

SHIRE OF AUGUSTA MARGARET RIVER

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018

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COMMUNITY VISION

Adapt to changing climate, environment and social dynamics and celebrate a sense of place for our local Indigenous culture and our multicultural and creative community.

Principal place of business:
41 Wallcliffe Road
PO Box 61
Margaret River WA 6285

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	20(a)	20,522,452	20,299,508	19,582,298
Operating grants, subsidies and contributions	2(a)	2,412,186	1,509,315	3,135,966
Fees and charges	2(a)	9,678,816	9,382,506	9,274,105
Service charges	20(b)	4,333	4,333	4,333
Interest earnings	2(a)	1,009,731	824,191	968,544
Other revenue	2(a)	193,206	26,500	222,299
		33,820,724	32,046,353	33,187,545
Expenses				
Employee costs		(14,258,895)	(14,294,716)	(13,672,157)
Materials and contracts		(7,984,402)	(8,616,475)	(6,894,724)
Utility charges		(1,031,636)	(1,211,290)	(1,150,145)
Depreciation on non-current assets	9(b)	(9,114,195)	(9,046,640)	(8,805,609)
Interest expenses	2(b)	(485,860)	(505,030)	(504,213)
Insurance expenses		(592,577)	(627,699)	(605,141)
Other expenditure		(542,066)	(469,472)	(456,760)
		(34,009,631)	(34,771,322)	(32,088,749)
		(188,907)	(2,724,969)	1,098,796
Non-operating grants, subsidies and contributions	2(a)	8,374,650	9,645,626	9,819,155
Profit on asset disposals	9(a)	47,536	13,023	42,817
(Loss) on asset disposals	9(a)	(1,598,134)	(164,345)	(1,485,558)
(Loss) on revaluation of Infrastructure - Waste Management Facilities	8(b)	(587,309)	0	0
(Loss) on revaluation of Infrastructure - Public Utilities	8(b)	(1,267,008)	0	0
		4,780,828	6,769,335	9,475,210
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	57,186,093	0	6,860,411
Total other comprehensive income		57,186,093	0	6,860,411
Total comprehensive income		61,966,921	6,769,335	16,335,621

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

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
	2(a)			
Governance		451,044	362,560	603,829
General purpose funding		23,217,515	21,982,432	22,935,496
Law, order, public safety		823,093	590,401	832,785
Health		121,961	110,965	110,417
Education and welfare		456,838	305,500	325,641
Community amenities		5,171,926	4,934,451	4,960,650
Recreation and culture		962,714	1,247,320	1,054,298
Transport		172,043	134,200	147,451
Economic services		2,415,578	2,358,524	2,206,743
Other property and services		28,012	20,000	10,235
		33,820,724	32,046,353	33,187,545
Expenses				
	2(a)			
Governance		(6,423,382)	(6,874,989)	(6,234,254)
General purpose funding		(1,018,985)	(1,037,478)	(905,840)
Law, order, public safety		(1,945,644)	(1,777,183)	(1,816,965)
Health		(499,846)	(548,649)	(534,046)
Education and welfare		(443,311)	(343,658)	(399,709)
Community amenities		(3,724,271)	(3,932,313)	(3,110,725)
Recreation and culture		(8,422,284)	(8,457,907)	(7,992,389)
Transport		(9,509,582)	(9,612,981)	(9,259,431)
Economic services		(1,450,187)	(1,582,072)	(1,286,420)
Other property and services		(86,279)	(99,062)	(44,757)
		(33,523,771)	(34,266,292)	(31,584,536)
Finance Costs				
	2(a)			
Governance		(346,508)	(344,634)	(362,600)
Community amenities		(5,257)	(5,431)	(7,961)
Recreation and culture		(88,444)	(108,776)	(82,775)
Economic services		(45,651)	(46,189)	(50,877)
		(485,860)	(505,030)	(504,213)
		(188,907)	(2,724,969)	1,098,796
Non-operating grants, subsidies and contributions	2(a)	8,374,650	9,645,626	9,819,155
Profit on disposal of assets	9(a)	47,536	13,023	42,817
(Loss) on disposal of assets	9(a)	(1,598,134)	(164,345)	(1,485,558)
(Loss) on revaluation of Infrastructure - Waste Management Facilities	8(b)	(587,309)	0	0
(Loss) on revaluation of Infrastructure - Public Utilities	8(b)	(1,267,008)	0	0
		4,969,735	9,494,304	8,376,414
		4,780,828	6,769,335	9,475,210
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	57,186,093	0	6,860,411
Total other comprehensive income		57,186,093	0	6,860,411
Total comprehensive income		61,966,921	6,769,335	16,335,621

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

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

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	34,242,729	29,992,450
Trade and other receivables	5	2,268,873	1,727,333
Inventories	6	671,349	91,789
TOTAL CURRENT ASSETS		37,182,951	31,811,572
NON-CURRENT ASSETS			
Other receivables	5	94,597	83,457
Inventories	6	0	586,000
Property, plant and equipment	7	85,399,089	83,856,717
Infrastructure	8	358,663,291	300,317,755
TOTAL NON-CURRENT ASSETS		444,156,977	384,843,929
TOTAL ASSETS		481,339,928	416,655,501
CURRENT LIABILITIES			
Trade and other payables	11	3,267,157	2,490,479
Current portion of long term borrowings	12(a)	853,729	636,806
Provisions	13	1,754,713	1,661,012
TOTAL CURRENT LIABILITIES		5,875,599	4,788,297
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	8,896,778	7,241,982
Provisions	13	434,574	459,166
TOTAL NON-CURRENT LIABILITIES		9,331,352	7,701,148
TOTAL LIABILITIES		15,206,951	12,489,445
NET ASSETS		466,132,977	404,166,056
EQUITY			
Retained surplus		199,742,510	198,014,443
Reserves - cash backed	4	28,029,962	24,977,201
Revaluation surplus	10	238,360,505	181,174,412
TOTAL EQUITY		466,132,977	404,166,056

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

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

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		192,009,926	21,506,508	174,314,001	387,830,435
Comprehensive income					
Net result		9,475,210	0	0	9,475,210
Changes on revaluation of assets	10	0	0	6,860,411	6,860,411
Total comprehensive income		9,475,210	0	6,860,411	16,335,621
Transfers from/(to) reserves		(3,470,693)	3,470,693	0	0
Balance as at 30 June 2017		198,014,443	24,977,201	181,174,412	404,166,056
Comprehensive income					
Net result		4,780,828	0	0	4,780,828
Changes on revaluation of assets	10	0	0	57,186,093	57,186,093
Total comprehensive income		4,780,828	0	57,186,093	61,966,921
Transfers from/(to) reserves		(3,052,761)	3,052,761	0	0
Balance as at 30 June 2018		199,742,510	28,029,962	238,360,505	466,132,977

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		20,413,582	20,349,508	19,355,582
Operating grants, subsidies and contributions		1,893,790	1,909,315	3,050,933
Fees and charges		9,678,816	9,382,506	9,274,105
Service charges		4,333	4,333	4,333
Interest earnings		1,009,731	824,191	968,544
Goods and services tax		1,217,558	300,000	1,256,730
Other revenue		193,206	26,500	222,299
		34,411,016	32,796,353	34,132,526
Payments				
Employee costs		(14,174,212)	(14,394,716)	(14,116,578)
Materials and contracts		(7,272,049)	(8,979,375)	(6,038,832)
Utility charges		(1,031,636)	(1,211,290)	(1,150,145)
Interest expenses		(371,640)	(495,030)	(506,334)
Insurance expenses		(592,577)	(627,699)	(605,141)
Goods and services tax		(1,195,887)	0	(1,598,221)
Other expenditure		(542,066)	(469,472)	(456,760)
		(25,180,067)	(26,177,582)	(24,472,011)
Net cash provided by (used in) operating activities	14	9,230,949	6,618,771	9,660,515
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(6,163,497)	(12,148,255)	(2,837,379)
Payments for construction of infrastructure		(9,641,389)	(13,331,283)	(11,333,036)
Non-operating grants, subsidies and contributions		8,374,650	9,645,626	9,819,155
Proceeds from sale of fixed assets		583,961	2,136,000	472,384
Net cash provided by (used in) investment activities		(6,846,275)	(13,697,912)	(3,878,876)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(578,281)	(708,194)	(600,922)
Proceeds from self supporting and interest free loans		12,701	12,700	21,385
Advances to community groups		(18,815)	(5,200)	0
Proceeds from new long term borrowings		2,450,000	2,450,000	0
Net cash provided by (used in) financing activities		1,865,605	1,749,306	(579,537)
Net increase (decrease) in cash held		4,250,279	(5,329,835)	5,202,102
Cash at beginning of year		29,992,450	30,008,061	24,790,348
Cash and cash equivalents at the end of the year	14	34,242,729	24,678,226	29,992,450

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at July 1 b/fwd - surplus/(deficit)		4,331,506	4,041,229	2,420,988
		4,331,506	4,041,229	2,420,988
Revenue from operating activities (excluding rates)				
Governance		452,382	362,560	603,829
General purpose funding		2,695,063	1,682,924	3,353,198
Law, order, public safety		828,094	590,401	832,785
Health		121,961	110,965	110,417
Education and welfare		456,838	305,500	325,641
Community amenities		5,173,744	4,934,451	4,960,650
Recreation and culture		975,835	1,247,320	1,078,772
Transport		198,301	147,223	165,794
Economic services		2,415,578	2,358,524	2,206,743
Other property and services		28,012	20,000	10,235
		13,345,808	11,759,868	13,648,064
Expenditure from operating activities				
Governance		(6,778,169)	(7,219,623)	(6,596,854)
General purpose funding		(1,018,985)	(1,037,478)	(905,840)
Law, order, public safety		(1,945,775)	(1,777,183)	(2,872,551)
Health		(499,846)	(548,649)	(534,046)
Education and welfare		(443,311)	(343,658)	(399,709)
Community amenities		(3,738,951)	(3,937,744)	(3,118,686)
Recreation and culture		(10,021,199)	(8,566,683)	(8,252,291)
Transport		(9,521,146)	(9,718,326)	(9,332,276)
Economic services		(1,554,104)	(1,628,261)	(1,337,297)
Other property and services		(1,940,596)	(158,062)	(224,757)
		(37,462,082)	(34,935,667)	(33,574,307)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(47,536)	(13,023)	(42,817)
Loss on disposal of assets	9(a)	1,598,134	164,345	1,485,558
Loss on revaluation of fixed assets	8(b)	1,854,317	0	0
(Gain)/Loss on revaluation of land held for resale		61,000	0	(1,000)
Movement in deferred pensioner rates (non-current)		(5,295)	0	17,378
Movement in employee benefit provisions (non-current)		(24,592)	0	(81,159)
Depreciation and amortisation on assets	9(b)	9,114,195	9,046,640	8,805,609
Amount attributable to operating activities		(7,234,545)	(9,936,608)	(7,321,686)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		8,374,650	9,645,626	9,819,155
Proceeds from disposal of assets	9(a)	583,961	2,136,000	472,384
Purchase of property, plant and equipment	7(b)	(6,163,497)	(12,148,255)	(2,837,379)
Purchase and construction of infrastructure	8(b)	(9,641,389)	(13,331,284)	(11,333,036)
Amount attributable to investing activities		(6,846,275)	(13,697,913)	(3,878,876)
FINANCING ACTIVITIES				
Advances to community groups		(18,815)	(5,200)	0
Repayment of long term borrowings	12(a)	(578,281)	(708,194)	(600,922)
Proceeds from new long term borrowings	12(b)	2,450,000	2,450,000	0
Proceeds from interest free and self supporting loans	12(a)	12,701	12,700	21,385
Transfers to reserves (restricted assets)	4	(5,715,267)	(2,747,795)	(4,399,431)
Transfers from reserves (restricted assets)	4	2,662,506	4,333,502	928,738
Amount attributable to financing activities		(1,187,156)	3,335,013	(4,050,230)
Surplus(deficiency) before general rates		(15,267,976)	(20,299,508)	(15,250,792)
Total amount raised from general rates	20	20,522,452	20,299,508	19,582,298
Net current assets at June 30 c/fwd - surplus/(deficit)	21	5,254,476	0	4,331,506

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

1. BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads

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

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

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue	2018	2017
	Actual	Actual
	\$	\$
Other revenue		
Reimbursements and recoveries	0	151,095
Other	193,206	71,204
	193,206	222,299
Fees and Charges		
Governance	229,366	290,396
General purpose funding	245,546	203,081
Law, order, public safety	207,086	195,760
Health	121,961	110,417
Education and welfare	441,174	325,641
Community amenities	5,095,813	4,930,671
Recreation and culture	887,525	920,019
Transport	143,930	125,036
Economic services	2,306,415	2,173,084
	9,678,816	9,274,105

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	121,685	258,783
General purpose funding	1,432,925	2,026,146
Law, order, public safety	621,007	637,025
Education and welfare	15,664	
Community amenities	77,931	29,978
Recreation and culture	88,257	134,279
Transport	6,860	22,416
Economic services	26,827	23,441
Other property and services	21,030	3,898
	<u>2,412,186</u>	<u>3,135,966</u>
Non-operating grants, subsidies and contributions		
Governance	1,435,323	0
Law, order, public safety	746,412	412,301
Community amenities	409,009	415,788
Recreation and culture	2,537,030	535,371
Transport	3,246,876	8,455,695
	<u>8,374,650</u>	<u>9,819,155</u>
Total grants, subsidies and contributions	<u>10,786,836</u>	<u>12,955,121</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

Interest earnings

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

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
	316	291	630
	468,386	468,000	423,262
	287,580	138,400	294,148
	<u>253,449</u>	<u>217,500</u>	<u>250,504</u>
	<u>1,009,731</u>	<u>824,191</u>	<u>968,544</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Assistance with the finalisation of Annual Financial Report
- Audit of Grant Reports and Acquittals

	2018	2017
	\$	\$
	29,767	27,775
	8,400	6,000
	2,750	2,200
	40,917	35,975
	<hr/>	
	485,860	504,213
	485,860	504,213
	<hr/>	
	493,900	587,752
	493,900	587,752

Interest expenses (finance costs)

Long term borrowings (refer Note 12(a))

Rental charges

- Operating leases

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2018	2017
		\$	\$
Unrestricted		4,577,022	4,079,152
Restricted		29,665,707	25,913,298
		34,242,729	29,992,450
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4	404,880	396,869
Margaret River CBD Redevelopment Reserve	4	6,803,128	6,697,946
Public Open Space Reserve	4	89,653	225,567
Caravan Parks Upgrade Reserve	4	1,123,150	1,518,141
Limesand Pits Reserve	4	63,634	62,375
Cemeteries Reserve	4	10,774	10,558
Community Loan Reserve	4	162,924	170,805
Cedarvale Reserve	4	229,943	225,393
Waste Management Reserve	4	9,281,316	7,133,988
Parking Reserve	4	154,575	151,517
Infrastructure Contributions Reserve	4	1,548,690	1,478,615
Biodiversity Reserve	4	55,391	10,187
Community Facilities Reserve	4	4,622,682	3,390,521
Plant Reserve	4	1,225,169	1,810,035
Affordable Housing Fund Reserve	4	61,454	60,238
Gravel Pits Reserve	4	455,933	368,365
Self Insurance Reserve	4	298,330	263,021
Recreation Centres Reserve	4	18,106	15,784
Old Settlement Reserve	4	30,436	29,834
Developer Contributions Reserve	4	1,175,089	753,453
Community Grants Reserve	4	22,555	15,641
Emergency Services Reserve	4	192,150	188,348
Unspent grants	19	322,833	936,097
Unspent loans	12(c)	1,312,912	0
		29,665,707	25,913,298

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	396,869	8,011	0	404,880	396,869	7,937	0	404,806	389,017	7,852	0	396,869
Margaret River CBD Redevelopment Reserve	6,697,946	105,182	0	6,803,128	6,697,946	898,049	0	7,595,995	6,489,840	408,106	(200,000)	6,697,946
Public Open Space Reserve	225,567	4,086	(140,000)	89,653	225,567	4,511	(140,000)	90,078	81,337	144,230	0	225,567
Caravan Parks Upgrade Reserve	1,518,141	25,009	(420,000)	1,123,150	1,518,141	30,363	(1,080,000)	468,504	1,488,105	30,036	0	1,518,141
Limesand Pits Reserve	62,375	1,259	0	63,634	62,375	1,247	0	63,622	61,243	1,132	0	62,375
Cemeteries Reserve	10,558	216	0	10,774	10,558	211	0	10,769	10,249	309	0	10,558
Community Loan Reserve	170,805	10,934	(18,815)	162,924	170,805	10,639	(5,200)	176,244	151,199	19,606	0	170,805
Cedarvale Reserve	225,393	4,550	0	229,943	225,393	4,508	0	229,901	220,934	4,459	0	225,393
Waste Management Reserve	7,133,988	2,147,328	0	9,281,316	7,133,988	1,007,686	0	8,141,674	5,375,812	1,858,176	(100,000)	7,133,988
Parking Reserve	151,517	3,058	0	154,575	151,517	3,030	0	154,547	148,519	2,998	0	151,517
Infrastructure Contributions Reserve	1,478,615	70,075	0	1,548,690	1,478,615	36,147	0	1,514,762	1,743,249	64,104	(328,738)	1,478,615
Biodiversity Reserve	10,187	45,204	0	55,391	10,187	204	0	10,391	10,000	187	0	10,187
Community Facilities Reserve	3,390,521	2,566,161	(1,334,000)	4,622,682	3,390,521	63,810	(1,529,000)	1,925,331	2,332,177	1,058,344	0	3,390,521
Plant Reserve	1,810,035	135,134	(720,000)	1,225,169	1,810,035	236,211	(1,224,674)	821,572	1,774,709	335,326	(300,000)	1,810,035
Affordable Housing Fund Reserve	60,238	1,216	0	61,454	60,238	1,204	(45,000)	16,442	49,212	11,026	0	60,238
Gravel Pits Reserve	368,365	87,568	0	455,933	368,365	7,367	0	375,732	361,075	7,290	0	368,365
Self Insurance Reserve	263,021	35,309	0	298,330	263,021	5,260	0	268,281	257,817	5,204	0	263,021
Recreation Centres Reserve	15,784	2,322	0	18,106	15,784	5,316	0	21,100	6,928	8,856	0	15,784
Old Settlement Reserve	29,834	602	0	30,436	29,834	597	0	30,431	29,244	590	0	29,834
Developer Contributions Reserve	753,453	451,327	(29,691)	1,175,089	753,453	159,547	(169,628)	743,372	467,888	285,565	0	753,453
Community Grants Reserve	15,641	6,914	0	22,555	15,641	20,313	0	35,954	10,000	5,641	0	15,641
Emergency Services Reserve	188,348	3,802	0	192,150	188,348	978	(20,000)	169,326	47,954	140,394	0	188,348
Augusta Revitalisation Reserve	0	0	0	0	0	240,000	(120,000)	120,000	0	0	0	0
Youth Facilities Reserve	0	0	0	0	0	2,660	0	2,660	0	0	0	0
	24,977,201	5,715,267	(2,662,506)	28,029,962	24,977,201	2,747,795	(4,333,502)	23,391,494	21,506,508	4,399,431	(928,738)	24,977,201

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.

4. RESERVES - CASH BACKED (Continued)

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	To be used to fund annual and long service leave requirements.
Margaret River CBD Redevelopment Reserve	Ongoing	To be used for funding capital projects in the Margaret River townsite.
Public Open Space Reserve	Ongoing	To be used to fund future public open space requirements.
Caravan Parks Upgrade Reserve	Ongoing	To be used for the upgrading of Caravan Parks and Camping Grounds.
Limesand Pits Reserve	Ongoing	Rehabilitation and development of the Boranup, Redgate and any other Shire limesand pits.
Cemeteries Reserve	Ongoing	To be used for the upgrade of Cemeteries.
Community Loan Reserve	Ongoing	Interest free funding for eligible groups associated with sporting and cultural activities.
Cedarvale Reserve	Ongoing	To meet obligations in respect of the Cedarvale agreement for the Gnarabup site and future foreshore rehabilitation at Prevelly and Gnarabup.
Waste Management Reserve	Ongoing	To fund future waste facility and plant requirements.
Parking Reserve	Ongoing	To be used to fund future car parking requirements.
Infrastructure Contributions Reserve	Ongoing	To be used to fund future road and drainage maintenance and construction requirements.
Biodiversity Reserve	Ongoing	To be used for the funding of biodiversity initiatives
Community Facilities Reserve	Ongoing	To be used for the construction and major maintenance of community buildings and facilities.
Plant Reserve	Ongoing	To be used for the purchase of plant, vehicles and equipment.
Affordable Housing Fund Reserve	Ongoing	Infrastructure and capital improvements within the Cowaramup townsite and area covered by the West Cowaramup townsite strategy.
Gravel Pits Reserve	Ongoing	Rehabilitation and development of the Shire's gravel and other related resource reserves.
Self Insurance Reserve	Ongoing	To fund self insurance, workers compensation performance risk, risk management and other related employee and organisational activities.
Recreation Centres Reserve	Ongoing	Income from advertising signs is reserved for future improvements to facilities.
Old Settlement Reserve	Ongoing	Income from the lease of the Old Settlement site is reserved for future improvements to facilities.
Developer Contributions Reserve	Ongoing	Funds received and used in accordance with the Developer Contributions Plan.
Community Grants Reserve	Ongoing	Funds received from sale of special services vehicle registration plates and other initiatives are provided as community grants.
Emergency Services Reserve	Ongoing	To be used to support the provision of emergency services in the Shire.
Augusta Revitalisation Reserve	Ongoing	To be used for funding capital projects in Augusta.
Youth Facilities Reserve	Ongoing	To be used to renew and develop youth facilities in the Shire.

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

5. TRADE AND OTHER RECEIVABLES

Current

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

Non-current

Rates outstanding - pensioners	
Loans receivable - clubs/institutions	

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

Rates outstanding

Includes:

Past due and not impaired	
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Sundry debtors

Includes:

Past due and not impaired	
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	2018	2017
	\$	\$
	769,711	666,136
	741,833	240,861
	319,820	341,491
	12,655	12,386
	333,555	332,074
	75,356	134,385
	15,943	0
	2,268,873	1,727,333
	44,491	39,196
	50,106	44,261
	94,597	83,457
	769,711	666,136
	128,088	101,638

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

Fuel and materials
Land held for resale - fair value

Non-current

Land held for resale - fair value

2018	2017
\$	\$
146,349	91,789
525,000	0
671,349	91,789
0	586,000
0	586,000

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for sale

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

Land held for sale (Continued)

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

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

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

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	2,506,300	2,572,000
- Independent valuation 2017 - level 3	8,520,000	8,520,000
	<u>11,026,300</u>	<u>11,092,000</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	5,092,300	5,092,300
	<u>5,092,300</u>	<u>5,092,300</u>
Total land	<u>16,118,600</u>	<u>16,184,300</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	61,551,187	59,452,555
Less: accumulated depreciation	(1,379,608)	0
	<u>60,171,579</u>	<u>59,452,555</u>
Total buildings	<u>60,171,579</u>	<u>59,452,555</u>
Total land and buildings	<u>76,290,179</u>	<u>75,636,855</u>
Furniture and equipment at:		
- Management valuation 2016 - level 2	280,269	196,829
- Management valuation 2016 - level 3	1,531,604	1,531,604
Less: accumulated depreciation	(413,610)	(207,464)
	<u>1,398,263</u>	<u>1,520,969</u>
Plant and equipment at:		
- Independent valuation 2016 - level 2	6,348,399	4,437,559
- Independent valuation 2016 - level 3	3,300,650	3,300,650
Less: accumulated depreciation	(1,938,402)	(1,039,316)
	<u>7,710,647</u>	<u>6,698,893</u>
Total property, plant and equipment	<u>85,399,089</u>	<u>83,856,717</u>

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	12,419,591	3,715,750	16,135,341	54,604,343	54,604,343	70,739,684	1,679,949	6,371,009	78,790,642
Additions	0	0	0	1,218,549	1,218,549	1,218,549	48,484	1,570,346	2,837,379
(Disposals)	(480,000)	0	(480,000)	(1,293,207)	(1,293,207)	(1,773,207)	0	(124,352)	(1,897,559)
Revaluation increments/ (decrements) transferred to revaluation surplus	(847,591)	1,376,550	528,959	6,331,452	6,331,452	6,860,411	0	0	6,860,411
Depreciation (expense)	0	0	0	(1,408,582)	(1,408,582)	(1,408,582)	(207,464)	(1,118,110)	(2,734,156)
Carrying amount at 30 June 2017	11,092,000	5,092,300	16,184,300	59,452,555	59,452,555	75,636,855	1,520,969	6,698,893	83,856,717
Additions	0	0	0	3,735,500	3,735,500	3,735,500	87,420	2,340,577	6,163,497
(Disposals)	(65,700)	0	(65,700)	(1,566,163)	(1,566,163)	(1,631,863)	(882)	(268,314)	(1,901,059)
Depreciation (expense)	0	0	0	(1,450,313)	(1,450,313)	(1,450,313)	(209,244)	(1,060,509)	(2,720,066)
Carrying amount at 30 June 2018	11,026,300	5,092,300	16,118,600	60,171,579	60,171,579	76,290,179	1,398,263	7,710,647	85,399,089

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	Level 2 and Level 3	Market approach using recent observable market data for similar properties.	Independent Registered Valuers and Management Valuation	June 2017	Price per hectare, with reference to current zoning of land. Market values were used unless there were some restrictions or other factors associated with the land.
Land - vested in and under the control of Council	Level 3	Cost approach using depreciated replacement cost.	Independent Registered Valuers	June 2017	Improvements to land using estimated construction costs.
Buildings - specialised	Level 3	Cost approach using depreciated replacement cost.	Independent Registered Valuers	June 2017	Construction costs based on recent contract prices and current condition, residual values and remaining useful life assessments.
Furniture and equipment	Level 2 and Level 3	Market approach using recent observable market data for similar assets. Cost approach using depreciated replacement cost.	Management Valuation	June 2016	Market price per item, purchase costs of similar assets adjusted for condition and comparability, residual values and remaining useful life assessments.
Plant and equipment	Level 2 and Level 3	Market approach using recent observable market data for similar assets. Cost approach using depreciated replacement cost.	Independent Registered Valuers	June 2016	Market price per item, purchase costs of similar assets adjusted for condition and comparability, residual values and remaining useful life assessments.

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

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

Freehold land that is the location of the the Augusta Museum has been valued on a highest and best use basis, which differs from its current use, as the possible relocation of the museum will allow the land to be sold for commercial purposes.

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

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2018 - level 3	267,725,656	0
- Management valuation 2015 - level 3	0	218,333,369
Less: accumulated depreciation	0	(6,683,636)
	267,725,656	211,649,733
Infrastructure - Road Bridges		
- Management valuation 2018 - level 3	8,032,500	0
- Management valuation 2015 - level 3	0	6,634,374
Less: accumulated depreciation	0	(354,729)
	8,032,500	6,279,645
Infrastructure - Car Parks		
- Management valuation 2018 - level 3	4,041,551	0
- Management valuation 2015 - level 3	0	5,157,462
Less: accumulated depreciation	0	(253,478)
	4,041,551	4,903,984
Infrastructure - Paths		
- Management valuation 2018 - level 3	13,294,746	0
- Management valuation 2015 - level 3	0	11,139,472
Less: accumulated depreciation	0	(714,777)
	13,294,746	10,424,695
Infrastructure - Drainage		
- Management valuation 2018 - level 3	28,352,746	0
- Management valuation 2015 - level 3	0	40,087,940
Less: accumulated depreciation	0	(1,411,888)
	28,352,746	38,676,052
Infrastructure - Caravan and Camping		
- Management valuation 2018 - level 3	1,438,992	0
- Management valuation 2015 - level 3	0	1,952,582
Less: accumulated depreciation	0	(88,059)
	1,438,992	1,864,523

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

8 (a). INFRASTRUCTURE (Continued)

	2018	2017
	\$	\$
Infrastructure - Parks and Reserves		
- Management valuation 2018 - level 3	28,746,354	0
- Management valuation 2015 - level 3	0	20,601,590
Less: accumulated depreciation	0	(1,783,775)
	28,746,354	18,817,815
Infrastructure - Aerodromes		
- Management valuation 2018 - level 3	2,727,620	0
- Management valuation 2015 - level 3	0	2,522,113
Less: accumulated depreciation	0	(215,004)
	2,727,620	2,307,109
Infrastructure - Boat Ramps and Jetties		
- Management valuation 2018 - level 3	1,999,096	0
- Management valuation 2015 - level 3	0	1,343,858
Less: accumulated depreciation	0	(226,052)
	1,999,096	1,117,806
Infrastructure - Waste Management Facilities		
- Management valuation 2018 - level 3	654,874	0
- Management valuation 2015 - level 3	0	1,346,077
Less: accumulated depreciation	0	(69,609)
	654,874	1,276,468
Infrastructure - Public Utilities		
- Management valuation 2018 - level 3	1,649,156	0
- Management valuation 2015 - level 3	0	3,080,053
Less: accumulated depreciation	0	(80,128)
	1,649,156	2,999,925
Total infrastructure	358,663,291	300,317,755

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Road Bridges	Infrastructure - Car Parks	Infrastructure - Paths	Infrastructure - Drainage	Infrastructure - Caravan and Camping	Infrastructure - Parks and Reserves	Infrastructure - Aerodromes	Infrastructure - Boat Ramps and Jetties	Infrastructure - Waste Management Facilities	Infrastructure - Public Utilities	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	209,492,701	6,331,220	4,841,713	9,708,410	36,325,627	1,782,536	18,992,497	2,414,142	1,225,329	973,154	2,986,409	295,073,738
Additions	5,561,143	131,576	189,281	1,093,472	3,066,866	126,596	761,120	3,550	4,986	340,866	53,580	11,333,036
(Disposals)	0	0	0	0	0	0	(17,566)	0	0	0	0	(17,566)
Depreciation (expense)	(3,404,111)	(183,151)	(127,010)	(377,187)	(716,441)	(44,609)	(918,236)	(110,583)	(112,509)	(37,552)	(40,064)	(6,071,453)
Carrying amount at 30 June 2017	211,649,733	6,279,645	4,903,984	10,424,695	38,676,052	1,864,523	18,817,815	2,307,109	1,117,806	1,276,468	2,999,925	300,317,755
Additions	3,977,014	597,583	217,195	582,477	202,614	228,859	3,700,430	10,320	64,347	41,134	19,416	9,641,389
(Disposals)	0	0	0	0	0	0	(233,500)	0	0	0	0	(233,500)
Revaluation increments/ (decrements) transferred to revaluation surplus	55,683,693	1,338,492	(951,809)	2,705,817	(9,755,866)	(606,605)	7,418,568	521,170	929,613	(36,288)	(60,692)	57,186,093
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0	0	0	0	(587,309)	(1,267,008)	(1,854,317)
Depreciation (expense)	(3,584,784)	(183,220)	(127,819)	(418,243)	(770,054)	(47,785)	(956,959)	(110,979)	(112,670)	(39,131)	(42,485)	(6,394,129)
Carrying amount at 30 June 2018	267,725,656	8,032,500	4,041,551	13,294,746	28,352,746	1,438,992	28,746,354	2,727,620	1,999,096	654,874	1,649,156	358,663,291

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Road Bridges	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Car Parks	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Paths	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Caravan and Camping	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Parks and Reserves	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Aerodromes	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Boat Ramps and Jetties	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Waste Management Facilities	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.
Infrastructure - Public Utilities	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments.

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

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

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

Land under control

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

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
Passenger vehicle	9,872	11,183	1,311	0	10,312	10,000	0	(312)
Passenger vehicle	14,504	8,729	0	(5,775)	16,304	15,000	0	(1,304)
Passenger vehicle	15,414	12,910	0	(2,504)	16,987	15,000	0	(1,987)
Law, order, public safety								
Utility - Rangers	22,360	22,229	0	(131)	24,979	20,000	0	(4,979)
Utility - Rangers	7,000	12,001	5,001	0	16,437	20,000	3,563	0
Community amenities								
Crawler Excavator	18,182	20,000	1,818	0				
Passenger vehicle	14,451	5,410	0	(9,041)	14,863	15,000	137	0
Passenger vehicle	8,747	8,365	0	(382)	9,124	10,000	876	0
Recreation and culture								
Mower	4,545	4,251	0	(294)				
Mulcher	2,042	986	0	(1,056)	2,283	2,000	0	(283)
Tractor	23,315	36,436	13,121	0	23,834	20,000	0	(3,834)
Mower	6,990	5,765	0	(1,225)	9,430	8,000	0	(1,430)
Turf Tidy	0	0	0	0	11,804	10,000	0	(1,804)
Tractor	0	0	0	0	18,873	20,000	1,127	0
Tractor	0	0	0	0	61,965	30,000	0	(31,965)
Transport								
Roller	19,000	20,000	1,000	0	21,743	20,000	0	(1,743)
Compactor	896	227	0	(669)				
Tip Truck	39,376	38,184	0	(1,192)	48,337	20,000	0	(28,337)
Low Loader	9,200	22,500	13,300	0	16,380	15,000	0	(1,380)
Solar Powered Vehicle	13,647	3,945	0	(9,702)	16,871	15,000	0	(1,871)
Utility	15,955	16,729	774	0	7,549	10,000	2,451	0
Utility	11,909	21,092	9,183	0	12,873	15,000	2,127	0
Utility	10,909	12,910	2,001	0	12,353	15,000	2,647	0
Roller	0	0	0	0	5,905	6,000	95	0
Roller	0	0	0	0	27,498	25,000	0	(2,498)
Dog Trailer	0	0	0	0	21,130	20,000	0	(1,130)
Boxtop Trailer	0	0	0	0	1,357	1,000	0	(357)
Truck mountable water tank	0	0	0	0	31,540	20,000	0	(11,540)
Tag along pig trailer	0	0	0	0	20,757	18,000	0	(2,757)
Excavator	0	0	0	0	23,622	20,000	0	(3,622)
Hooklift Truck	0	0	0	0	61,141	60,000	0	(1,141)
Light truck	0	0	0	0	17,071	16,000	0	(1,071)
Furniture and equipment								
Recreation and Culture								
Coffee Machine	882	909	27	0	0	0	0	0
Land and buildings								
Recreation and Culture								
Land Sale	65,700	65,700	0	0	1,704,000	1,645,000	0	(59,000)
Cricket shed	16,040	0	0	(16,040)	0	0	0	0
Aquatic Centre dehumidifier	147,532	0	0	(147,532)	0	0	0	0
Football club hall works	15,231	0	0	(15,231)	0	0	0	0
Cultural Centre works	1,277,411	0	0	(1,277,411)	0	0	0	0
Western Pavilion works	2,017	0	0	(2,017)	0	0	0	0
Augusta Centennial Hall works	1,078	0	0	(1,078)	0	0	0	0
Augusta Recreation Centre	26,039	0	0	(26,039)	0	0	0	0
Augusta Bowling Clubrooms	22,548	0	0	(22,548)	0	0	0	0
Economic Services								
Caravan Park ablution works	5,934	0	0	(5,934)	0	0	0	0
Caravan Park ablution works	1,219	0	0	(1,219)	0	0	0	0
Caravan Park ablution works	51,114	0	0	(51,114)	0	0	0	0
Infrastructure								
Recreation and Culture								
Synthetic Bowling Greens	233,500	233,500	0	0	0	0	0	0
	2,134,559	583,961	47,536	(1,598,134)	2,287,322	2,136,000	13,023	(164,345)

9. FIXED ASSETS (Continued)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - specialised	1,450,313	1,408,582
Furniture and equipment	209,244	207,464
Plant and equipment	1,060,509	1,118,110
Infrastructure - Roads	3,584,784	3,404,111
Infrastructure - Road Bridges	183,220	183,151
Infrastructure - Car Parks	127,819	127,010
Infrastructure - Paths	418,243	377,187
Infrastructure - Drainage	770,054	716,441
Infrastructure - Caravan and Camping	47,785	44,609
Infrastructure - Parks and Reserves	956,959	918,236
Infrastructure - Aerodromes	110,979	110,583
Infrastructure - Boat Ramps and Jetties	112,670	112,509
Infrastructure - Waste Management Facilities	39,131	37,552
Infrastructure - Public Utilities	42,485	40,064
	9,114,195	8,805,609

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Land	Not Depreciated
Buildings	up to 50 years
Furniture & Equipment	up to 10 years
Plant & Equipment	up to 20 years
Bridges	up to 50 years
Carparks	up to 40 years
Drainage	up to 80 years
Paths	up to 40 years
Roads	up to 50 years
Jetties & Boatramps	up to 30 years
Waste Management	up to 40 years
Public Utilities	up to 40 years
Parks	up to 50 years

Depreciation (Continued)

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

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

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

10. REVALUATION SURPLUS

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Total	2018	Opening	Revaluation	Revaluation	Total	2017
	Balance	Increment	(Decrement)	Movement on	Closing	Balance	Increment	(Decrement)	Movement on	Closing
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	50,280,930	0	0	0	50,280,930	43,420,519	7,708,002	(847,591)	6,860,411	50,280,930
Revaluation surplus - Plant and equipment	2,346,679	0	0	0	2,346,679	2,346,679	0	0	0	2,346,679
Revaluation surplus - Infrastructure - Roads	79,903,207	55,683,693	0	55,683,693	135,586,900	79,903,207	0	0	0	79,903,207
Revaluation surplus - Infrastructure - Road Bridges	5,510,485	1,338,492	0	1,338,492	6,848,977	5,510,485	0	0	0	5,510,485
Revaluation surplus - Infrastructure - Car Parks	3,585,853	0	(951,809)	(951,809)	2,634,044	3,585,853	0	0	0	3,585,853
Revaluation surplus - Infrastructure - Paths	4,347,247	2,705,817	0	2,705,817	7,053,064	4,347,247	0	0	0	4,347,247
Revaluation surplus - Infrastructure - Drainage	30,481,607	0	(9,755,866)	(9,755,866)	20,725,741	30,481,607	0	0	0	30,481,607
Revaluation surplus - Infrastructure - Caravan and Camping	1,173,470	0	(606,605)	(606,605)	566,865	1,173,470	0	0	0	1,173,470
Revaluation surplus - Infrastructure - Parks and Reserves	805,694	7,418,568	0	7,418,568	8,224,262	805,694	0	0	0	805,694
Revaluation surplus - Infrastructure - Aerodromes	2,073,263	521,170	0	521,170	2,594,433	2,073,263	0	0	0	2,073,263
Revaluation surplus - Infrastructure - Boat Ramps and Jetties	568,997	929,613	0	929,613	1,498,610	568,997	0	0	0	568,997
Revaluation surplus - Infrastructure - Waste Management Facilities	36,288	0	(36,288)	(36,288)	0	36,288	0	0	0	36,288
Revaluation surplus - Infrastructure - Public Utilities	60,692	0	(60,692)	(60,692)	0	60,692	0	0	0	60,692
	181,174,412	68,597,353	(11,411,260)	57,186,093	238,360,505	174,314,001	7,708,002	(847,591)	6,860,411	181,174,412

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

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

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
ATO liabilities
Income received in advance

	2018	2017
	\$	\$
	2,739,284	2,009,047
	125,023	10,803
	390,648	377,063
	12,202	10,213
	0	83,353
	3,267,157	2,490,479

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New	Principal		Principal		Interest	
	1 July 2017		Loans	Repayments	Budget	30 June 2018	Budget	Repayments
	\$	\$	Actual	\$	Actual	\$	Actual	\$
Governance								
191, Civic and Administration Building	6,058,096	0	215,453	289,128	5,842,643	5,768,968	346,508	344,634
Community amenities								
184, Augusta Town Toilets	22,100	0	10,750	10,750	11,350	11,350	1,040	1,128
186, Margaret River Memorial Toilet Block	44,995	0	21,831	21,831	23,164	23,164	2,414	2,487
188, Augusta Water Wheel Toilets	30,411	0	10,476	10,476	19,935	19,936	1,803	1,816
Recreation and culture								
164, Aquatic Centre	288,714	0	81,959	81,959	206,755	206,755	18,446	20,038
174, Cowaramup Recreation Centre	241,895	0	29,671	29,671	212,224	212,224	15,881	16,210
185, MR Recreation Centre Solar Power	17,189	0	8,361	8,361	8,828	8,828	809	877
187, MR Recreation Centre Stage 1	280,727	0	32,589	32,589	248,138	248,138	19,737	19,716
189, MR Recreation Centre Stage 2	200,378	0	69,024	69,024	131,354	131,355	11,880	11,961
192, Cultural Centre Redevelopment	0	1,100,000	0	13,731	1,100,000	1,086,269	5,755	13,804
193, Margaret River Youth Precinct	0	350,000	15,150	14,948	334,850	335,052	7,681	6,713
194, Asbestos Removal & Reinstatement	0	1,000,000	0	42,709	1,000,000	957,291	7,925	19,124
Economic services								
173, Augusta Rural Transaction Centre	368,074	0	44,190	44,190	323,884	323,884	24,728	24,739
179, Gnarabup Café	199,495	0	23,375	23,375	176,120	176,118	12,925	13,452
181, Gnarabup Café	120,229	0	10,305	10,305	109,924	109,924	7,998	7,998
	7,872,303	2,450,000	573,134	703,047	9,749,169	9,619,256	485,530	504,697

Particulars	Principal	New	Principal		Principal		Interest	
	1 July 2017		Loans	Repayments	Budget	30 June 2018	Budget	Repayments
	\$	\$	Actual	\$	Actual	\$	Actual	\$
Self Supporting Loans								
Recreation and culture								
183, Augusta Bowling Club	6,485	0	5,147	5,147	1,338	1,339	330	333
	6,485	0	5,147	5,147	1,338	1,339	330	333
	7,878,788	2,450,000	578,281	708,194	9,750,507	9,620,595	485,860	505,030

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

Borrowings

	2018	2017
	\$	\$
Current	853,729	636,806
Non-current	8,896,778	7,241,982
	9,750,507	7,878,788

12. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget						Actual	Budget	
192, Cultural Centre Redevelopment	1,100,000	1,100,000	WATC	Debenture	15	316,636	3.48%	335,843	1,100,000	764,157
193, Margaret River Youth Precinct	350,000	350,000	WATC	Debenture	10	55,832	2.97%	350,000	350,000	0
194, Asbestos removal & reinstatement	1,000,000	1,000,000	WATC	Debenture	10	172,480	3.20%	451,245	1,000,000	548,755
	2,450,000	2,450,000				544,948		1,137,088	2,450,000	1,312,912

(c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 17	Borrowed During Year	Expended During Year	Unspent Balance 30 June 18	Balance 30 June 17
Loan 192, Cultural Centre Redevelopment	May 2018	\$ 0	\$ 1,100,000	\$ (335,843)	\$ 764,157	
Loan 194, Asbestos Removal and Reinstatement	April 2018	0	1,000,000	(451,245)	548,755	
		0	2,100,000	(787,088)	1,312,912	

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	40,000	34,000
Credit card balance at balance date	(4,483)	(7,344)
Total amount of credit unused	35,517	26,656

Loan facilities

Loan facilities - current	853,729	636,806
Loan facilities - non-current	8,896,778	7,241,982
Total facilities in use at balance date	9,750,507	7,878,788

Unused loan facilities at balance date

1,312,912 NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision
Amounts used
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate

Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Personal Leave Reward Scheme	Total
	\$	\$	\$	\$
Current provisions	1,024,136	451,464	185,412	1,661,012
Non-current provisions	0	459,166	0	459,166
	1,024,136	910,630	185,412	2,120,178
Additional provision	1,106,983	237,680	0	1,344,663
Amounts used	(959,968)	(278,799)	(10,993)	(1,249,760)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	(2,537)	(23,257)	0	(25,794)
Balance at 30 June 2018	1,168,614	846,254	174,419	2,189,287
Comprises				
Current	1,168,614	411,680	174,419	1,754,713
Non-current	0	434,574	0	434,574
	1,168,614	846,254	174,419	2,189,287

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	4,780,828	6,769,335	9,475,210
Non-cash flows in Net result:			
Depreciation	9,114,195	9,046,640	8,805,609
(Profit)/loss on sale of asset	1,550,598	151,322	1,442,741
(Gain)/Loss on revaluation of land for resale	61,000		(1,000)
Loss on revaluation of fixed assets	1,854,317		
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(546,566)	750,000	(733,989)
(Increase)/decrease in inventories	(54,560)	(50,000)	227,145
Increase/(decrease) in payables	776,678	(292,900)	345,113
Increase/(decrease) in provisions	69,109	(110,000)	(81,159)
Grants contributions for the development of assets	(8,374,650)	(9,645,626)	(9,819,155)
Net cash from operating activities	9,230,949	6,618,771	9,660,515

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

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	35,264,931	28,059,413
General purpose funding	5,905,000	5,905,000
Law, order, public safety	3,104,290	2,758,855
Health	63,064	67,050
Education and welfare	1,274,072	1,265,629
Housing	95,866	95,866
Community amenities	23,545,381	17,470,930
Recreation and culture	71,340,654	64,087,073
Transport	331,307,278	294,199,961
Economic services	9,345,204	2,630,085
Other property and services	94,188	94,188
Unallocated	0	21,451
	481,339,928	416,655,501

16. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2018.

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

17. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

	2018	2017
	\$	\$
- capital expenditure projects	8,737,009	1,306,239
- plant & equipment purchases	267,705	194,800
Payable:		
- not later than one year	9,004,714	1,501,039

The capital expenditure projects outstanding at the end of the current reporting period include the redevelopment of the Cultural Centre, electrical works at Turner Caravn Park and the removal and reinstatement of asbestos at the Augusta Recreation Centre and Augusta Bowling Club. The plant & equipment purchases are contracts for 4 items of plant. The prior year commitment relates to the construction of chalets and electrical works at Turner Caravan Park, architectural design works for the redevelopment of the Cultural Centre and the contracted purchase of a Roller and Trailer.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for

Payable:

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

- not later than one year	334,300	329,632
- later than one year but not later than five years	243,501	442,841
- later than five years	0	0
	577,801	772,473

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	132,234	132,252	132,282
President's allowance	38,400	38,400	38,352
Deputy President's allowance	9,497	9,600	9,600
Travelling expenses	20,020	19,421	15,340
Telecommunications allowance	24,499	24,500	24,499
	<u>224,650</u>	<u>224,173</u>	<u>220,073</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	756,039	751,180
Post-employment benefits	72,140	71,277
Other long-term benefits	62,957	19,818
Termination benefits	0	24,489
	<u>891,136</u>	<u>866,764</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Purchase of goods and services	111,189	136,811

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Governance							
Regional Youth Collaboration Project	2,777	0	0	2,777	0	(2,777)	0
DLGSC - Cowaramup Community Garden	0	0	0	0	8,700	0	8,700
CLGF - Community Development Scholarships	0	0	0	0	12,117	(9,155)	2,962
Law, order, public safety							
DFES - Treatment works, Bushfire Risk Management Planning	3,804	0	0	3,804	0	(3,804)	0
DFES - Bushfire Risk Planning Coordinator	97,567	69,885	(124,074)	43,378	0	(43,378)	0
DFES - Bushfire Mitigation Program	10,000	0	(10,000)	0	0	0	0
DFES - SES and BFB Operating Grants	0	0	0	0	81,817	0	81,817
Community amenities							
Tourism WA Grant for Cowaramup Waste Transfer Station	26,450	0	0	26,450	0	0	26,450
Recreation and culture							
Rotary Club - Nature play playground design	13,636	1,364	0	15,000	0	(15,000)	0
Culture and the Arts - Regional Venues Improvement Fund grant	0	500,000	0	500,000	0	0	500,000
Royalties for Regions Growing the South grant for Cultural Centre	0	0	0	0	2,500,000	0	2,500,000
Department of Sports & Recreation - Kidsport grant	0	40,000	(28,403)	11,597	7,000	(18,597)	0
Transport							
Bridge grant	84,377	420,000	(4,377)	500,000	0	(500,000)	0
Royalties for Regions grant for Main Street project	5,490,000	0	(200,000)	5,290,000	0	0	5,290,000
Friends of the Cape to Cape Track - Boardwalk	0	20,000	0	20,000	0	(20,000)	0
Friends of the Southwest Communities - Winter Diversion Trail	0	9,091	0	9,091	0	0	9,091
Department of Education - Cowaramup Primary School carpark	0	0	0	0	60,830	0	60,830
Roads to Recovery - various roads	0	1,503,500	(1,199,500)	304,000	912,857	(1,083,874)	132,983
Total	5,728,611	2,563,840	(1,566,354)	6,726,097	3,583,321	(1,696,585)	8,612,833

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

(4) - For the closing balance at 30/6/17, the unspent balance of \$5,290,000 pertaining to the Royalties for Regions grant was held in the Margaret Riv CBD Redevelopment reserve and the unspent balance of \$500,000 pertaining to the Regional Venues Improvement Fund grant was transferred to the Margaret River CBD Redevelopment reserve. The balance of unspent grants of \$936,097 is shown as restricted funds in Note

(5) - For the closing balance at 30/6/18, the unspent balance of \$5,290,000 pertaining to the Royalties for Regions grant was held in the Margaret Riv CBD Redevelopment reserve and the unspent balance of \$500,000 pertaining to the Regional Venues Improvement Fund grant was transferred to the Margaret River CBD Redevelopment reserve. The unspent balance of \$2,500,000 pertaining to the Royalties for Regions grant for the Cultural Centre redevelopment project was transferred to the Margaret River CBD Redevelopment reserve. The balance of unspent grants of \$322,833 is shown as restricted funds in Note 3.

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
Residential GRV	0.101900	4,231	72,837,061	7,422,096	208,157	13,711	7,643,964	7,299,113	100,000	20,000	7,419,113
Residential GRV Vacant	0.195206	321	4,099,990	800,343	10,288	6,297	816,928	806,796	0	0	806,796
Rural Residential GRV	0.097613	631	12,786,860	1,248,164	2,818	1,016	1,251,998	1,246,920	0	0	1,246,920
Rural Residential GRV Vacant	0.190007	139	1,727,710	328,277	(8,325)	2,024	321,976	330,073	0	0	330,073
Commercial, Industrial & Tourism	0.120698	1,024	36,657,931	4,424,540	16,478	(4,869)	4,436,149	4,451,971	0	0	4,451,971
Unimproved valuations											
UV Rural	0.004456	782	517,001,000	2,303,756	3,108	(404)	2,306,460	2,308,729	0	0	2,308,729
Rural Strate Titled Vineyard	0.004456	0	0	0	0	0	0	0	0	0	0
UV 1 (one non rural use)	0.005570	114	74,397,000	414,391	4,864	(3,397)	415,858	401,992	0	0	401,992
UV 2 (two non rural uses)	0.006684	23	15,092,000	100,875	4,779	0	105,654	87,006	0	0	87,006
UV 3 (over two non rural uses)	0.007798	16	13,431,000	104,735	0	0	104,735	104,735	0	0	104,735
UV Conservation	0.004355	70	59,246,000	258,016	0	0	258,016	258,016	0	0	258,016
Sub-Total		7,351	807,276,552	17,405,193	242,167	14,378	17,661,738	17,295,351	100,000	20,000	17,415,351
Minimum payment											
Gross rental valuations											
Residential GRV	1,264	843	8,955,537	1,065,552	0	0	1,065,552	1,064,288	0	0	1,064,288
Residential GRV Vacant	1,264	689	3,015,885	870,896	0	0	870,896	918,928	0	0	918,928
Rural Residential GRV	1,539	139	1,909,834	213,921	0	0	213,921	212,382	0	0	212,382
Rural Residential GRV Vacant	1,539	29	198,270	44,631	0	0	44,631	46,170	0	0	46,170
Commercial, Industrial & Tourism	1,358	238	1,851,324	323,204	0	0	323,204	324,562	0	0	324,562
Unimproved valuations											
UV Rural	1,418	175	37,237,794	248,150	0	0	248,150	256,658	0	0	256,658
Rural Strate Titled Vineyard	833	37	2,700,000	30,821	0	0	30,821	30,821	0	0	30,821
UV 1 (one non rural use)	1,418	7	1,268,300	9,926	0	0	9,926	8,508	0	0	8,508
UV 2 (two non rural uses)	1,418	0	0	0	0	0	0	0	0	0	0
UV 3 (over two non rural uses)	1,418	0	0	0	0	0	0	0	0	0	0
UV Conservation	1,365	15	3,764,000	20,475	0	0	20,475	21,840	0	0	21,840
Sub-Total		2,172	60,900,944	2,827,576	0	0	2,827,576	2,884,157	0	0	2,884,157
		9,523	868,177,496	20,232,769	242,167	14,378	20,489,314	20,179,508	100,000	20,000	20,299,508
Movement in Excess Rates							35,666				0
Discounts/concessions (refer note 20(c))							(2,528)				0
Total amount raised from general rate							20,522,452				20,299,508
Totals							20,522,452				20,299,508

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

20. RATING INFORMATION (Continued)

(b) Service Charges

Service Charges	Amount of Charge	Revenue Raised	Budget Revenue	Charges Applied to Costs	Charges Set Aside to Reserve	Reserve Applied to Costs	Budget Charges Applied to Costs	Budget Charges Set Aside to Reserve	Budget Reserve Applied to Costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cowaramup Underground Power	333	4,333	4,333	4,333	0	0	4,333	0	0
		4,333	4,333	4,333	0	0	4,333	0	0

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
Cowaramup Underground Power	Properties in the defined area are charged an equal annual amount for 10 years from 2011-12.	To recover the cost of the service from the rateable properties benefiting from the improved service.	13 rateable properties located on Bussell Hwy between Peake Street and 30 metres south of Bottrill Street

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

Rate or Fee and Charge to which the Waiver or Concession is Granted

Type	Discount %	Discount \$	Actual \$	Budget \$
Residential rate	100.00%		2,528	0
			2,528	0

Rate or Fee and Charge to which the Waiver or Concession is Granted

Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Riverslea Community Group and Brookfield Estate Pty Ltd for properties used as the location of satellite facilities for providing television broadcasting services.	To acknowledge the role these properties play in providing services to the community.	To ensure the community is not disadvantaged by not being able to receive television services.

20. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	15-Sep-17	0	0.00%	11.00%
Option Two				
First instalment				
Second instalment				
Option Three				
First instalment	15-Sep-17	0	5.50%	11.00%
Second instalment	17-Nov-17	7.50	5.50%	11.00%
Third instalment	19-Jan-18	7.50	5.50%	11.00%
Fourth instalment	23-Mar-18	7.50	5.50%	11.00%

	2018	2018 Budget
	\$	\$
Interest on unpaid rates	110,402	95,000
Interest on instalment plan	138,163	120,000
Charges on instalment plan	80,598	75,000
Pensioner Deferred Interest	858	1,000
ESL Penalty Interest	4,026	1,500
	<u>334,047</u>	<u>292,500</u>

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

21. NET CURRENT ASSETS

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

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit)	5,254,476	4,331,506	4,331,506
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	4,577,022	4,079,152	4,079,152
Restricted	29,665,707	25,913,298	25,913,298
Receivables			
Rates outstanding	769,711	666,136	666,136
Sundry debtors	741,833	240,861	240,861
GST receivable	319,820	341,491	341,491
Loans receivable - clubs/institutions	12,655	12,386	12,386
Accrued Interest Receivable	333,555	332,074	332,074
Prepayments	75,356	134,385	134,385
Accrued Income	15,943	0	0
Inventories			
Fuel and materials	146,349	91,789	91,789
Land held for resale	525,000	0	0
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,739,284)	(2,009,047)	(2,009,047)
Accrued interest on long term borrowings	(125,023)	(10,803)	(10,803)
Accrued salaries and wages	(390,648)	(377,063)	(377,063)
ATO liabilities	(12,202)	(10,213)	(10,213)
Income received in advance	0	(83,353)	(83,353)
Current portion of long term borrowings	(853,729)	(636,806)	(636,806)
Provisions			
Provision for annual leave	(1,168,614)	(1,024,136)	(1,024,136)
Provision for long service leave	(411,680)	(451,464)	(451,464)
Provision for personal leave reward scheme	(174,419)	(185,412)	(185,412)
Unadjusted net current assets	31,307,352	27,023,275	27,023,275
Adjustments			
Less: Reserves - restricted cash	(28,029,962)	(24,977,201)	(24,977,201)
Less: Loans receivable - clubs/institutions	(12,655)	(12,386)	(12,386)
Less: Land held for resale	(525,000)	0	0
Add: Current portion of long term borrowings	853,729	636,806	636,806
Add: Leave component backed by cash reserve	404,880	396,869	396,869
Add: Leave component not required to be funded	1,256,132	1,264,143	1,264,143
Adjusted net current assets - surplus/(deficit)	5,254,476	4,331,506	4,331,506

Difference

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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22. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	34,242,729	29,992,450	34,242,729	29,992,450
Receivables	2,363,470	1,810,790	2,363,470	1,810,790
	36,606,199	31,803,240	36,606,199	31,803,240
Financial liabilities				
Payables	3,267,157	2,490,479	3,267,157	2,490,479
Borrowings	9,750,507	7,878,788	9,050,179	7,355,134
	13,017,664	10,369,267	12,317,336	9,845,613

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.

22. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio.

The Shire has an Investment Policy and the Policy is subject to review by Council.

An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

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

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

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	343,456	310,160
- Statement of Comprehensive Income	343,456	310,160

Notes:

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

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	91.46%	90.42%
- Overdue	8.54%	9.58%

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	3,267,157	0	0	3,267,157	3,267,157
Borrowings	1,300,753	4,592,941	7,005,603	12,899,297	9,750,507
	4,567,910	4,592,941	7,005,603	16,166,454	13,017,664
2017					
Payables	2,490,479	0	0	2,490,479	2,490,479
Borrowings	909,408	3,848,254	5,847,020	10,604,682	7,878,788
	3,399,887	3,848,254	5,847,020	13,095,161	10,369,267

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

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	44,680	151,289	206,755	0	0	9,347,783	9,750,507	4.88%
Weighted average Effective interest rate	5.75%	6.12%	6.95%			4.81%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	0	90,769	230,789	288,714	0	7,268,516	7,878,788	5.44%
Weighted average Effective interest rate		5.78%	6.12%	6.95%		5.35%		

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

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Unclaimed Monies	2,808	21	(343)	2,486
BCITF Levy	5,384	77,423	(78,102)	4,705
DPI Licencing	105,617	2,948,521	(2,996,038)	58,100
BRB Levy	8,978	165,712	(158,568)	16,122
ESL Levy	(2,551)	850,510	(849,022)	(1,063)
Community Arts Events	3,308	0	0	3,308
TRANSWA Agency	299	6,883	(6,793)	389
Public Open Space	138,274	0	0	138,274
Unspent Grants	0	26,450	0	26,450
Bonds	1,193,132	341,680	(382,316)	1,152,496
	<u>1,455,249</u>			<u>1,401,267</u>

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

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

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

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

Notes:

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

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

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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

26. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of Council and the administrative support available to the Council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific Council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Care of families and children, contributions to education and other welfare.
HOUSING	To provide rental and staff housing.	Provision of staff and rental housing. However, the Shire has no housing of this nature.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection and disposal services recycling, septic tank inspection services, environmental protection initiatives, administration of town planning and regional development services and the operation of other community amenities.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social wellbeing of the community.	Provision and maintenance of public halls, civic centres, aquatic centres, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens, reserves and playgrounds. Operation and support of libraries, museum and other cultural facilities.
TRANSPORT	To promote safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting, etc.
ECONOMIC SERVICES	To help promote the shire and its economic wellbeing.	Tourism and area promotion including the maintenance and operation of caravan parks and a camping ground. Provision of rural services including weed control, vermin control and standpipes.
OTHER PROPERTY AND SERVICES	To monitor and control the shire's overheads operating accounts.	Plant repair and operation costs and engineering operation costs.

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

27. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.37	1.34	1.05
Asset consumption ratio	0.99	0.97	0.99
Asset renewal funding ratio	1.21	1.36	1.28
Asset sustainability ratio	0.88	0.81	0.73
Debt service cover ratio	5.64	8.11	5.81
Operating surplus ratio	(0.12)	(0.01)	(0.06)
Own source revenue coverage ratio	0.88	0.89	0.89

The above ratios are calculated as follows:

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

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	694,516	677,329	0
Amount of Financial Assistance Grant received in prior year relating to current year.	677,329	0	651,156

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

	2018	2017	2016
Current ratio	1.25	1.19	1.05
Debt service cover ratio	5.63	7.50	6.35
Operating surplus ratio	(0.12)	(0.03)	(0.04)

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF
THE SHIRE OF AUGUSTA MARGARET RIVER**

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

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Opinion

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

In our opinion, the financial report of the Shire of Augusta Margaret River:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Preparation

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF
THE SHIRE OF AUGUSTA MARGARET RIVER (CONTINUED)*****REPORT ON THE AUDIT OF THE FINANCIAL REPORT (CONTINUED)******Auditor's Responsibilities for the Audit of the Financial Report***

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF
THE SHIRE OF AUGUSTA MARGARET RIVER (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

MATTERS RELATING TO THE ELECTRONIC PUBLICATION OF THE AUDITED FINANCIAL REPORT

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

MOORE STEPHENS
CHARTERED ACCOUNTANTS



WEN SHIEN-CHAI
PARTNER

Date: 9 October 2018
Perth, WA