		<u>(8,119,187)</u>	<u>(7,859,215)</u>	<u>(8,539,152)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	20	0	(4,650)	(1,121)
Loss on disposal of assets	20	114,663	95,396	191,698
Movement in deferred pensioner rates (non-current)		24,243	0	3,869
Movement in employee benefit provisions (non-current)		6,925	0	(4,790)
Asset Written Off		0	0	861,839
Depreciation on assets	2(a)	2,926,046	2,641,800	2,940,636
Loss on revaluation of land held for resale		208,167	0	41,932
Loss on revaluation of Infrastructure for flood damage		169,601	0	93,770
		<u>3,202,626</u>	<u>866,251</u>	<u>1,321,162</u>
Amount attributable to operating activities				
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,520,647	3,884,733	2,664,713
Proceeds from disposal of assets	20	109,773	178,400	205,682
Proceeds from disposal of land held for resale		0	0	40,909
Purchase of property, plant and equipment	6(b)	(1,129,879)	(2,659,752)	(2,066,376)
Purchase and construction of infrastructure	7(b)	(2,465,306)	(4,219,085)	(2,948,210)
		<u>(1,964,765)</u>	<u>(2,815,704)</u>	<u>(2,103,282)</u>
Amount attributable to investing activities				
FINANCING ACTIVITIES				
Repayment of debentures	21(a)	(246,010)	(246,009)	(241,907)
Proceeds from new debentures	21(a)	0	45,502	0
Proceeds from self supporting loans		30,723	30,724	29,505
Proceeds from new borrowings	21(b)	45,502	0	0
Transfers to reserves (restricted assets)	11	(975,065)	(745,000)	(456,073)
Transfers from reserves (restricted assets)	11	0	0	360,775
		<u>(1,144,850)</u>	<u>(914,783)</u>	<u>(307,700)</u>
Amount attributable to financing activities				
Surplus(deficiency) before general rates		<u>93,011</u>	<u>(2,864,236)</u>	<u>(1,089,820)</u>
Total amount raised from general rates	22	<u>2,749,888</u>	<u>2,767,085</u>	<u>2,698,389</u>
Net current assets at June 30 c/fwd - surplus	23	<u><u>2,842,899</u></u>	<u><u>(97,151)</u></u>	<u><u>1,608,569</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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 19 to these financial statements.

(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) 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 of changes in value and bank overdrafts.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) Inventories

General

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

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

Land held for 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. 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.

(e) 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.

Mandatory requirement to revalue non-current assets

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

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

Revaluation

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

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

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

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

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 seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement gravel sheet	50 years 12 years
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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

Gains and losses on 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities (Continued)

Income approach

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

Cost approach

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

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

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

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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.

(h) Impairment of Assets

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

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

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(i) 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 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(k) 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.

(l) 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.

(m) Leases

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

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

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

(p) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(q) 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

A third statement of financial position for 30 June 2015 has been included due to one property are not been managed by the Shire of Lake Grace has now been removed from the Asset Register.

(u) 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods

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

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

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

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

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

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

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

2. REVENUE AND EXPENSES	2017	2016
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Significant expenses		
Loss on revaluation of fixed assets	0	93,770
Impairment loss on roads for flood damage	169,601	0
Loss on revaluation of land held for resale	119,174	0
Land held for resale written off	88,993	0
All the above significant expenses have been disclosed as other expenditure in the Statement of Comprehensive Income by Nature and Type and Other Property and Services in the Statement of Comprehensive Income by Program.		
In 2016, the loss on revaluation of fixed assets relates to decrement on the valuation of furniture and equipment.		
Auditors remuneration		
- Audit of the Annual Financial Report	16,000	15,000
- Assistance with the finalisation of the annual financial report	4,070	5,500
- Other services	52,310	32,449
Depreciation		
Buildings - non-specialised	53,189	53,047
Buildings - specialised	394,998	383,233
Furniture and equipment	16,649	34,658
Plant and equipment	240,302	332,172
Infrastructure - Roads	1,683,564	1,617,168
Infrastructure - Parks, Gardens and Recreation Facilities	372,981	360,733
Infrastructure - Sewerage	42,938	42,829
Infrastructure -Urban Infrastructure	121,425	116,796
	<u>2,926,046</u>	<u>2,940,636</u>
Interest expenses (finance costs)		
Debentures (refer Note 21 (a))	99,964	106,224
	<u>99,964</u>	<u>106,224</u>
Rental charges		
- Operating leases	22,500	22,500
	<u>22,500</u>	<u>22,500</u>
(ii) Crediting as revenue:		
Other revenue		
Reimbursements and recoveries	269,383	186,011
Other	185,918	151,482
	<u>455,301</u>	<u>337,493</u>
	<u>2017</u>	<u>2016</u>
	Actual	Budget
	\$	\$
Interest earnings		
- Loans receivable - clubs/institutions	5,503	0
- Reserve funds	38,873	30,000
- Other funds	36,814	25,000
Other interest revenue (refer note 27)	28,304	45,700
	<u>109,494</u>	<u>100,700</u>
	<u>109,494</u>	<u>112,731</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The Shire of Lake Grace will be a prosperous, sustainable and healthy place to live where: people feel connected, valued and supported; quality leadership is demonstrated; industries and infrastructure are vibrant and responsive; and the environment is well understood, managed and flourishing.

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

GOVERNANCE

Objective:

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

Activities:

Administration and operation of facilities and services to members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide bushfire prevention services and animal (dog) control services.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

To provide an operational framework for good community health in conjunction with the Health Department of WA.

Activities:

Inspection of food outlets and their control, mosquito control, noise control and waste disposal compliance.

EDUCATION AND WELFARE

Objective:

To provide services for families and children.

Activities:

Assistance with playgroups and daycare centres.

HOUSING

Objective:

To help to ensure that adequate housing is available to staff and the community.

Activities:

Provision and maintenance of aged persons units and community accommodation (Joint Venture and CHOP Housing) units).

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide community amenities and other infrastructure as required by the community.

Activities:

Rubbish collection and disposal, maintenance of rubbish tips and chemical drum recycling.
Administration of Town Planning Schemes for the four town sites within the Shire and the whole of the Shire including the provision of residential, commercial and industrial land, townscaping facilities and the maintenance of cemeteries for each town.

RECREATION AND CULTURE

Objective:

To establish and manage efficiently sport and recreation infrastructure and resources which will help the social wellbeing and the health of the various communities of the Shire.

Activities:

The provision and maintenance, in conjunction with the various communities, of public halls, recreation grounds, sports pavilions etc., the Lake Grace swimming pool and the operation of public libraries in conjunction with the Education Department.

TRANSPORT

Objective:

To provide efficient and effective transport infrastructure to the community.

Activities:

Construction and maintenance of streets, roads, bridges; the cleaning and lighting of streets and the maintenance of Council depots and aerodromes.

ECONOMIC SERVICES

Objective:

To help promote the Shire and improve its economic wellbeing.

Activities:

The regulation and provision of tourism, area promotion activities, building control, noxious weeds and the provision of water standpipes.

OTHER PROPERTY AND SERVICES

Objective:

To provide other services not elsewhere included.

Activities:

Private works operations, council plant repairs and operation costs.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
DFES LG Grant Scheme	0	43,247	(21,167)	22,080	42,265	(43,850)	20,495
Health							
Grant - Seniors	0	0	0	0	1,000	(1,000)	0
Grant - Youth	0	0	0	0	1,000	(1,000)	0
Housing							
Independent Living Units	0	356,690	(356,690)	0	0	0	0
Shire of Williams - LGILUs	0	166,135	(166,135)	0	546,570	(546,570)	0
Community amenities							
DoW - Community Water Supply	0	33,361	(33,361)	0	0	0	0
Recreation and culture							
Department of Local Govt - Youth Grant	10,000	0	0	10,000	0	(10,000)	0
DSR - Community Pools 15/16	0	32,000	(32,000)	0	32,000	(32,000)	0
DSR - KidSport	0	2,000	(90)	1,910	0	(1,215)	695
Lotterywest - LK Tractor Museum	0	32,032	(32,032)	0	0	0	0
Lake King Re-surfacing	0	0	0	0	22,500	(22,500)	0
Transport							
Royalties for Regions Yr 5	260,000	0	(260,000)	0	0	0	0
MRWA - Direct Grant	0	270,000	(270,000)	0	0	0	0
Roads to Recovery	0	1,746,495	(1,387,973)	358,522	383,074	(726,472)	15,124
Regional Road Group	0	330,000	(330,000)	0	340,000	(340,000)	0
MRWA - Commodities Route	0	0	0	0	175,000	(175,000)	0
Economic services							
DoW - Lake Grace Water Harvest	16,680	0	(16,680)	0	0	0	0
Total	<u>286,680</u>	<u>3,011,960</u>	<u>(2,922,808)</u>	<u>392,512</u>	<u>1,560,089</u>	<u>(1,916,287)</u>	<u>36,314</u>

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.

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

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Cash at Hand - Unrestricted		400	700
Cash at Bank - Municipal Fund		3,198,045	1,881,399
Restricted		2,703,995	1,728,930
		<u>5,902,440</u>	<u>3,611,029</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Community Water Supply Reserve	11	11,451	11,207
Emergency Services Reserve	11	25,951	25,398
Essential Medical Services Reserve	11	294,357	107,027
History Book Reserve	11	5,223	5,111
Housing Reserve	11	216,420	30,751
Lake Grace Sewerage Scheme Reserve	11	902,909	824,817
Lake Grace TV Services Reserve	11	36,086	35,317
Land Development Reserve	11	117,413	114,911
Leave Reserve	11	164,923	161,410
Newdegate 100 Year Centenary Reserve	11	25,779	20,336
Newdegate Ground Keeping SARS Reserve	11	5,253	247
Newdegate Hall Reserve	11	119,680	19,261
Newdegate Sports Dam Reserve	11	20,668	15,335
Newdegate Stadium Reserve	11	18,169	12,888
Newdegate TV Reserve	11	4,415	4,321
Office Furniture and Equipment Reserve	11	12,722	12,451
Plant Replacement Reserve	11	403,154	198,826
Recreation Reserve	11	727	711
Swimming Pool (Lake Grace) Reserve	11	41,866	36,080
Varley Sullage Reserve	11	1,592	1,558
Works & Service Reserve	11	275,237	90,967
		<u>2,703,995</u>	<u>1,728,930</u>
The following is a reconciliation of the Cash at Bank - Municipal Fund above			
- Unrestricted		3,111,658	1,438,814
- Restricted (see below)		50,073	50,073
- Restricted - Unspent Grants	2(c)	36,314	392,512
		<u>3,198,045</u>	<u>1,881,399</u>
Cash at Bank - Municipal - Restricted			
- Restricted CHOP Housing		44,669	44,669
- Restricted - Rural Town Salinity Program		5,404	5,404
		<u>50,073</u>	<u>50,073</u>

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

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	57,662	202,005
Sundry debtors	368,922	433,277
Provision For Doubtful Debts	(29,348)	(32,200)
GST receivable	60,919	72,535
Loans receivable - clubs/institutions	32,000	30,723
ESL Control	2,398	4,393
Accrued Income Prepayments	8,624	7,389
	<u>501,177</u>	<u>718,122</u>
Non-current		
Rates outstanding - pensioners	2,037	26,280
Loans receivable - clubs/institutions	56,055	88,054
SEC Extensions	3,238	3,238
	<u>61,330</u>	<u>117,572</u>
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	<u>57,662</u>	<u>202,005</u>
Includes:		
Past due and not impaired	57,662	202,005
Impaired	<u>0</u>	<u>0</u>
Sundry debtors	<u>368,922</u>	<u>433,277</u>
Includes:		
Past due and not impaired	7,544	15,460
Impaired	<u>29,348</u>	<u>32,200</u>
5. INVENTORIES		
Current		
Fuel and materials	<u>13,627</u>	<u>6,206</u>
	<u>13,627</u>	<u>6,206</u>
Non-current		
Development costs	<u>300,000</u>	<u>452,355</u>
	<u>300,000</u>	<u>452,355</u>

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

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land - Freehold at:		
- Independent valuation 2017 - level 2	2,014,000	0
- Independent valuation 2014 - level 2	0	1,964,000
- Additions after valuation - cost	9,400	71,282
	2,023,400	2,035,282
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	552,000	0
- Management valuation 2013 - level 3	0	431,824
- Independent valuation 2015 - level 3	0	244,800
	552,000	676,624
	2,575,400	2,711,906
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	2,585,000	0
- Independent valuation 2014 - level 2	0	2,608,000
- Additions after valuation - cost	0	48,410
- Less: accumulated depreciation	0	(105,206)
	2,585,000	2,551,204
Buildings - specialised at:		
- Independent valuation 2017 - level 3	34,908,218	0
- Independent valuation 2014 - level 3	0	32,958,035
- Additions after valuation - cost	0	2,856,577
- Less: accumulated depreciation	0	(843,033)
	34,908,218	34,971,580
	37,493,218	37,522,784
Total land and buildings	40,068,618	40,234,690

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

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT (Continued)		
Furniture and equipment at:		
- Management valuation 2016 - level 3	11,323	11,323
- Independent valuation 2016 - level 2	82,110	82,110
- Independent valuation 2016 - level 3	9,040	9,040
- Additions after valuation - cost	23,394	0
- Less: accumulated depreciation	<u>(16,649)</u>	<u>0</u>
	109,218	102,473
Plant and equipment at:		
- Management valuation 2016 - level 2	260,721	418,800
- Independent valuation 2016 - level 2	1,787,969	1,787,969
- Independent valuation 2016 - level 3	823,096	823,096
- Additions after valuation - cost	365,438	0
- Less: accumulated depreciation	<u>(229,515)</u>	<u>0</u>
	3,007,709	3,029,865
Works in Progress at:		
At cost	<u>814,643</u>	<u>169,387</u>
	814,643	169,387
	<u><u>44,000,188</u></u>	<u><u>43,536,415</u></u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as 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 property, plant and equipment to be shown at fair value.

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

6. 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.

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - Freehold	2,035,282	25,731	0	18,197	0	(55,810)	2,023,400
Land - vested in and under the control of Council	676,624	0	0	(124,624)	0	0	552,000
Total land	2,711,906	25,731	0	(106,427)	0	(55,810)	2,575,400
Buildings - non-specialised	2,551,204	12,309	0	74,676	(53,189)	0	2,585,000
Buildings - specialised	34,971,580	57,748	(77,144)	386,131	(394,998)	(35,100)	34,908,218
Total buildings	37,522,784	70,057	(77,144)	460,807	(448,187)	(35,100)	37,493,218
Total land and buildings	40,234,690	95,788	(77,144)	354,380	(448,187)	(90,910)	40,068,618
Furniture and equipment	102,473	23,394	0	0	(16,649)	0	109,218
Plant and equipment	3,029,865	365,438	(147,292)	0	(240,302)	0	3,007,709
Works in Progress	169,387	645,259	0	0	0	0	814,643
Total property, plant and equipment	43,536,415	1,129,879	(224,436)	354,380	(705,138)	(90,910)	44,000,188

Notes:

The transfer of \$55,810 relates to the land held for resale. (See Note 5)

The transfer of \$35,100 relates to infrastructure assets. (See Note 7(b))

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and Buildings					
Land - Freehold	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 (level 2) residual values and remaining useful life assessments (level 3) 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 (level 2) residual values and remaining useful life assessments (level 3) 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 (level 2). Residual value and remaining useful life assessments (level 3) 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 cost	Independent Registered Valuers	June 2016	Purchase costs and current condition (level 2). Residual value and remaining useful life assessments (level 3) inputs

Works in Progress

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.

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

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	135,171,809	135,171,809
- Impairment loss on infrastructure - roads	(10,347,496)	0
- Additions after valuation - cost	5,001,060	2,766,251
- Less: accumulated depreciation	<u>(3,300,732)</u>	<u>(1,617,168)</u>
	126,524,641	136,320,892
Infrastructure - Parks, Gardens and Recreation Facilities		
- Independent valuation 2015 - level 3	5,828,815	5,828,815
- Additions after valuation - cost	335,055	101,651
- Less: accumulated depreciation	<u>(733,714)</u>	<u>(360,733)</u>
	5,430,156	5,569,733
Infrastructure - Sewerage		
- Independent valuation 2015 - level 3	2,890,157	2,890,157
- Additions after valuation - cost	10,893	6,348
- Less: accumulated depreciation	<u>(85,767)</u>	<u>(42,829)</u>
	2,815,283	2,853,676
Infrastructure -Urban Infrastructure		
- Independent valuation 2015 - level 3	3,908,314	3,908,314
- Additions after valuation - cost	178,160	150,512
- Less: accumulated depreciation	<u>(238,221)</u>	<u>(116,796)</u>
	3,848,253	3,942,030
	<u><u>138,618,333</u></u>	<u><u>148,686,331</u></u>

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 as 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.

Road Impairment

During the period of February 2017 the Shire of Lake Grace received severe rainfall resulting in significant flooding. The damage was widespread throughout the Shire mainly to the road network.

The cost estimate for reinstatement of road infrastructure is \$10,607,882 (approved by WANDRRA) less repairs already done during the year (\$260,386), however this is subject to review and when claimed will include the full cost of supervising of the works.

The Road impairment disclosed above is the total estimated less works carried out in the 2016/2017 period.

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

7. 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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Transferred to Profit or Loss	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	136,320,892	2,234,809	0	(10,177,895)	(169,601)	(1,683,564)	0	126,524,641
Infrastructure - Parks, Gardens and Recreation Facilities	5,569,733	198,304	0	0	0	(372,981)	35,100	5,430,156
Infrastructure - Sewerage	2,853,676	4,545	0	0	0	(42,938)	0	2,815,283
Infrastructure -Urban Infrastructure	3,942,030	27,648	0	0	0	(121,425)	0	3,848,253
Total infrastructure	148,686,331	2,465,306	0	(10,177,895)	(169,601)	(2,220,908)	35,100	138,618,333

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks, Gardens and Recreation Facilities	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Sewerage	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure -Urban Infrastructure	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	689,207	826,957
Accrued interest on debentures	14,677	16,132
Accrued salaries and wages	15,463	7,364
ATO liabilities	32,493	58,421
Accrued Expenditure	29,962	0
ESL Payable	6,476	8,188
	<u>788,278</u>	<u>917,062</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	<u>267,560</u>	<u>246,010</u>
	<u>267,560</u>	<u>246,010</u>
Non-current		
Secured by floating charge		
Debentures	<u>1,298,032</u>	<u>1,520,091</u>
	<u>1,298,032</u>	<u>1,520,091</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2016			
Current provisions	228,522	164,777	393,299
Non-current provisions	0	32,551	32,551
	<u>228,522</u>	<u>197,328</u>	<u>425,850</u>
Additional provision	9,593	0	9,593
Amounts used	0	(2,668)	(2,668)
	<u>0</u>	<u>(2,668)</u>	<u>(2,668)</u>
Balance at 30 June 2017	<u>238,115</u>	<u>194,660</u>	<u>432,775</u>
Comprises			
Current	238,115	161,817	399,932
Non-current	0	32,843	32,843
	<u>238,115</u>	<u>194,660</u>	<u>432,775</u>

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

11. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Community Water Supply Reserve	11,207	244	0	11,451	11,207	194	0	11,401	10,962	245	0	11,207
Emergency Services Reserve	25,398	553	0	25,951	25,398	441	0	25,839	24,844	554	0	25,398
Essential Medical Services Reserve	107,027	187,330	0	294,357	107,027	151,857	0	258,884	0	107,027	0	107,027
History Book Reserve	5,111	112	0	5,223	5,111	89	0	5,200	5,000	111	0	5,111
Housing Reserve	30,751	185,669	0	216,420	30,751	200,534	0	231,285	30,080	671	0	30,751
Lake Grace Sewerage Scheme Reserve	824,817	78,092	0	902,909	824,817	14,312	0	839,129	618,712	206,105	0	824,817
Lake Grace TV Services Reserve	35,317	769	0	36,086	35,317	613	0	35,930	34,546	771	0	35,317
Land Development Reserve	114,911	2,502	0	117,413	114,911	1,994	0	116,905	72,377	42,534	0	114,911
Leave Reserve	161,410	3,513	0	164,923	161,410	2,801	0	164,211	157,888	3,522	0	161,410
Newdegate 100 Year Centenary Reserve	20,336	5,443	0	25,779	20,336	5,353	0	25,689	15,000	5,336	0	20,336
Newdegate Ground Keeping SARS Reserve	247	5,006	0	5,253	247	5,004	0	5,251	15,000	5,247	(20,000)	247
Newdegate Hall Reserve	19,261	100,419	0	119,680	19,261	100,334	0	119,595	234,096	5,165	(220,000)	19,261
Newdegate Sports Dam Reserve	15,335	5,333	0	20,668	15,335	5,266	0	20,601	15,000	335	0	15,335
Newdegate Stadium Reserve	12,888	5,281	0	18,169	12,888	5,224	0	18,112	7,715	5,173	0	12,888
Newdegate TV Reserve	4,321	94	0	4,415	4,321	75	0	4,396	4,227	94	0	4,321
Office Furniture and Equipment Reserve	12,451	271	0	12,722	12,451	216	0	12,667	12,179	272	0	12,451
Plant Replacement Reserve	198,826	204,328	0	403,154	198,826	203,450	0	402,276	313,315	6,286	(120,775)	198,826
Recreation Reserve	711	16	0	727	711	12	0	723	696	15	0	711
Swimming Pool (Lake Grace) Reserve	36,080	5,786	0	41,866	36,080	5,626	0	41,706	30,401	5,679	0	36,080
Varley Sullage Reserve	1,558	34	0	1,592	1,558	27	0	1,585	1,524	34	0	1,558
Works & Service Reserve	90,967	184,270	0	275,237	90,967	41,578	0	132,545	30,070	60,897	0	90,967
	<u>1,728,930</u>	<u>975,065</u>	<u>0</u>	<u>2,703,995</u>	<u>1,728,930</u>	<u>745,000</u>	<u>0</u>	<u>2,473,930</u>	<u>1,633,632</u>	<u>456,073</u>	<u>(360,775)</u>	<u>1,728,930</u>

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.

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

11. RESERVES - CASH BACKED

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 be used to meet the future commitments with the construction and maintenance of community water supplies.
Emergency Services Reserve	Ongoing	To be used to fund volunteer bush fire brigade and other emergency services.
Essential Medical Services Reserve	Ongoing	To be used to provide essential medical services.
History Book Reserve	Ongoing	To be used for the expenditure associated with producing a local history book.
Housing Reserve	Ongoing	To be used for additions and/or renovations of existing Council staff houses and the acquisition of new houses.
Lake Grace Sewerage Scheme Reserve	Ongoing	To be used for the renovation, addition and improvements to the Lake Grace sewerage system.
Lake Grace TV Services Reserve	Ongoing	To be used for the maintenance and upgrades of television and radio services in the Lake Grace townsite.
Lake King Sports & Recreation SARS Reserve	Ongoing	To be used to meet expenditure associated with sport and recreation costs in the Lake King Specified Area.
Land Development Reserve	Ongoing	To be used for the development of new residential, commercial and industrial land.
Leave Reserve	Ongoing	To be used to fund accrued leave liability entitlements of employees.
Newdegate 100 Year Centenary Reserve	Ongoing	To be used to fund the 100 year centenary of the Newdegate townsite.
Newdegate Ground Keeping SARS Reserve	Ongoing	To be used to meet all expenditure relating to preparation of grounds and purchase and replacement of related plant and equipment.
Newdegate Hall Reserve	Ongoing	To be used for the repair, renovation, addition to and improvements of the Newdegate Town Hall.
Newdegate Sports Dam Reserve	Ongoing	To be used for upgrade works to the Newdegate Sports Dam. A contribution of \$5,000 per year (to be capped at \$20,000).
Newdegate Stadium Reserve	Ongoing	To be used for upgrade works to the Newdegate Stadium Floor. A contribution of \$5,000 per year (to be capped at \$20,000).
Newdegate TV Reserve	Ongoing	To be used for the maintenance and upgrades of television and radio services in the Newdegate townsite.
Office Furniture and Equipment Reserve	Ongoing	To be used to replace furniture, office, electrical and computer equipment at the Lake Grace Administration Centre.
Plant Replacement Reserve	Ongoing	To be used for the replacement of major items of roadmaking plant.
Recreation Reserve	Ongoing	To be used for the development of sport and recreation facilities.
Swimming Pool (Lake Grace) Reserve	Ongoing	To be used for the repair and improvement of the Lake Grace swimming pool and associated infrastructure.
Varley Sullage Reserve	Ongoing	To be used for the expenditure associated with the servicing of loan and operations of the Varley Sullage Scheme.
Works & Service Reserve	Ongoing	To be used for the expenditure associated with road and street works, including drainage.

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

12. REVALUATION SURPLUS

	2017	2017	2017	2017	2016	2016	2016	Total	2016	
	Opening	Revaluation	Revaluation	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	27,328,097	354,380	0	354,380	27,682,477	27,328,097	0	0	0	27,328,097
Plant and Equipment	1,277,979	0	0	0	1,277,979	844,093	0	433,886	433,886	1,277,979
Infrastructure - Roads	10,434,011	0	(10,177,895)	(10,177,895)	256,116	10,434,011	0	0	0	10,434,011
Infrastructure - Sewerage	2,793,412	0	0	0	2,793,412	2,793,412	0	0	0	2,793,412
Infrastructure - Urban Infrastructure	3,615,895	0	0	0	3,615,895	3,615,895	0	0	0	3,615,895
	45,449,394	354,380	(10,177,895)	(9,823,515)	35,625,879	45,015,508	0	433,886	433,886	45,449,394

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

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>5,902,440</u>	<u>3,005,956</u>	<u>3,611,029</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	2,414,948	3,287,668	1,309,728
Non-cash flows in Net result:			
Depreciation	2,926,046	2,641,800	2,940,636
(Profit)/Loss on sale of asset	114,663	90,746	190,577
Loss on revaluation of fixed assets	0	0	93,770
Impairment loss on roads for flood damage	169,601	0	0
Loss on revaluation of land held for resale	119,174	0	41,932
Land held for resale written off	88,993	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	242,464	240,000	(243,223)
(Increase)/Decrease in inventories	(7,421)	(7,501)	(1,957)
Increase/(Decrease) in payables	(128,785)	505,020	584,093
Increase/(Decrease) in provisions	6,925	(50,000)	(4,790)
Grants contributions for the development of assets	<u>(1,520,647)</u>	<u>(3,884,733)</u>	<u>(2,664,713)</u>
Net cash from operating activities	<u>4,425,961</u>	<u>2,823,000</u>	<u>2,246,053</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	(164)	(186)
Total amount of credit unused	<u>109,836</u>	<u>109,814</u>
Loan facilities		
Loan facilities - current	267,560	246,010
Loan facilities - non-current	<u>1,298,032</u>	<u>1,520,091</u>
Total facilities in use at balance date	<u>1,565,592</u>	<u>1,766,101</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

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

14. CONTINGENT LIABILITIES

A claim for damages for the early termination of an agreement to provide general practice management support services to the Lake Grace and Newdegate Medical Practice has been brought against Council. The action is being defended through Council's solicitors.

15. CAPITAL AND LEASING COMMITMENTS	2017	2016
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	22,500	22,500
- later than one year but not later than five years	0	0
- later than five years	0	0
	<u>22,500</u>	<u>22,500</u>

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	325,503	970,760
- plant & equipment purchases	0	78,079
Payable:		
- not later than one year	<u>325,503</u>	<u>1,048,839</u>
	<u>325,503</u>	<u>1,048,839</u>

The 2017 and 2016 capital expenditure commitments relate to the development of three independent living units which were under construction in Lake Grace.

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

16. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	2,720,745	3,921,778
General purpose funding	62,097	2,182,885
Law, order, public safety	351,124	873,020
Health	1,178,452	3,434,344
Education and welfare	465,030	0
Housing	1,945,022	8,850,903
Community amenities	529,912	5,277,211
Recreation and culture	40,694,844	24,758,066
Transport	129,940,599	142,402,621
Economic services	4,721,393	2,888,012
Other property and services	513,276	2,268,390
Unallocated	6,274,601	270,800
	<u>189,397,095</u>	<u>197,128,030</u>

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

	2017	2016	2015
18. FINANCIAL RATIOS			
Current ratio	2.88	1.55	2.76
Asset sustainability ratio	0.76	0.93	1.25
Debt service cover ratio	11.33	4.86	4.22
Operating surplus ratio	0.18	(0.29)	0.21
Own source revenue coverage ratio	0.61	0.62	0.56

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 63 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$1,212,897.

Two of the 2016 and three of the 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,152,620.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.94	1.55	1.09
Debt service cover ratio	7.83	8.15	3.21
Operating surplus ratio	(0.06)	(0.04)	0.02

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

19. 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 2016	Amounts Received	Amounts Paid	30 June 2017
	\$	\$	(\$)	\$
Hall Deposits	4,180	9,299	(8,979)	4,500
Miscellaneous Deposits	1,327	0	0	1,327
Housing Bonds	2,942	2,040	(1,400)	3,582
Nomination Deposits	0	415	(415)	0
Construction Training Fund (BCITF)	0	749	(749)	(0)
Builders Registration Board	0	1,814	(1,814)	0
Number Plates	0	500	(100)	400
Standpipe Bonds	5,100	800	(350)	5,550
Retentions	5,000	0	0	5,000
NGT Swimming Pool Key Bond	20	80	0	100
Key Bonds	0	200	(75)	125
	<u>18,569</u>			<u>20,584</u>

20. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

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								
MCMS Vehicle LG074	32,781	20,000	0	(12,781)	0	0	0	0
CEO Vehicle LG001	41,773	23,364	0	(18,409)	46,000	32,000	0	(14,000)
Recreation and culture								
Newdegate Masonic Hall	77,144	0	0	(77,144)	0	0	0	0
Transport								
Allroads 2016 Tri Axle Side Tipping Trailer	72,738	66,409	0	(6,329)	59,000	45,000	0	(14,000)
Infrastructure Sup Ute-LG 002	0	0	0	0	32,000	22,500	0	(9,500)
Dolly Trailer Bogie-LG 2378	0	0	0	0	9,000	6,000	0	(3,000)
Dolly Trailer Tandem -LG 10010	0	0	0	0	14,000	6,000	0	(8,000)
Water Tanker-LG 10010	0	0	0	0	16,000	20,000	4,000	0
Waka Packer Compactor	0	0	0	0	-	650	650	0
Ride on Mower	0	0	0	0	3,146	1,000	0	(2,146)
Mercedes Truck-LG 244	0	0	0	0	52,000	30,000	0	(22,000)
Hino Truck-LG 003	0	0	0	0	38,000	15,250	0	(22,750)
	<u>224,436</u>	<u>109,773</u>	<u>0</u>	<u>(114,663)</u>	<u>269,146</u>	<u>178,400</u>	<u>4,650</u>	<u>(95,396)</u>

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July 2016		Repayments	Actual	Budget	30 June 2017	Actual	Budget
	\$	Loans	\$	\$	\$	\$	\$	\$
Governance								
L175 - CEO's Residence	36,362	0	11,383	11,383	24,979	24,979	2,002	2,097
L181 - Office Redevelopment	310,232	0	13,468	12,367	296,764	297,766	19,647	17,740
Health								
L190 - NGT Medical Centre	103,253	0	23,708	23,708	79,545	79,545	6,264	5,474
Housing								
L184 - Country Housing Authority	26,285	0	12,658	12,658	13,627	13,627	1,930	1,741
L185 - Country Housing Authority	26,285	0	12,658	12,658	13,627	13,627	1,930	1,741
Community amenities								
L180 - Toilets Newdegate	0	0	0	0	0	0	6	0
Recreation and culture								
L173 - Lake Grace Pool	96,549	0	11,565	11,565	84,984	84,984	5,754	5,378
L182 - Lake Grace Sport Precinct	194,285	0	12,686	12,686	181,599	181,599	13,202	12,100
L192 - Lake Grace Bowling Club	39,931	0	9,099	9,099	30,832	30,832	2,614	2,307
L193 - Newdegate Bowling Club	30,806	0	4,549	4,549	26,258	26,257	1,533	1,416
L198 - Lake Grace Precinct	166,758	0	17,759	17,759	148,999	148,999	8,358	7,274
L202 - Lake King Court Resurface	0	45,502	0	0	45,502	45,502	83	0
Transport								
L196 - Roadworks & Plant	328,649	0	41,805	41,805	286,844	286,844	14,287	12,127
Economic services								
L189 - LG Residential Land	160,879	0	7,585	7,585	153,294	153,294	10,727	9,604
L199 - Standpipe Controllers	79,490	0	25,526	25,526	53,964	53,964	3,222	2,722
Other property and services								
L191 - Staff Housing	47,560	0	10,837	10,837	36,722	36,722	3,114	2,747
	1,647,323	45,502	215,286	214,185	1,477,538	1,478,540	94,673	84,468
Self Supporting Loans								
Recreation and culture								
L188 - LG Sportman's Club	39,931	0	9,099	9,099	30,833	30,833	2,614	2,307
Economic services								
L201 - Lake Grace Develop Assoc	78,847	0	21,625	21,625	57,221	57,221	2,677	2,395
	1,766,101	45,502	246,010	244,909	1,565,592	1,566,593	99,964	89,170

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

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

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Interest		Amount Used		Balance Unspent
	Actual \$	Budget \$				Charges \$	Rate %	Actual \$	Budget \$	
L202 - Lake King Court Resurface	45,502	45,502	WATC	Debenture	5	2,914	2.29%	45,502	45,502	0
	<u>45,502</u>	<u>45,502</u>				<u>2,914</u>		<u>45,502</u>	<u>45,502</u>	<u>0</u>

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

Council established an overdraft facility of \$100,000 in 2012 to assist with short term liquidity requirements. The balance of the bank overdraft at 30 June 2017 was \$nil.

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

22. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable 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 value valuations											
GRV - General Rates	0.0912	406	3,925,049	353,710	4,255	0	357,965	353,711	1,000	0	354,711
Unimproved value valuations											
UV - General Rates	0.0088	571	266,920,114	2,396,246	(47,349)	0	2,348,897	2,371,374	0	0	2,371,374
Sub-Total		977	270,845,163	2,749,955	(43,094)	0	2,706,862	2,725,085	1,000	0	2,726,085
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - General Rates	410	47	78,677	19,270	566	0	19,836	19,270	0	0	19,270
Unimproved value valuations											
UV - General Rates	410	53	639,944	21,730	1,460	0	23,190	21,730	0	0	21,730
Sub-Total		100	718,621	41,000	2,026	0	43,026	41,000	0	0	41,000
		1,077	271,563,784	2,790,955	(41,067)	0	2,749,888	2,766,085	1,000	0	2,767,085
Total amount raised from general rate							2,749,888				2,767,085
Specified Area Rate (refer note 24)							1,197,373				1,197,372
Ex-gratia rates							56,793				55,359
Totals							<u>4,004,054</u>				<u>4,019,816</u>

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

23. NET CURRENT ASSETS

Composition of net current assets

	2017 (30 June 2017 Carried Forward) \$	2017 (1 July 2016 Brought Forward) \$	2016 (30 June 2016 Carried Forward) \$
Surplus	<u>2,842,899</u>	<u>1,608,569</u>	<u>1,608,569</u>
CURRENT ASSETS			
Cash and cash equivalents			
Cash at Hand - Unrestricted	400	700	700
Cash at Bank - Municipal Fund	3,147,972	1,831,326	1,831,326
Cash at Bank - CHOP Housing	44,669	44,669	44,669
Cash at Bank - Rural Town Salinity Program	5,404	5,404	5,404
Cash at Bank - Restricted Reserves	2,703,995	1,728,930	1,728,930
Receivables			
Rates outstanding	57,662	202,005	202,005
Sundry debtors	368,922	433,277	433,277
Provision For Doubtful Debts	(29,348)	(32,200)	(32,200)
GST receivable	60,919	72,535	72,535
Loans receivable - clubs/institutions	32,000	30,723	30,723
ESL Control	2,398	4,393	4,393
Accrued Income Prepayments	8,624	7,389	7,389
Inventories			
Fuel and materials	13,627	6,206	6,206
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(689,207)	(826,957)	(826,957)
Accrued interest on debentures	(14,677)	(16,132)	(16,132)
Accrued salaries and wages	(15,463)	(7,364)	(7,364)
ATO liabilities	(32,493)	(58,421)	(58,421)
Accrued Expenditure	(29,962)	0	0
ESL Payable	(6,476)	(8,188)	(8,188)
Current portion of long term borrowings			
Secured by floating charge	(267,560)	(246,010)	(246,010)
Provisions			
Provision for annual leave	(238,115)	(228,522)	(228,522)
Provision for long service leave	(161,817)	(164,777)	(164,777)
Unadjusted net current assets	<u>4,961,474</u>	<u>2,778,986</u>	<u>2,778,986</u>
Adjustments			
Less: Reserves - restricted cash	(2,703,995)	(1,728,930)	(1,728,930)
Less: Municipal - restricted	(50,073)	(50,073)	(50,073)
Less: Loans receivable - clubs/institutions	(32,000)	(30,723)	(30,723)
Current portion of long term borrowings			
Add: Secured by floating charge	267,560	246,010	246,010
Add: Provision for Annual and Long Service Leave	399,932	393,299	393,299
Adjusted net current assets - surplus	<u><u>2,842,899</u></u>	<u><u>1,608,569</u></u>	<u><u>1,608,569</u></u>

Difference

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

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

24. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

Specified Area Rate	Basis of Valuation	Rate in \$	Rateable Value \$	Rate Revenue \$	Interim Rate Revenue \$	Back Rate Revenue \$	Total Specified Area Rate Revenue	Budget Rate Revenue \$
Residential Minimum	GRV	4.5812	1,938,837	89,976	585	1,991	92,552	89,976
Commercial Minimum	GRV	4.5812	618,712	28,344	(1,739)	(4,516)	22,089	28,344
Vacant Land Minimum	GRV	4.5812	145,788	6,679	0	0	6,679	6,679
1st Major Fixture				6,950	0	0	6,950	6,950
Additional Fixtures				4,647	0	0	4,647	4,647
Sport & Recreation								
- Lake Grace	GRV	5.9224	2,942,980	173,708	587	296	174,591	173,708
- Lake Grace	UV	0.4772	81,061,010	386,841	(18)	1,014	387,837	386,841
- Lake King	GRV	2.4516	255,051	6,253	0	85	6,337	44,630
- Lake King	UV	0.1736	58,421,584	103,772	(2,352)	211	101,631	254,371
- Newdegate	GRV	6.4433	692,651	44,630	0	169	44,799	6,253
- Newdegate	UV	0.2618	97,158,526	254,371	(10)	296	254,657	103,772
- Varley	GRV	5.4858	116,719	6,403	0	0	6,403	6,403
- Varley	UV	0.2789	31,625,009	84,798	3,404	0	88,202	84,798
				<u>1,197,370</u>	<u>458</u>	<u>(455)</u>	<u>1,197,373</u>	<u>1,197,372</u>

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 & maintain the Sewerage scheme	Lake Grace Townsite	43,076	78,092	0	136,596	14,312	0
Sport & Recreation								
- Lake Grace	Applied in full for expenses relating to halls, swimming	Lake Grace District	421,774	0	0	560,549	5,626	0
- Lake King		Lake King District	421,026	0	0	110,025	0	0
- Newdegate	pools, other rec & sport,	Newdegate District	107,746	5,006	0	299,001	115,828	0
- Varley	libraries & other culture	Varley District	57,953	0	0	91,201	0	0
			<u>1,051,575</u>	<u>83,098</u>	<u>0</u>	<u>1,197,372</u>	<u>135,766</u>	<u>0</u>

25. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Shire during the year ended 2017.

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

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR**

Rate discounts

No discounts on rates were granted.

Waiver or Concessions

No waiver or concessions were granted.

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

27. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	03 November 16	0	0.00%	11.00%
Option Two				
First Instalment	03 November 16	0	0.00%	11.00%
Second Instalment	03 January 17	11	5.50%	11.00%
Option Three				
First Instalment	03 November 16	0	0.00%	11.00%
Second Instalment	03 January 17	11	5.50%	11.00%
Third Instalment	03 March 17	11	5.50%	11.00%
Fourth Instalment	03 May 17	11	5.50%	11.00%

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	19,506	33,000
Interest on instalment plan	8,798	12,700
Charges on instalment plan	5,984	5,700
	34,288	51,400

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

28. FEES & CHARGES	2017	2016
	\$	\$
Governance	988	15,150
General purpose funding	7,784	7,235
Law, order, public safety	5,023	3,157
Health	12,774	4,184
Housing	0	6,606
Community amenities	290,816	310,144
Recreation and culture	42,298	43,199
Economic services	187,215	134,650
Other property and services	47,873	47,685
	<u>594,771</u>	<u>572,010</u>

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

29. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	3,463,149	1,089,708
Law, order, public safety	42,265	43,247
Health	2,000	0
Community amenities	16,680	0
Recreation and culture	36,000	34,000
Transport	289,773	270,000
	<u>3,849,867</u>	<u>1,436,955</u>
Non-operating grants, subsidies and contributions		
Housing	546,570	522,825
Community amenities	0	33,361
Recreation and culture	76,003	32,032
Transport	898,074	2,076,495
	<u>1,520,647</u>	<u>2,664,713</u>
	<u>5,370,513</u>	<u>4,101,668</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>32</u>	<u>33</u>
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31. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	32,655	29,000	26,580
President's allowance	19,864	19,864	11,112
Deputy President's allowance	4,966	4,966	2,778
Travelling expenses	17,492	20,000	18,660
Telecommunications allowance	18,350	18,000	2,909
	<u>93,327</u>	<u>91,830</u>	<u>62,039</u>

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

32. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2017
	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:	
Short-term employee benefits	329,218
Post-employment benefits	39,643
Other long-term benefits	5,848
Termination benefits	628
	375,337
	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 at Note 31.

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).

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the equity method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 16.

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

32. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2017
	\$
Salary Paid to Other Employee Related Party	87,372
Associated companies/individuals:	
Purchase of goods and services	127,880
Joint venture entities:	0
Amounts outstanding from related parties:	0
Amounts payable to related parties:	127,880

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

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

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

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

35. FINANCIAL RISK MANAGEMENT

The Shire's activities expose it to a variety of financial risks including 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	5,902,440	3,611,029	5,902,440	3,611,029
Receivables	562,507	835,694	562,507	835,694
	<u>6,464,947</u>	<u>4,446,723</u>	<u>6,464,947</u>	<u>4,446,723</u>
Financial liabilities				
Payables	788,278	917,062	788,278	917,062
Borrowings	1,565,592	1,766,101	1,729,367	1,996,396
	<u>2,353,870</u>	<u>2,683,163</u>	<u>2,517,645</u>	<u>2,913,458</u>

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.

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

35. 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 and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

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

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

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	59,024	36,110
- Statement of Comprehensive Income	59,024	36,110

Notes:

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

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

35. 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:

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	90%	89%
- Overdue	10%	11%

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	788,278	0	0	788,278	788,278
Borrowings	344,864	947,872	663,255	1,955,991	1,565,592
	<u>1,133,142</u>	<u>947,872</u>	<u>663,255</u>	<u>2,744,269</u>	<u>2,353,870</u>
<u>2016</u>					
Payables	917,062	0	0	917,062	917,062
Borrowings	335,181	1,069,264	838,310	2,242,755	1,766,101
	<u>1,252,243</u>	<u>1,069,264</u>	<u>838,310</u>	<u>3,159,817</u>	<u>2,683,163</u>

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	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%	-	3.53%	5.34%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	52,570	115,852	309,521	0	1,288,158	1,766,101	5.23%
Weighted average Effective interest rate	-	7.51%	4.51%	5.22%	-	5.20%		

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

37. PRIOR PERIOD CORRECTIONS

Balances relating to the 2015 comparative year have been amended due to the correction of prior period errors. These errors have been adjusted as shown below and, in accordance with the requirements of AASB101.

At the 24 May 2017 Ordinary meeting Council has endorsed the disposal of Asset 101 - Newdegate Library/Resource Centre from the Asset Register as the assets are located on Reserve 19505 being under the Management Order of the Minister of Education, and it is therefore, not a Shire owned asset.

Effect of the above:	Original Balance \$	Amount of Adjustment \$	Adjusted Balance \$
Statement of Financial Position as of 30 June 2015			
Property, Plant and Equipment	43,186,019	(861,839)	42,324,180
Total Non-Current Assets	191,754,140	(861,839)	190,892,301
Total Assets	195,908,859	(861,839)	195,047,020
Net Assets	193,137,242	(861,839)	192,275,403
Retained Surplus	146,488,102	(861,839)	145,626,263
Total Equity	193,137,242	(861,839)	192,275,403
Statement of Financial Position as of 30 June 2016			
Property, Plant and Equipment	44,398,254	(861,839)	43,536,415
Total Non-Current Assets	193,654,512	(861,839)	192,792,673
Total Assets	197,989,869	(861,839)	197,128,030
Net Assets	194,880,856	(861,839)	194,019,017
Retained Surplus	147,702,532	(861,839)	146,840,693
Total Equity	194,880,856	(861,839)	194,019,017
Statement of Changes in Equity			
Balance as at 30 June 2015 - Retained Earnings	146,488,102	(861,839)	145,626,263
Balance as at 30 June 2016 - Retained Earnings	147,702,532	(861,839)	146,840,693
Note 6 (b) Property, Plant & Equipment as of 30 June 2016			
Buildings - Specialised	35,833,419	(861,839)	34,971,580
Total Land and Buildings	41,096,529	(861,839)	40,234,690
Total Property, Plant & Equipment	44,398,254	(861,839)	43,536,415
Note 13 - Notes to the Statement of Cash Flows as of 30 June 2016			
Reconciliation of Net Cash Provided by Operating Activities to Net Result			
Net result	2,250,596	(861,839)	1,388,757
Asset written off	0	861,839	861,839
Note 17 - Total Assets Classified by Function and Activity as of 30 June 2016			
Economic Services	3,749,851	(861,839)	2,888,012
Total Assets Classified by Function and Activity	197,989,869	(861,839)	197,128,030

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

Opinion on the Audit of the Financial Report

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 2017, 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 is in accordance with the *Local Government Act 1995 (as amended)* and the *Local Government (Financial Management) Regulations 1996 (as amended)*, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

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.

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the *Local Government Act 1995 (as amended)*, the *Local Government (Financial Management) Regulations 1996 (as amended)* or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 63 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not supported by:
 - i. verifiable information; and
 - ii. reasonable assumptions.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

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

Other Information

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

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

Responsibilities of Management and Council for the Financial Report

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

In preparing the financial report, management 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS


GREG GODWIN
PARTNER

Date: 14 December 2017
Perth, WA

**SHIRE OF LAKE GRACE
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

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

	2017	2016	2015
Asset consumption ratio	0.95	0.98	0.99
Asset renewal funding ratio	1.25	1.23	1.16

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$