

# Shire of Pingelly Annual Report 2017-18





## Australia Day Celebration and Awards 2018



2018 Sports person of the Year, Rheannon Turton



2018 Community person of the Year, Sheree Blechyden

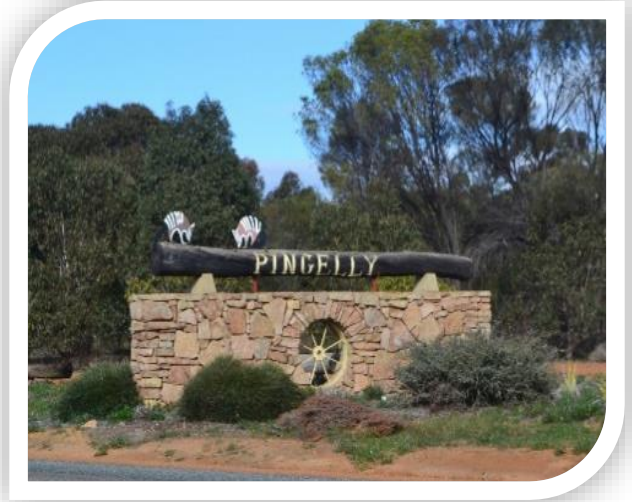
# Contents

|  |     |
|--|-----|
| Shire of Pingelly at a Glance .....  | 3   |
| <i>History of the Shire</i> .....  | 3   |
| <i>Shire Location</i> .....  | 3   |
| <i>Roads and Area of the Shire</i> .....                                     | 4   |
| <i>Population</i> .....  | 4   |
| <i>Legislative Authority</i> .....   | 4   |
| <i>Federal &amp; State Electoral Boundaries</i> .....                        | 4   |
| <i>Shire of Pingelly</i> .....   | 5   |
| Logo .....   | 5   |
| Shire Presidents Report .....  | 7   |
| Chief Executive Officers Report .....  | 9   |
| Organisational Structure (June 2017) - Administration .....                  | 10  |
| Organisational Structure (June 2017) – Engineering Services .....            | 11  |
| Statutory Reports .....  | 12  |
| Complaints Lodged Under Provisions of <i>Local Government Act 1995</i> ..... | 12  |
| Disability Access & Inclusion Plan .....                                     | 12  |
| Employee Remuneration .....  | 13  |
| Freedom of Information .....   | 14  |
| National Competition Policy .....  | 14  |
| Overview of Plan for the Future .....  | 14  |
| Public Interest Disclosure .....   | 15  |
| Recordkeeping Plan .....   | 15  |
| Council Preferred Agents .....   | 16  |
| Annual Financial Report Executive Summary .....                              | 167 |
| Appendix A Annual Financial Report .....                                     | 22  |

## Shire of Pingelly at a Glance

### History of the Shire

The Moorumbine Spring land was first surveyed in 1856 and a permanent settlement established around 1860. The first settler in the area was Mr Lewis John Bayley who was granted 4,000 acres for grazing in 1846. The expanding district joined forces to build a church, school, store and gaol. The Moorumbine Townsite was gazetted on 24<sup>th</sup> April 1884.



Pingelly Townsite Entrance Statement

The Great Southern Railway in 1889 resulted in an economic boom for the district along the rail line. It passed just 10km west of Moorumbine and a small settlement was established at the railway siding located there. A spring of water east of the railway crossing was named "Pingeculling," an Aboriginal name for 'Watering Place.' From this, the present name of Pingelly was derived.

The Pingelly-Moorumbine Road Board Offices were built in Pingelly in 1909. Just a few years later in 1913 'Moorumbine' was dropped from the title. In 1961, the Pingelly Road Board became the Pingelly Shire Council and new Shire Offices were built on the site on which they still stand today.

### Shire Location

Pingelly is strategically located in the heart of the State's Central South 158km south-east of Perth on the Great Southern Highway. The Shire of Pingelly covers an area of 1,294km<sup>2</sup>, bounded by the Shires of Wandering, Brookton, Cuballing and Wickepin. The community appreciates a Mediterranean type climate. The average yearly rainfall is 453mm, which mainly falls in winter.

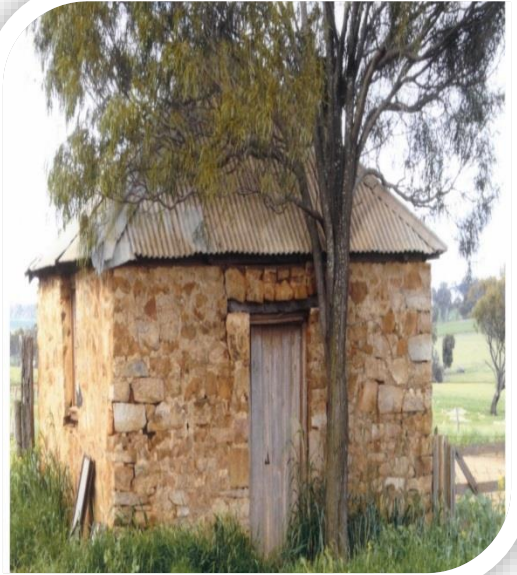
The Shire of Pingelly's Council Chamber and Administration Centre is located at 17 Queen Street, Pingelly 6308. The website address is: [www.pingelly.wa.gov.au](http://www.pingelly.wa.gov.au).

## Roads and Area of the Shire

The Shire of Pingelly has an area of 1,223km<sup>2</sup> and is responsible for 587km of roads, of which 203km are sealed.

## Population

The Shire of Pingelly, with the townsites of Pingelly, Moorumbine and Dattening, has a total population of 1,146 (2016 Census). The Shire of Pingelly has 840 electors (2017 Roll), 512 dwellings and employs 32 people.



## Legislative Authority

The State of Western Australia is divided into districts by the Governor, on recommendation of the Minister. When an area of the State becomes a district, a local government is established for the district.

The local government of the Shire of Pingelly is a body corporate with perpetual succession and a common seal. The Shire of Pingelly has the legal capacity of a natural person and has an elected Council as its governing body representing all electors within the Shire (there are no Wards).

## Federal & State Electoral Boundaries

The Shire of Pingelly is in the State electoral district of Wagin in the Agricultural Region and in the Federal electorate of O'Connor.



Numbat – Iconic Marsupial of the Region



## Shire of Pingelly

### Vision

Pingelly, a sustainable community, where natural beauty and economic diversity provide opportunities for all.

### Mission

To enhance the quality of life for the people of Pingelly through the provision of leadership, services and infrastructure (these roles are outlined below).

### Values

\*Accountability

\*Integrity

\*Professionalism

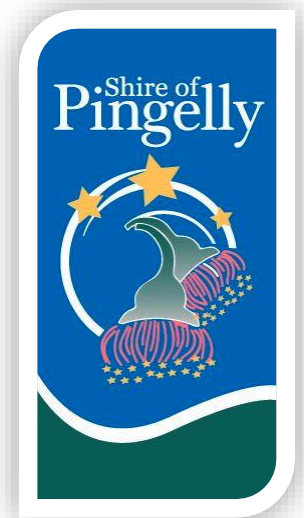
\*Team Work/Leadership

### Logo

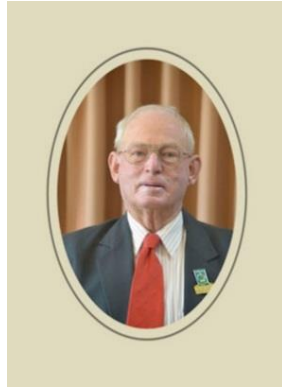
The Shire of Pingelly logo features the silver princess gum, a gum unique to the Pingelly Shire. This beautiful flower is the spirit of perseverance and offers the inspiration to tackle difficulties with the development of inner strength; to continually challenge oneself to overcome internal and external obstacles to progress; to never give up and to keep learning how to work something out until it is mastered. The pollen falling from the gum has been represented as stars that are seen in the clear, clean night sky of Pingelly. Stars are representative of good, great, the best and/or quality.

The logo is enclosed with a series of curves that encompass all that is good in the community. They draw together the people and the positive attitude to create a safe place for people of all ages to live in harmony. The curves are not joined allowing space to grow and develop; for ideas to flow both in and out and people to enter into the community.

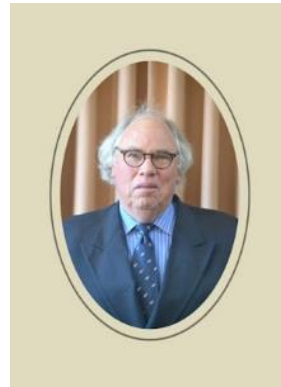
The colours the artist has chosen from nature – the pink of the silver princess gum representing honour, morality, friendship, passiveness and feminine nurturing. The blue and green background are the colours of the eucalyptus leaves, the clean blue sky and the crops during winter and is indicative of life, growth, renewal and the environment. It is restful and calming and abundant in nature. The yellow of the stars is sunshine, happiness, joy and cheerfulness. The white curve represents the welcoming hands of friendship stretching out to all and inviting them in to this community.



## Councillors of the Shire



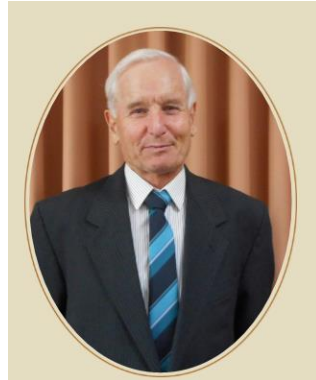
Cr William Mulroney  
(President)  
**Retiring 2019**



Cr David Freebairn  
(Deputy President)  
**Retiring 2021**



Cr Jackie McBurney  
**Retiring 2021**



Cr Bryan Hotham  
**Retiring 2021**



Cr Lee Steel  
**Retiring 2019**



Cr Evan Hodges  
**Retiring 2019**



Cr Michelle  
Walton-Hassell  
**Retiring 2019**



Cr Peter Wood  
**Retiring 2021**

## Shire Presidents Report

It is with honor that I present the Presidents report for 2017/2018. During the year there has been some exciting developments within the Shire with progress of the Pingelly Recreation and Cultural Centre, Health Centre looking great and earthworks for the Pingelly Aged Appropriate Accommodation commenced.

**COUNCILLORS:** The Council commenced the new financial year with 8 Councilors being Shirley Lange, Bill Mulroney, Ray Marshall, David Freebairn, Evan Hodges, Lee Steel, Michelle Walton Hassell and Peter Wood. As per the Local Government election calendar, Council elections were held in October 2017. Then President Cr Lange resigned in the middle of her 4 year term and Cr Marshall did not nominate. Nominations were called for the five (5) elected member's positions and all positions were uncontested giving council a full complement of sitting members. Cr Bryan Hotham and Cr Jackie McBurney were welcomed as elected members and sworn into Council positions. In April 2018 Cr Lee Steel resigned from council and nominations were called for that position. The result of the extraordinary Election will be known in July 2018.



**MEETINGS:** We have continued holding two meetings a month: 1<sup>st</sup> Wednesday for general reports and information sessions, and the 3<sup>rd</sup> Wednesday the ordinary Council meeting. We have held 11 ordinary Council meetings and attendance was as follows: Cr. David Freebairn (11), Cr. Michelle Walton-Hassel (10), Cr. Evan Hodges (9), Cr. Shirley Lange (4), Cr. Bill Mulroney (11), Cr. Ray Marshall (3), Cr. Lee Steel (18), Cr. Peter Wood (9), Cr Jackie McBurney (7) and Cr Bryan Hotham (7). Standing orders are now being used throughout all meetings.

**HOSPITALITY:** Council Dinners are held post meetings once a month and this gives councilors an opportunity for fellowship amongst fellow councilors and executive staff. These dinners are much appreciated by the members and executive staff and council are fortunate to have a variety of organisations that provide such a first class meal.

**CHIEF EXECUTIVE OFFICER:** As the President, a good working relationship has been established with the CEO and through the relationship there has been some significant results with a smooth transition of the building of the Pingelly Recreation and Cultural Centre, commencement of the construction of the Pingelly Aged Appropriate Accommodation, relocation of the turf cricket pitch and planning of the Sensory Garden at the Pingelly Aged Appropriate Accommodation. The CEO has always kept Council informed of progress of these projects plus the everyday running of the Shire business. I wish to thank Gavin for the tireless work that he committed to his position throughout the year and this can be seen by the progress of the Shire.

### WORKS UPDATE

Listed hereunder are major or partly funded capital and maintenance roadworks undertaken by the Shire of Pingelly.



- Bullaring Road between Woyering (Bickers) Road and Milton Road – Resealing sections of road - Cost \$34,657.
- Shaddick Road between Hastings Road and Moorumbine Road – Gravel resheeting sandy section of road- Cost \$449,784.
- Wickepin Pingelly Road upgrade between Bullaring Road and Old Wickepin Road – Reconstruction 550 metre of road – Cost \$251,952.
- Wickepin Pingelly Road failures - Cost \$28,654.
- WANDRRA Road reinstatement work from storm damage in February 2017 on Ford Road, Lamard Road, Kulyaling Road West, Moorumbine Road, Dwarlarking Road, Pingelly Yealering Road, Milton Road and Bulyee Road Cost – Cost \$260,688.

**STAFF:** It has been pleasing that most have had training in their particular area. I would like to congratulate them for their friendly attitude which has been commented on frequently. The outside crew has carried out work on our roads and it is gratifying to see the improvements. Travelling around the Wheatbelt I believe we have the best road network now. The town crew! Great work and many compliments on the gardens – take a good long look and try and see what visitors see – it is a credit to the town crew.

**COMMUNITY:** During the financial year we have supported many events including Remembrance Day and morning tea, presented Sportsperson trophies to the School; Fireworks at the Christmas Party; Australia Day Breakfast, Citizen and Sportsperson of the year and Australia Day and WA Week medals or trophies for club events, Thank a Volunteer Day and Anzac Day. Applications were received from local groups and received some financial assistance to support their projects.

**NEIGHBOURING COUNCILS:** We continue to work with neighbouring Councils, especially with Brookton and Beverley on regional aged issues and Wandering on Emergency Management. The CEO's from the neighbouring Shires have developed some work arrangements and this has been a good move for improving relationships.

Thank you.

Councilor Bill Mulroney ESM

President of the Shire Council of Pingelly

## Chief Executive Officers Report

The 2017/18 financial year has seen another challenging, busy and productive year with the Pingelly Recreation & Cultural Centre (PRACC) and Pingelly Age Appropriate Accommodation (PAAA) major capital project progressing well with both projects set for completion in 2018/19.

The Shire of Pingelly continues to progress and mature in its asset management arrangements under the Integrated Planning and Reporting (IPR) requirements set by the State Government. The challenge of allocating scarce resources each budget year assisted by the IPR informing documents.

2017/18 saw the retirement of Shire President Cr Shirley Lange after 14 years long and loyal service on Council, 6 years as Shire President. Also Cr Ray Marshall retiring from Council after 10 years long and loyal service on Council.

A cordial and productive working relationship exists between elected members and the administration; a relationship which is based on respect and a mutual desire to achieve positive results for the Shire's community.

During the financial year a number of projects have been delivered:

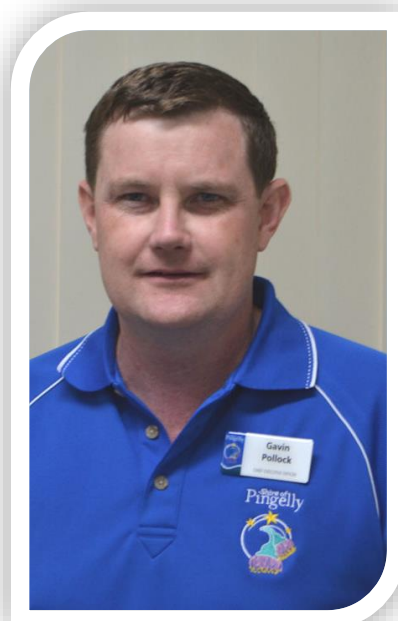
- Works in Progress Pingelly Recreation & Cultural Centre \$6.803M.
- Works in Progress Pingelly Age Appropriate Accommodation \$1.595M.
- Wickepin Pingelly Rd Roads to Recovery project \$28,654.
- Wickepin Pingelly Rd Regional Road Group (RRG) project \$251,952.
- Bullaring Pingelly Rd Regional Road Group (RRG) project \$34,657.
- Yenellin Road Upgrade Regional Road Group (RRG) carry over project 18/19 \$119,561.
- Shaddick Road Realignment Commodity Route Supplementary Fund (CRSF) \$235,000.
- Shaddick Road Regravel Commodity Route Supplementary Fund (CRSF) \$214,784
- Quadrant St Construction \$6,757.
- DFES Emergency Services Levy replacement of Pingelly Brigade Fire truck \$377,283.
- WA Natural Disaster Relief and Recovery Arrangements (WANDRRA)-Storm Damage \$284,000.
- Roadside vegetation control and spraying program \$44,080.
- Gravel resheeting of various roads \$164,000.

The Shire's contracted Ranger Services through WA Contract Ranger Services continues a very cost efficient and ongoing successful outsourcing arrangement.

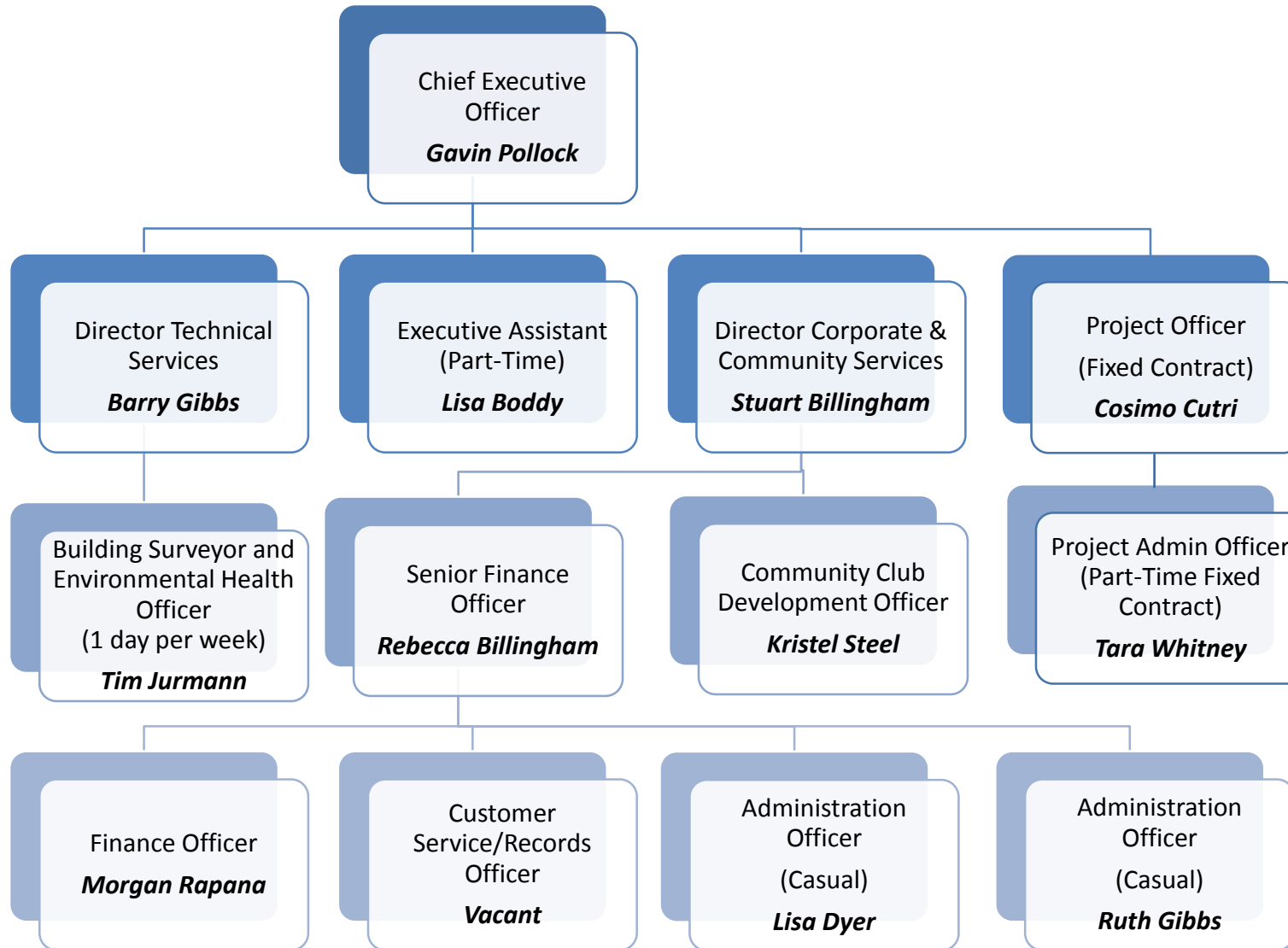
I wish to take this opportunity to thank all the Councillors and staff for their commitment and team work, working together with our community during the year, to achieve the visions and goals of the Shire of Pingelly.

Thank you to you all.

Gavin Pollock  
**Chief Executive Officer**

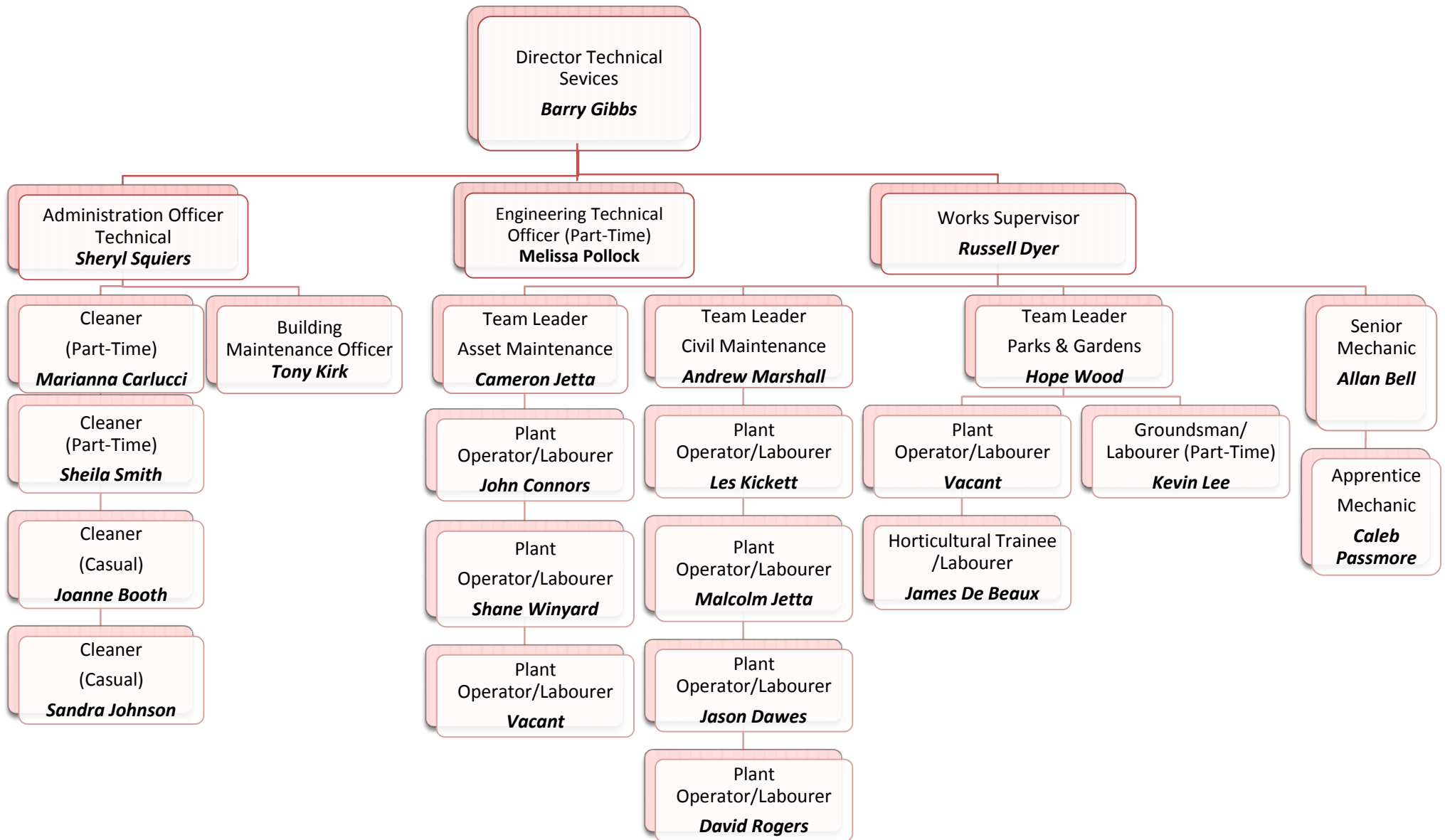


## Organisational Structure (June 2018) - Administration





## Organisational Structure (June 2018) – Engineering Services



## Statutory Reports

### Complaints Lodged Under Provisions of *Local Government Act 1995*

The *Local Government Act 1995* Part 5 was amended during 2007 providing for a new complaints system for minor and serious breaches of the Act by Councilors and Staff.

No complaints were received during the 2017/2018 financial year.

S 5.120. Responsible Complaints Officer: Chief Executive Officer.

### Disability Access & Inclusion Plan

Under *Disability Services Act 1993*, amended in 2004, Council is required to lodge this report with the Disability Services Commission.

Council adopted a new Shire of Pingelly Access and Inclusion Plan (DAIP) 2015-2019 at the Council meeting held on 9 June 2015.

This plan aims to build on the capacity for people with disabilities to access the Shire of Pingelly services, facilities and information that promotes independence, opportunities and inclusion in the community.

The Shire of Pingelly recognises:

- That people with disability are valued members of the community who make a variety of contributions to local, social and cultural life;
- People with disability, their families and careers should be supported to remain in the community;
- Its commitment to consulting with people with disabilities, their families and careers, and disability organisations in addressing barriers to access and inclusion;
- Its commitment to ensure contractors and agents works towards the desired outcomes in the DAIP;
- Is committed to supporting local community groups and business to provide access and inclusion to people with disability;
- Its commitment to achieving the seven desired outcomes of its DAIP.

### Improvements since the last DAIP:

- Existing functions, facilities and services are adapted to meet the needs of people with disability:
  - The Pingelly Library now has a borrow box program to give online access to audio books
- Access to buildings and facilities have been improved:
  - Improved access was provided to the Administration building, including a ramp and non-slip coating on paving
  - Accessible public toilets are operating in Pioneer Park
  - Ramp access has been provided at the Community Centre
  - A maze at the major railway crossing has been installed in conjunction with main roads-included tactile paving and a tap rail
- Employee awareness of needs of people with disabilities and skills in delivering service is provided
  - Key Shire employees received disability awareness training with regard to the provision of services and facilities
- Opportunities are provided to people with disability to participate in public consultations, grievance mechanisms and decision-making process
  - Information on consultations was simplified and can be available in alternative formats
  - Municipal election voting was held in an accessible building, with the provision of assistance where requested as permitted under the *Local Government (Elections) Regulations 1997* Section 67
  - Consultation for the preparation of this version of the DAIP included the participation of service providers for people with disabilities

Accessibility information has been made available on Shire's website.

## Employee Remuneration

In accordance with section 5.53(2) (g) of the *Local Government Act 1995* and Section 19B of the *Local Government (Administration) Regulations 1996*, the following information is provided with respect to employees annual salary entitlement:

Set out below, in bands of \$10,000 is the number of employees of the Shire of Pingelly remuneration with an annual salary of \$100,000 or more.

| Salary Range \$ | Number of Employees |
|-----------------|---------------------|
| 100,000-109,999 |                     |
| 110,000-119,999 | 2                   |
| 120,000-129,999 |                     |
| 130,000-139,999 |                     |
| 140,000-149,999 |                     |
| 150,000-159,999 |                     |
| 160,000-169,999 | 1                   |



## Freedom of Information

During the 2017/2018 financial year, Council received no requests for information under *Freedom of Information Act 1992*.

Council prides itself on being both accountable and accessible to electors and unless containing certain matters, such as personal information etc. is generally able to satisfy all requests for information on any Council related matter outside of the requirements of this Act.

Responsible Officer: Director Corporate & Community Services.

## National Competition Policy

In respect to Council's responsibilities in relation to National Competition Policy the Shire of Pingelly reports as follows:

No business enterprise of the Shire has been classified by the Australian Bureau of statistics as either a Public Trading Enterprise or a Public Financial Enterprise.

Competitive neutrality has not applied to any activities undertaken by the Shire in this reporting period.

No allegations of non-compliance with the competitive neutrality principles have been made by any private entity.

## Overview of Plan for the Future

*Local Government Act 1995* Section 5.51(2) (e) and Section 5.56 a Local Government requires to plan for the future of the district.

This requirement, which replaced the previous Principal Activities Plan, has now been further defined to require that all local authorities adopt a Ten Year Strategic Community Plan and Corporate Business Plan.

Council undertook considerable consultation with the local community and property owners with respect to the formation of a Strategic Community Plan.

Community members invested significant time and energy into contributing to the various workshops, meetings and calls for submission that formed part of this process.

The Shire of Pingelly Strategic Community Plan was adopted by Council in 2012.

## Public Interest Disclosure

In accordance with the *Public Interest Disclosure Act 2003*, procedures have been implemented to facilitate receiving, reporting and action on public interest disclosures.

During the 2017/2018 reporting period, no public interest disclosures were lodged.

Responsible officer: Director Corporate & Community Services.

## Recordkeeping Plan

Section 19 of the *State Records Act 2000* requires that every government organisation must have a Recordkeeping Plan (RKP) that has been approved by the State Records Commission.

The RKP sets out the matters about which records are to be created by the organization and how it is to be kept. This document provides as accurate reflection of the RKP program within the Shire of Pingelly. The inclusion of such documentation will constitute evidence of compliance.

Staff members responsible for records management have been trained in the basic retention and disposal methods for Local Government and have attended RKP training at the Office of State Records.

In house training sessions for staff are conducted on an as needs basis, for example, when an aspect of the recordkeeping systems changes, or if, responsibilities change.

In accordance with Section 28 of the *State Records Act 2000*, the RKP for the Shire of Pingelly was reviewed, adopted by Council at the ordinary council meeting held on 18 March 2015 and presented to the State Records Office.

At its meeting on 7 August 2015, the State Records Commission approved the Shire of Pingelly RKP and a review of the plan will be submitted on or before 7 August 2020.

Responsible officer: Director Corporate & Community Services.

# Shire of Pingelly

## 2017-2018

### Council Preferred Agents

#### AUDITORS

AMD Chartered Accountants  
PO Box 1306  
BUNBURY WA 6231

#### BANKING AGENTS

Bendigo Bank  
PO Box 480  
BENDIGO VIC 3552

#### DEBT RECOVERY WA AGENTS

AMPAC Debt Recovery  
GPO Box 2779  
Cloisters Square PO  
PERTH WA 6850

#### SETTLEMENT AGENTS

Combined Property Settlements Agency Pty Ltd  
PO Box 4312  
MYAREE WA 6960

#### INSURANCE BROKING

LGIS  
PO Box 1003  
WEST PERTH WA 6872

#### RISK MANAGEMENT/OHS

Local Government Insurance Services  
Po Box 1003  
WEST PERTH WA 6872

#### SOLICITORS

McLeod's Barristers & Solicitors  
220-222 Stirling Highway  
CLAREMONT WA 6010

#### TAXATION AND ACCOUNTING

WALGA Tax Service  
15 Altona Street  
WEST PERTH WA 6872

(The above list is provided to inform Electors of those companies who provide significant advice to Council).



## Annual Financial Report Executive Summary

The Financial Report for the 2017/2018 financial year has been prepared in accordance with the requirements of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* including amendments up to June 2018, and the relevant Australian Accounting Standards.

The following summary is designed to provide comment on the financial information contained within the Annual Financial Report to assist Electors in comprehending the information.

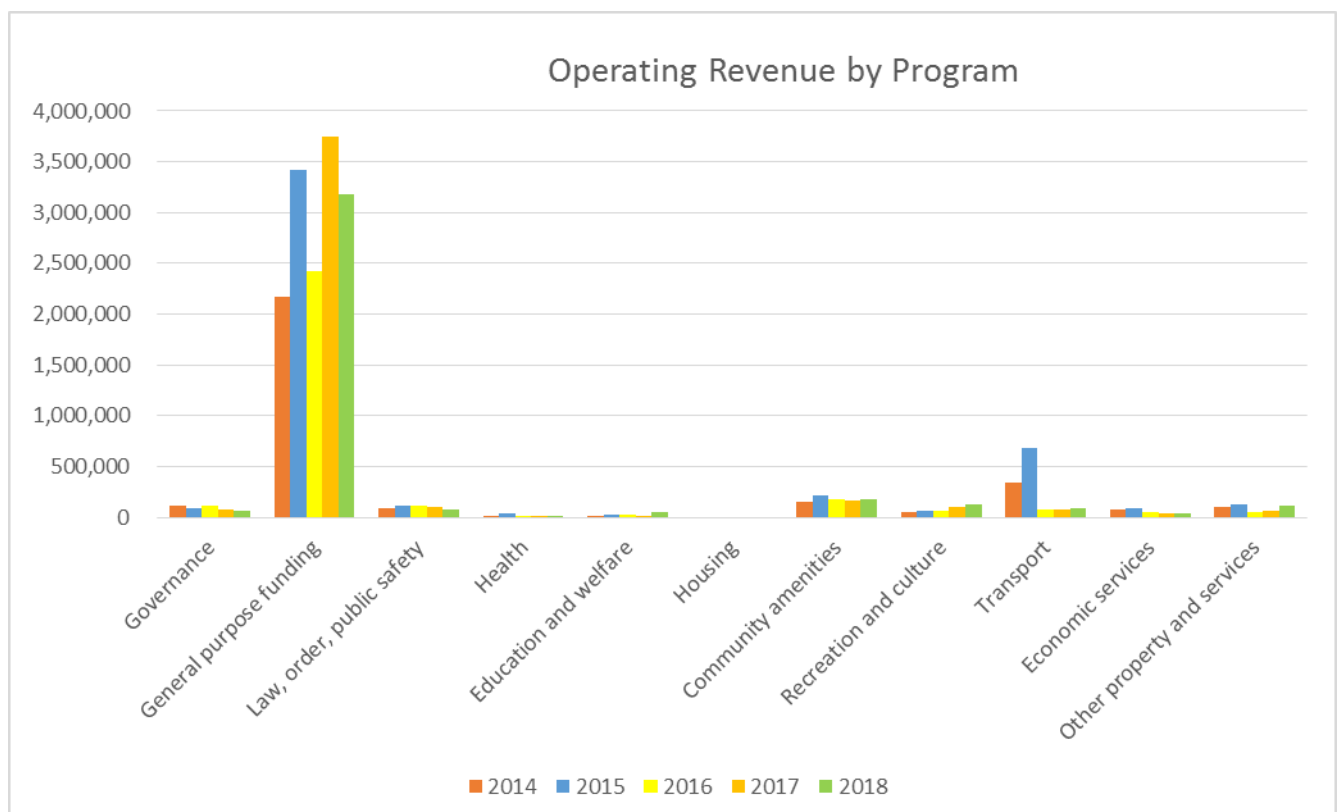
### Overall Financial Position

The Shire of Pingelly's Net Result for 2017/18 was an operating surplus of \$1,620,939, an increase on the 2016/2017 operating result which was \$1,431,510. The \$189,429 difference is attributed to \$470,713 decrease in Operating Grants and an increase of \$2,814,332 in Non-Operating Grants for 2017/18 from 2016/17 levels.

The operating result included the bringing to account a \$3,761,693 decrement on changes on revaluation of Infrastructure non-current assets in 2017/18. Council continues to maintain adequate levels of Reserve Funds.

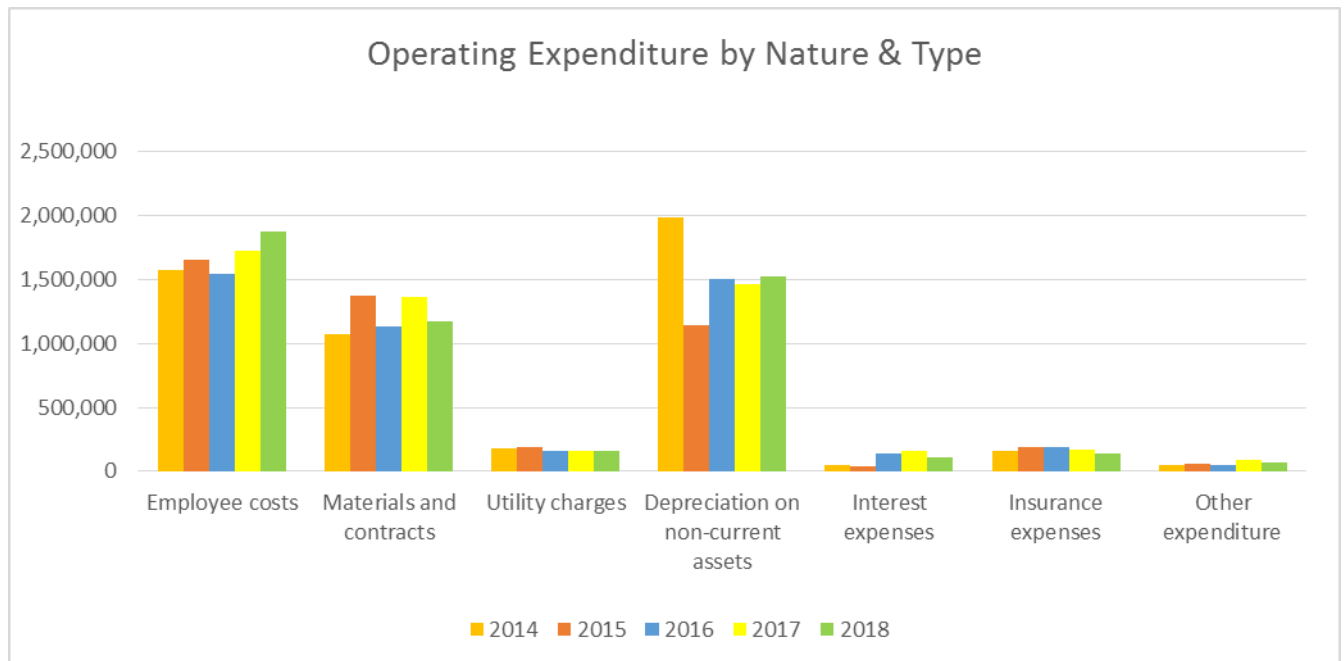
### Summary of Income and Expenditure

Council's various income and expenditure streams are classified into types, and these classifications are based on programs listed below.



Employee costs which are a combination of salary and wages, labour overheads, superannuation, workers compensation insurance, protective clothing/uniforms and fringe benefits tax and these are the largest operating expense for the shire.

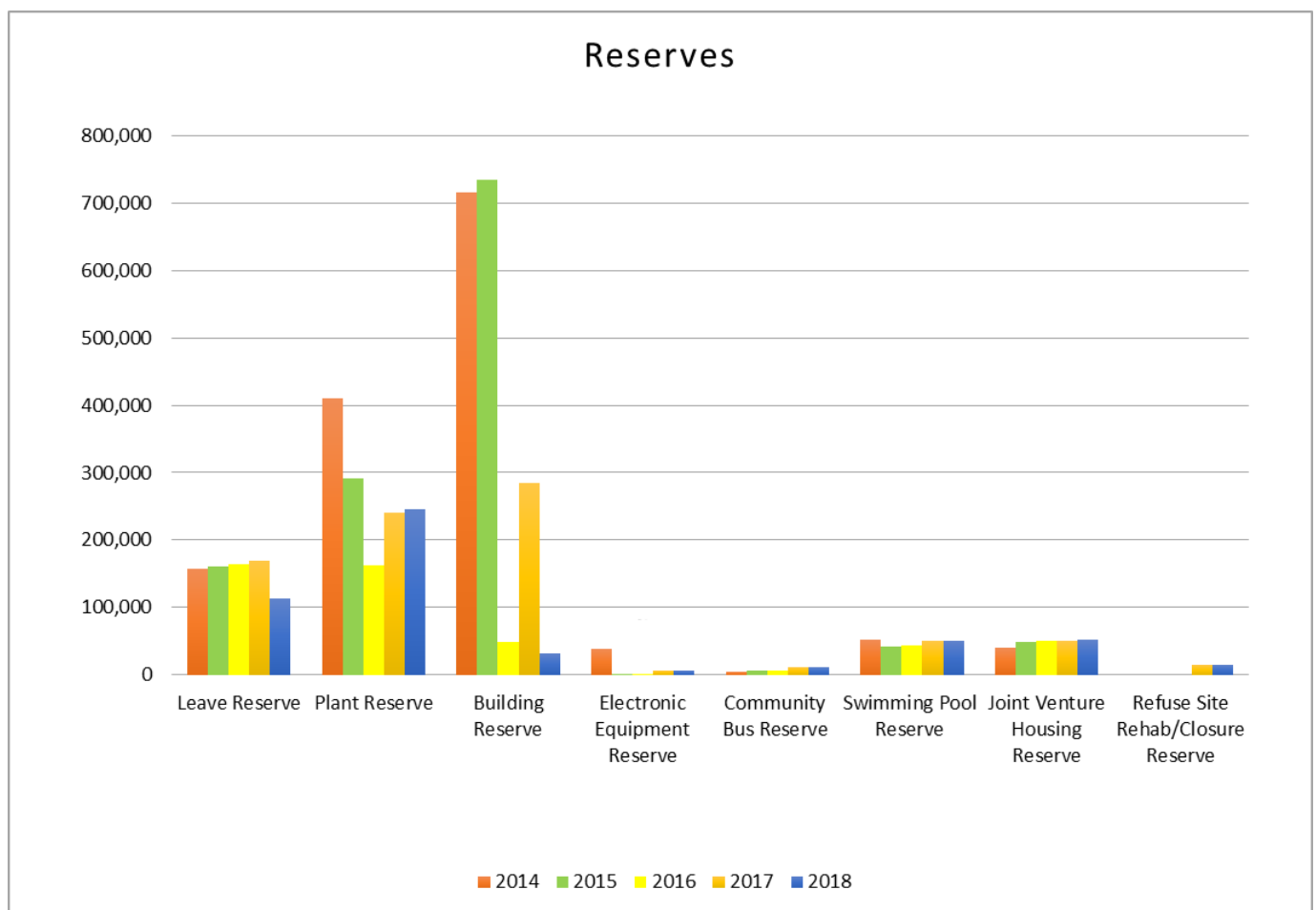
Operating statement Employee costs for 2017/18 were \$1.874 million compared to \$1.723 million from the previous year 2016/17. The Shire has managed to keep employee costs to a manageable level in 2017/2018, given the extra staffing required for the Pingelly Recreation and Cultural Centre (PRACC) and the Pingelly Aged Appropriate Accommodation (PAAA) projects.



## Reserves

The Shire of Pingelly's total cash backed Reserve Funds of \$527,576 decreased by \$299,812 for the 2017/18 financial year. The decrease predominately from the transfer from the Building Reserve of \$260,000 towards funding the Pingelly Recreation and Cultural Centre (PRACC) and the transfer from the Leave Reserve of \$60,000 to cover payments of Long Service Leave and Annual Leave during the year. Transfers to Reserves only consisting of interest of \$20,188.

Whereas the Swimming Pool Reserve and Plant Reserves continue to be steady. Lump sum transfers from Reserve Fund to the Municipal Fund were used for the purpose for which they were set aside.

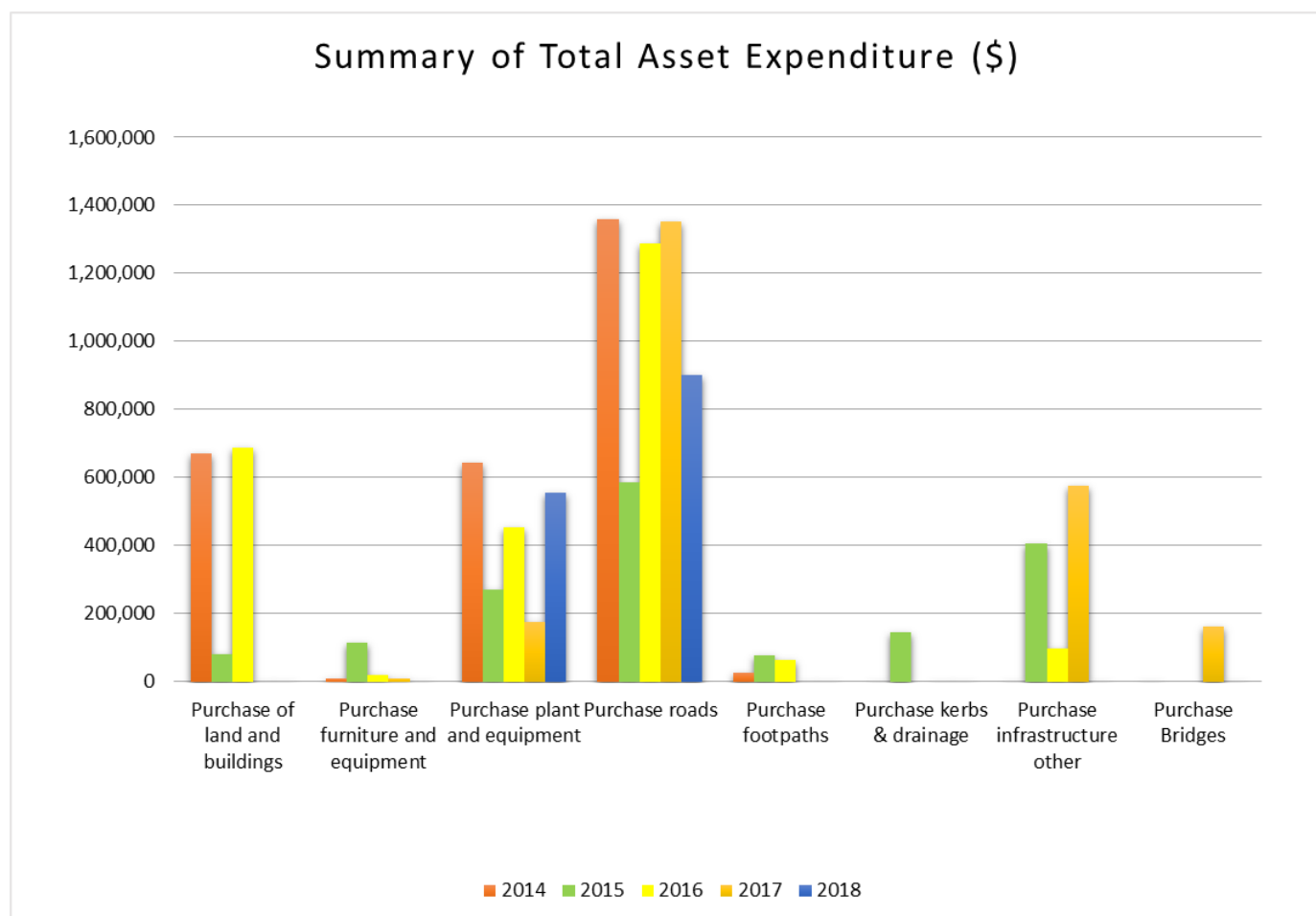




## Capital Expenditure

Expenditure on capital works and purchases for the 2017/2018 year is as follows for the individual classes of assets, with comparison from the previous year.

It should be noted in 2017/2018 Infrastructure (all classes) has been revalued by the bringing to account a \$3,761,693 reduction/decrement due to changes on revaluation of Infrastructure non-current assets.



## Financial Ratios

Changes to the *Local Government (Financial Management) Regulations 1996*, Section 50(1), introduced a new set of financial ratios for all Western Australian Local Governments to report.

The Shire of Pingelly for 2017/18 currently met almost all of the basic standards, except for the Current Ratio, Operating Surplus Ratio and Asset Renewal Ratio. The Current Ratio affected by the Short Term Borrowing of \$500,000 being carried as a current liability at 30 June 2018. These funds to be converted to a Long Term Debenture in 2019/20. The following table demonstrates the position for the last five financial reporting periods:

| <b>Financial Management</b>       | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Current Ratio                     | 0.74        | 2.03        | 1.05        | 3.89        | 5.35        |
| Debt Service Cover Ratio          | 2.92        | 0.25        | (0.07)      | 1.12        | 0.53        |
| Operating Surplus Ratio           | (0.47)      | (0.60)      | (0.72)      | (0.47)      | (0.91)      |
| Own Source Revenue Coverage Ratio | 0.48        | 0.42        | 0.48        | 0.48        | 0.42        |
| <b>Asset Management</b>           |             |             |             |             |             |
| Asset Consumption Ratio           | 0.71        | 0.71        | 0.62        | 0.99        | 0.80        |
| Asset Sustainability Ratio        | 2.90        | 2.23        | 1.60        | 0.31        | 1.03        |
| Asset Renewal Funding Ratio       | 0.74        | 0.75        | 0.77        | 0.89        | 1.00        |

Key:

|                       |                |                       |                           |
|-----------------------|----------------|-----------------------|---------------------------|
| Did not meet Standard | Basic Standard | Intermediate Standard | Advanced Standard/Std Met |
|-----------------------|----------------|-----------------------|---------------------------|

Although there are financial challenges, particularly to provide for long term replacement for Council infrastructure and the management of operating costs, the Shire of Pingelly is well placed to meet those challenges due to the expected continued population growth and relatively sound financial position.

# APPENDIX A

2017/2018

**Annual Financial Report**

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

**TABLE OF CONTENTS**

|   |       |
|---|-------|
| Statement by Chief Executive Officer                | 2     |
| Statement of Comprehensive Income by Nature or Type | 3     |
| Statement of Comprehensive Income by Program        | 4     |
| Statement of Financial Position                     | 5     |
| Statement of Changes in Equity                      | 6     |
| Statement of Cash Flows                             | 7     |
| Rate Setting Statement                              | 8     |
| Notes to and forming part of the Financial Report   | 9-55  |
| Independent Auditor's Report                        | 56-58 |

**COMMUNITY VISION**

Pingelly, a sustainable community, where natural beauty and economic diversity provide opportunities for all

Principal place of business:  
17 Queen Street  
PINGELLY WA 6308

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire being the annual financial report and supporting notes and other information for the financial year ended 30th June 2018 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2018 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed as authorisation of issue on the 5th day of December 2018



---

Gavin Pollock  
Chief Executive Officer



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

|  | NOTE  | 2018<br>Actual<br>\$ | 2018<br>Budget<br>\$ | 2017<br>Actual<br>\$ |
|--|-------|----------------------|----------------------|----------------------|
| <b>Revenue</b>   |       |                      |                      |                      |
| Rates  | 24(a) | 1,913,399            | 1,890,925            | 1,870,046            |
| Operating grants, subsidies and contributions  | 2(a)  | 1,493,908            | 1,237,260            | 1,964,621            |
| Fees and charges   | 2(a)  | 319,050              | 280,218              | 284,771              |
| Interest earnings  | 2(a)  | 80,339               | 109,865              | 136,752              |
| Other revenue  | 2(a)  | 103,010              | 85,573               | 129,705              |
|  |       | <b>3,909,706</b>     | <b>3,603,841</b>     | <b>4,385,895</b>     |
| <b>Expenses</b>  |       |                      |                      |                      |
| Employee costs   |       | (1,874,681)          | (1,845,052)          | (1,723,449)          |
| Materials and contracts  |       | (1,172,289)          | (1,225,650)          | (1,364,108)          |
| Utility charges  |       | (159,489)            | (165,029)            | (155,854)            |
| Depreciation on non-current assets   | 10(b) | (1,522,726)          | (1,532,000)          | (1,466,111)          |
| Interest expenses  | 2(a)  | (110,744)            | (84,614)             | (154,812)            |
| Insurance expenses   | 2(b)  | (143,286)            | (157,695)            | (170,161)            |
| Other expenditure  |       | (65,900)             | (104,207)            | (87,778)             |
|  |       | <b>(5,049,115)</b>   | <b>(5,114,247)</b>   | <b>(5,122,273)</b>   |
|  |       | <b>(1,139,409)</b>   | <b>(1,510,406)</b>   | <b>(736,378)</b>     |
| Non-operating grants, subsidies and contributions                                    | 2(a)  | 6,040,577            | 6,329,826            | 3,179,845            |
| (Loss) on asset disposals  | 10(a) | 0                    | (12,000)             | (706,484)            |
| Reversal of prior year loss on revaluation of<br>Infrastructure - Footpaths          | 9(b)  | 20,106               | 0                    | 0                    |
| Reversal of prior year loss on revaluation of<br>Infrastructure - Kerbs and Drainage | 9(b)  | 507,758              | 0                    | 0                    |
|  |       | <b>5,429,032</b>     | <b>4,807,420</b>     | <b>1,736,983</b>     |
| <b>Net result</b>  |       |                      |                      |                      |
| <b>Other comprehensive income</b>  |       |                      |                      |                      |
| <i>Items that will not be reclassified subsequently to<br/>profit or loss</i>        |       |                      |                      |                      |
| Changes on revaluation of non-current assets   | 11    | (3,761,693)          | 0                    | (305,473)            |
| <b>Total other comprehensive income</b>  |       | <b>(3,761,693)</b>   | <b>0</b>             | <b>(305,473)</b>     |
| <b>Total comprehensive income</b>  |       | <b>1,667,339</b>     | <b>4,807,420</b>     | <b>1,431,510</b>     |

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

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

|   | NOTE  | 2018<br>Actual<br>\$ | 2018<br>Budget<br>\$ | 2017<br>Actual<br>\$ |
|---|-------|----------------------|----------------------|----------------------|
| <b>Revenue</b>  | 2(a)  |                      |                      |                      |
| Governance  |       | 59,216               | 65,370               | 73,207               |
| General purpose funding   |       | 3,174,924            | 2,559,639            | 3,742,376            |
| Law, order, public safety   |       | 77,627               | 111,624              | 103,107              |
| Health  |       | 8,283                | 11,908               | 11,983               |
| Education and welfare   |       | 44,810               | 45,846               | 16,785               |
| Community amenities   |       | 174,269              | 163,170              | 162,643              |
| Recreation and culture  |       | 123,362              | 42,020               | 96,445               |
| Transport   |       | 95,001               | 495,114              | 80,794               |
| Economic services   |       | 43,885               | 50,150               | 35,980               |
| Other property and services   |       | 108,329              | 59,000               | 62,575               |
|   |       | 3,909,706            | 3,603,841            | 4,385,895            |
| <b>Expenses</b>   | 2(a)  |                      |                      |                      |
| Governance  |       | (556,517)            | (577,754)            | (577,196)            |
| General purpose funding   |       | (176,753)            | (167,704)            | (188,660)            |
| Law, order, public safety   |       | (200,344)            | (252,396)            | (209,005)            |
| Health  |       | (109,345)            | (112,480)            | (133,557)            |
| Education and welfare   |       | (30,423)             | (35,779)             | (36,616)             |
| Community amenities   |       | (370,812)            | (391,955)            | (457,121)            |
| Recreation and culture  |       | (850,934)            | (926,665)            | (1,014,453)          |
| Transport   |       | (2,324,410)          | (2,254,150)          | (2,023,285)          |
| Economic services   |       | (231,661)            | (285,114)            | (261,802)            |
| Other property and services   |       | (87,172)             | (25,636)             | (65,766)             |
|   |       | (4,938,371)          | (5,029,633)          | (4,967,461)          |
| <b>Finance Costs</b>  | 2(a)  |                      |                      |                      |
| Law, order, public safety   |       | 0                    | 0                    | (40,550)             |
| Education and welfare   |       | (12,459)             | (12,464)             | (13,353)             |
| Recreation and culture  |       | (98,285)             | (72,150)             | (100,909)            |
|   |       | (110,744)            | (84,614)             | (154,812)            |
|   |       | (1,139,409)          | (1,510,406)          | (736,378)            |
| Non-operating grants, subsidies and contributions                                 | 2(a)  | 6,040,577            | 6,329,826            | 3,179,845            |
| Profit on disposal of assets  | 10(a) | 0                    | 0                    | 0                    |
| (Loss) on disposal of assets  | 10(a) | 0                    | (12,000)             | (706,484)            |
| Reversal of prior year loss on revaluation of Infrastructure - Footpaths          | 9(b)  | 20,106               | 0                    | 0                    |
| Reversal of prior year loss on revaluation of Infrastructure - Kerbs and Drainage | 9(b)  | 507,758              | 0                    | 0                    |
|   |       | 6,568,441            | 6,317,826            | 2,473,361            |
| <b>Net result</b>   |       | <b>5,429,032</b>     | <b>4,807,420</b>     | <b>1,736,983</b>     |
| <b>Other comprehensive income</b>   |       |                      |                      |                      |
| <i>Items that will not be reclassified subsequently to profit or loss</i>         |       |                      |                      |                      |
| Changes on revaluation of non-current assets                                      | 11    | (3,761,693)          | 0                    | (305,473)            |
| <b>Total other comprehensive income</b>   |       | <b>(3,761,693)</b>   | <b>0</b>             | <b>(305,473)</b>     |
| <b>Total comprehensive income</b>   |       | <b>1,667,339</b>     | <b>4,807,420</b>     | <b>1,431,510</b>     |

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

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

|   | NOTE  | 2018              | 2017              |
|---|-------|-------------------|-------------------|
|   |       | \$                | \$                |
| <b>CURRENT ASSETS</b>                   |       |                   |                   |
| Cash and cash equivalents               | 3     | 1,073,956         | 3,431,783         |
| Investments                             | 4     | 5,000             | 5,000             |
| Trade and other receivables             | 6     | 427,356           | 804,829           |
| Inventories                             | 7     | 8,380             | 2,474             |
| <b>TOTAL CURRENT ASSETS</b>             |       | <b>1,514,692</b>  | <b>4,244,086</b>  |
| <b>NON-CURRENT ASSETS</b>               |       |                   |                   |
| Other receivables                       | 6     | 231,479           | 233,102           |
| Investments                             | 4     | 46,400            | 0                 |
| Property, plant and equipment           | 8     | 18,436,371        | 10,013,560        |
| Infrastructure                          | 9     | 68,425,476        | 71,927,499        |
| <b>TOTAL NON-CURRENT ASSETS</b>         |       | <b>87,139,726</b> | <b>82,174,161</b> |
| <b>TOTAL ASSETS</b>                     |       | <b>88,654,418</b> | <b>86,418,247</b> |
| <b>CURRENT LIABILITIES</b>              |       |                   |                   |
| Trade and other payables                | 12    | 234,508           | 148,721           |
| Short term borrowings                   | 13    | 500,000           | 0                 |
| Current portion of long term borrowings | 14(a) | 98,336            | 58,460            |
| Provisions                              | 15    | 303,871           | 250,327           |
| <b>TOTAL CURRENT LIABILITIES</b>        |       | <b>1,136,715</b>  | <b>457,508</b>    |
| <b>NON-CURRENT LIABILITIES</b>          |       |                   |                   |
| Long term borrowings                    | 14(a) | 2,372,406         | 2,470,742         |
| Provisions                              | 15    | 53,186            | 65,225            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>    |       | <b>2,425,592</b>  | <b>2,535,967</b>  |
| <b>TOTAL LIABILITIES</b>                |       | <b>3,562,307</b>  | <b>2,993,475</b>  |
| <b>NET ASSETS</b>                       |       | <b>85,092,111</b> | <b>83,424,772</b> |
| <b>EQUITY</b>                           |       |                   |                   |
| Retained surplus                        |       | 32,940,727        | 27,211,883        |
| Reserves - cash backed                  | 5     | 527,576           | 827,388           |
| Revaluation surplus                     | 11    | 51,623,808        | 55,385,501        |
| <b>TOTAL EQUITY</b>                     |       | <b>85,092,111</b> | <b>83,424,772</b> |

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

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

|                                   |      | RESERVES          |                        |                     |
|-----------------------------------|------|-------------------|------------------------|---------------------|
|                                   | NOTE | RETAINED SURPLUS  | CASH/INVESTMENT BACKED | REVALUATION SURPLUS |
|                                   |      | \$                | \$                     | \$                  |
| <b>Balance as at 1 July 2016</b>  |      | <b>25,825,434</b> | <b>476,854</b>         | <b>55,690,974</b>   |
| Comprehensive income              |      |                   |                        |                     |
| Net result                        |      | 1,736,983         | 0                      | 0                   |
| Changes on revaluation of assets  | 11   | 0                 | 0                      | (305,473)           |
| Total comprehensive income        |      | 1,736,983         | 0                      | (305,473)           |
| Transfers from/(to) reserves      |      | (350,534)         | 350,534                | 0                   |
| <b>Balance as at 30 June 2017</b> |      | <b>27,211,883</b> | <b>827,388</b>         | <b>55,385,501</b>   |
| Comprehensive income              |      |                   |                        |                     |
| Net result                        |      | 5,429,032         | 0                      | 0                   |
| Changes on revaluation of assets  | 11   | 0                 | 0                      | (3,761,693)         |
| Total comprehensive income        |      | 5,429,032         | 0                      | (3,761,693)         |
| Transfers from/(to) reserves      |      | 299,812           | (299,812)              | 0                   |
| <b>Balance as at 30 June 2018</b> |      | <b>32,940,727</b> | <b>527,576</b>         | <b>51,623,808</b>   |

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

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

|   | NOTE | 2018<br>Actual<br>\$ | 2018<br>Budget<br>\$ | 2017<br>Actual<br>\$ |
|---|------|----------------------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                      |                      |                      |
| <b>Receipts</b>   |      |                      |                      |                      |
| Rates   |      | 1,840,852            | 1,890,925            | 1,821,279            |
| Operating grants, subsidies and contributions                   |      | 1,994,761            | 1,676,745            | 1,499,975            |
| Fees and charges  |      | 319,050              | 280,218              | 284,771              |
| Interest earnings   |      | 80,339               | 109,865              | 136,752              |
| Goods and services tax  |      | (57,709)             | 359,558              | (24,773)             |
| Other revenue   |      | 103,010              | 85,573               | 129,705              |
|   |      | 4,280,303            | 4,402,884            | 3,847,709            |
| <b>Payments</b>   |      |                      |                      |                      |
| Employee costs  |      | (1,850,512)          | (1,865,048)          | (1,607,790)          |
| Materials and contracts   |      | (1,124,243)          | (1,115,527)          | (1,629,983)          |
| Utility charges   |      | (159,489)            | (165,029)            | (155,854)            |
| Interest expenses   |      | (61,573)             | (84,614)             | (158,426)            |
| Insurance expenses  |      | (143,286)            | (157,695)            | (170,161)            |
| Goods and services tax  |      | 0                    | (359,558)            | 0                    |
| Other expenditure   |      | (71,889)             | (104,207)            | (87,931)             |
|   |      | (3,410,992)          | (3,851,678)          | (3,810,145)          |
| <b>Net cash provided by (used in)<br/>operating activities</b>  | 16   | 869,311              | 551,206              | 37,564               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                      |                      |                      |
| Payments for purchase of<br>property, plant & equipment         |      | (8,775,976)          | (9,479,493)          | (2,244,813)          |
| Payments for construction of<br>infrastructure                  |      | (901,367)            | (1,387,460)          | (1,514,492)          |
| Payment for Non Current Investments                             |      | (46,400)             |                      |                      |
| Non-operating grants,<br>subsidies and contributions            |      | 6,040,577            | 6,329,826            | 3,179,845            |
| Proceeds from sale of fixed assets                              |      | 0                    | 20,000               | 554,658              |
| <b>Net cash provided by (used in)<br/>investment activities</b> |      | (3,683,166)          | (4,517,127)          | (24,802)             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                      |                      |                      |
| Repayment of long term borrowings                               |      | (58,460)             | (78,674)             | (553,666)            |
| Proceeds from self supporting loans                             |      | 14,488               | 14,489               | 468,425              |
| Proceeds from new short term borrowings                         |      | 500,000              | 0                    | 0                    |
| Proceeds from new long term borrowings                          |      | 0                    | 1,200,000            | 0                    |
| <b>Net cash provided by (used in)<br/>financing activities</b>  |      | 456,028              | 1,135,815            | (85,241)             |
| <b>Net increase (decrease) in cash held</b>                     |      | (2,357,827)          | (2,830,106)          | (72,479)             |
| Cash at beginning of year                                       |      | 3,431,783            | 3,581,436            | 3,504,262            |
| <b>Cash and cash equivalents<br/>at the end of the year</b>     | 16   | 1,073,956            | 751,330              | 3,431,783            |

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



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

| NOTE   | 2018<br>Actual    | 2018<br>Budget | 2017<br>Actual   |
|--|-------------------|----------------|------------------|
|  | \$                | \$             | \$               |
| <b>OPERATING ACTIVITIES</b>  |                   |                |                  |
| <b>Net current assets at start of financial year - surplus/(deficit)</b> | 1,345,278         | 1,375,310      | 384,951          |
|  | 1,345,278         | 1,375,310      | 384,951          |
| <b>Revenue from operating activities (excluding rates)</b>               |                   |                |                  |
| Governance   | 59,216            | 65,370         | 73,207           |
| General purpose funding  | 1,282,200         | 668,714        | 1,876,559        |
| Law, order, public safety  | 77,627            | 111,624        | 103,107          |
| Health   | 8,283             | 11,908         | 11,983           |
| Education and welfare  | 44,810            | 45,846         | 16,785           |
| Community amenities  | 174,269           | 163,170        | 162,643          |
| Recreation and culture   | 123,362           | 42,020         | 96,445           |
| Transport  | 95,001            | 495,114        | 80,794           |
| Economic services  | 43,885            | 50,150         | 35,980           |
| Other property and services  | 108,329           | 59,000         | 62,575           |
|  | 2,016,982         | 1,712,916      | 2,520,078        |
| <b>Expenditure from operating activities</b>                             |                   |                |                  |
| Governance   | (556,517)         | (589,754)      | (594,713)        |
| General purpose funding  | (176,753)         | (167,704)      | (188,660)        |
| Law, order, public safety  | (200,344)         | (252,396)      | (249,555)        |
| Health   | (109,345)         | (112,480)      | (137,690)        |
| Education and welfare  | (42,882)          | (48,243)       | (49,969)         |
| Community amenities  | (370,812)         | (391,955)      | (457,121)        |
| Recreation and culture   | (949,219)         | (998,815)      | (1,580,338)      |
| Transport  | (2,324,410)       | (2,254,150)    | (2,028,954)      |
| Economic services  | (231,661)         | (285,114)      | (475,991)        |
| Other property and services  | 440,692           | (25,636)       | (65,766)         |
|  | (4,521,251)       | (5,126,247)    | (5,828,757)      |
| <b>Operating activities excluded</b>                                     |                   |                |                  |
| Loss on disposal of assets   | 10(a) 0           | 12,000         | 706,484          |
| Loss on revaluation of fixed assets                                      | 9(b) 0            | 0              | 0                |
| (Reversal) of prior year loss on revaluation of fixed assets             | (527,864)         | 0              | 0                |
| Movement in deferred pensioner rates (non-current)                       | (5,974)           | 0              | (13,149)         |
| Movement in employee benefit provisions (current)                        | 53,544            | 0              | 0                |
| Movement in employee benefit provisions (non-current)                    | (12,039)          | 0              | 107,530          |
| Depreciation and amortisation on assets                                  | 10(b) 1,522,726   | 1,532,000      | 1,466,111        |
| <b>Amount attributable to operating activities</b>                       | (128,598)         | (494,021)      | (656,752)        |
| <b>INVESTING ACTIVITIES</b>  |                   |                |                  |
| Non-operating grants, subsidies and contributions                        | 6,040,577         | 6,329,826      | 3,179,845        |
| Proceeds from disposal of assets   | 10(a) 0           | 20,000         | 554,658          |
| Purchase of Investments  | 4 (46,400)        | 0              | 0                |
| Purchase of property, plant and equipment                                | 8(b) (8,775,976)  | (9,479,493)    | (2,244,813)      |
| Purchase and construction of infrastructure                              | 9(b) (901,367)    | (1,387,460)    | (1,514,492)      |
| <b>Amount attributable to investing activities</b>                       | (3,683,166)       | (4,517,127)    | (24,802)         |
| <b>FINANCING ACTIVITIES</b>  |                   |                |                  |
| Repayment of long term borrowings  | 14(a) (58,460)    | (78,674)       | (553,666)        |
| Proceeds from new short term borrowings                                  | 13 500,000        | 0              | 0                |
| Proceeds from new long term borrowings                                   | 14(b) 0           | 1,200,000      | 0                |
| Proceeds from self supporting loans                                      | 14(a) 14,488      | 14,489         | 468,425          |
| Transferred from restricted Municipal                                    | 1,903,212         | 1,903,210      | 596,790          |
| Transfers to Restricted Assets (Other)                                   | 0                 | (200,000)      | 0                |
| Transfers to reserves (restricted assets)                                | 5 (20,188)        | (38,802)       | (734,070)        |
| Transfers from reserves (restricted assets)                              | 5 320,000         | 320,000        | 383,536          |
| <b>Amount attributable to financing activities</b>                       | 2,659,052         | 3,120,223      | 161,015          |
| <b>Surplus(deficiency) before general rates</b>                          | (1,152,712)       | (1,890,925)    | (520,539)        |
| <b>Total amount raised from general rates</b>                            | 24 1,892,724      | 1,890,925      | 1,865,817        |
| <b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>           | 25 <b>740,012</b> | <b>0</b>       | <b>1,345,278</b> |

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

1. BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

CRITICAL ACCOUNTING ESTIMATES (Continued)

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 27 to these financial statements.

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Other revenue

Reimbursements and recoveries  
Significant revenue (refer above)  
Other

#### Fees and Charges

Governance  
General purpose funding  
Law, order, public safety  
Health  
Education and welfare  
Community amenities  
Recreation and culture  
Economic services  
Other property and services

| 2018<br>Actual | 2017<br>Actual |
|----------------|----------------|
| \$             | \$             |
| 60,311         | 20,751         |
| 0              | 0              |
| 42,699         | 108,954        |
| 103,010        | 129,705        |
| 34,851         | 33,297         |
| 8,648          | 6,171          |
| 8,341          | 6,450          |
| 1,950          | 1,997          |
| 1,000          | 2,000          |
| 174,269        | 162,643        |
| 11,815         | 7,989          |
| 22,763         | 35,980         |
| 55,413         | 28,244         |
| 319,050        | 284,771        |

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

## 2. REVENUE AND EXPENSES (Continued)

### (a) Revenue (Continued)

#### Grant Revenue

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

|  | 2018             | 2017             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Operating grants, subsidies and contributions</b>     |                  |                  |
| Governance   | 90               | 10               |
| General purpose funding                                  | 1,180,166        | 1,781,330        |
| Law, order, public safety                                | 69,286           | 52,912           |
| Education and welfare                                    | 30,000           | 0                |
| Recreation and culture                                   | 29,232           | 46,344           |
| Transport  | 164,325          | 80,794           |
| Economic services  | 18,800           | 0                |
| Other property and services                              | 2,009            | 3,231            |
|  | 1,493,908        | 1,964,621        |
| <b>Non-operating grants, subsidies and contributions</b> |                  |                  |
| Governance   | 46,400           | 0                |
| Law, order, public safety                                | 377,283          | 0                |
| Education and welfare                                    | 590,909          | 777,273          |
| Recreation and culture                                   | 3,932,587        | 935,219          |
| Transport  | 1,093,398        | 1,467,353        |
|  | 6,040,577        | 3,179,845        |
| <b>Total grants, subsidies and contributions</b>         | <b>7,534,485</b> | <b>5,144,466</b> |

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, Donations and Other Contributions

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

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

##### Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 23.

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.

#### Interest earnings

- Loans receivable - clubs/institutions
  - Reserve funds
  - Other funds
- Other interest revenue (refer note 24(e))

| 2018<br>Actual | 2018<br>Budget | 2017<br>Actual |
|----------------|----------------|----------------|
| \$             | \$             | \$             |
| 12,428         | 14,064         | 55,513         |
| 20,187         | 18,801         | 17,957         |
| 22,736         | 60,000         | 59,410         |
| 24,988         | 17,000         | 3,872          |
| 80,339         | 109,865        | 136,752        |

## 2. REVENUE AND EXPENSES (Continued)

### (b) Expenses

#### Significant expense

Loss on Revaluation of Fixed Assets

#### Auditors remuneration

- Audit of the Annual Financial Report

- Other Services

#### Interest expenses (finance costs)

Long term borrowings (refer Note 14(a) )

#### Rental charges

- Operating leases

|  | 2018    | 2017    |
|--|---------|---------|
|  | \$      | \$      |
| Loss on Revaluation of Fixed Assets      | 0       | 0       |
| Auditors remuneration                    |         |         |
| - Audit of the Annual Financial Report   | 9,814   | 17,320  |
| - Other Services                         | 14,660  | 0       |
|  | 24,474  | 17,320  |
| Interest expenses (finance costs)        |         |         |
| Long term borrowings (refer Note 14(a) ) | 110,744 | 154,812 |
|  | 110,744 | 154,812 |
| Rental charges                           |         |         |
| - Operating leases                       | 12,838  | 9,840   |
|  | 12,838  | 9,840   |



**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 - Cash on Hand   |       | 750              | 750              |
| Unrestricted - Cash at Bank - Municipal   |       | 314,981          | (226,498)        |
| Restricted - Cash at Bank - Municipal   |       | 230,651          | 2,830,143        |
| Restricted Cash - Reserves  |       | 527,574          | 827,388          |
|   |       | <u>1,073,956</u> | <u>3,431,783</u> |
| Cash at Bank - Municipal  |       |                  |                  |
| Unrestricted Cash   |       | 315,731          | (225,748)        |
| Restricted Cash - Unspent Grants  |       | 230,651          | 926,933          |
| Restricted Cash - Unspent Loans (refer to Note 14 (c) )   |       | 0                | 1,903,210        |
|   |       | <u>546,382</u>   | <u>2,604,395</u> |
| The following restrictions have been imposed by regulations or other externally imposed requirements: |       |                  |                  |
| Leave Reserve   | 5     | 113,223          | 169,097          |
| Plant Reserve   | 5     | 246,256          | 240,391          |
| Building Reserve  | 5     | 31,202           | 284,266          |
| Electronic Equipment Reserve  | 5     | 6,280            | 6,130            |
| Community Bus Reserve   | 5     | 11,418           | 11,146           |
| Swimming Pool Reserve   | 5     | 51,095           | 49,878           |
| Joint Venture Housing Reserve   | 5     | 52,544           | 51,294           |
| Refuse Site Rehab/Closure Reserve   | 5     | 15,556           | 15,186           |
| Unspent grants  | 23    | 230,651          | 926,933          |
| Unspent loans   | 14(c) | 0                | 1,903,210        |
|   |       | <u>758,225</u>   | <u>3,657,531</u> |

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

**Cash and cash equivalents (Continued)**

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

#### 4. INVESTMENTS

##### Current

Financial assets at fair value through profit and loss

##### Non-current

Financial assets at fair value through profit and loss

##### Financial assets at fair value through profit and loss

At the beginning of the year

At the end of the year

##### Non-current

Interest in Local Government House Trust

| 2018   | 2017  |
|--------|-------|
| \$     | \$    |
| 5,000  | 5,000 |
| 46,400 | 0     |
| 5,000  | 5,000 |
| 5,000  | 5,000 |
| 46,400 | 0     |
| 46,400 | 0     |

This note discloses the equity the Shire of Pingelly has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House. The Total contribution by all Local Governments towards the cost of the WALGA building was \$651,076 of which the Shire of Pingelly contributed \$3,150. There are 620 units in the Local Government House Trust, 3 of which are held by the Shire of Pingelly.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Classification and subsequent measurement

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking.

Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Held-to-maturity investments

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

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

(iii) Available-for-sale financial assets

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

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

##### Impairment

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

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

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

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Impairment (Continued)

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

##### Initial recognition and measurement

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

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

##### Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

##### Derecognition

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

## 5. RESERVES - CASH BACKED

|                                   | 2018<br>Actual<br>Opening<br>Balance | 2018<br>Actual<br>Transfer<br>to | 2018<br>Actual<br>Transfer<br>(from) | 2018<br>Actual | 2018<br>Budget<br>Opening<br>Balance | 2018<br>Budget<br>Transfer<br>to | 2018<br>Budget<br>Transfer<br>(from) | 2018<br>Budget<br>Closing<br>Balance | 2017<br>Actual<br>Opening<br>Balance | 2017<br>Actual<br>Transfer<br>to | 2017<br>Actual<br>Transfer<br>(from) | 2017<br>Actual<br>Closing<br>Balance |
|-----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|----------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|
|                                   | \$                                   | \$                               | \$                                   | \$             | \$                                   | \$                               | \$                                   | \$                                   | \$                                   | \$                               | \$                                   | \$                                   |
| Leave Reserve                     | 169,097                              | 4,126                            | (60,000)                             | 113,223        | 169,097                              | 3,456                            | (60,000)                             | 112,553                              | 164,761                              | 4,336                            | 0                                    | 169,097                              |
| Plant Reserve                     | 240,391                              | 5,865                            | 0                                    | 246,256        | 240,391                              | 4,913                            | 0                                    | 245,304                              | 163,399                              | 255,528                          | (178,536)                            | 240,391                              |
| Building Reserve                  | 284,266                              | 6,936                            | (260,000)                            | 31,202         | 284,266                              | 29,767                           | (260,000)                            | 54,033                               | 48,140                               | 436,126                          | (200,000)                            | 284,266                              |
| Electronic Equipment Reserve      | 6,130                                | 150                              | 0                                    | 6,280          | 6,130                                | 5                                | 0                                    | 6,135                                | 1,041                                | 5,089                            | 0                                    | 6,130                                |
| Community Bus Reserve             | 11,146                               | 272                              | 0                                    | 11,418         | 11,147                               | 15                               | 0                                    | 11,162                               | 5,928                                | 5,218                            | 0                                    | 11,146                               |
| Swimming Pool Reserve             | 49,878                               | 1,217                            | 0                                    | 51,095         | 49,878                               | 300                              | 0                                    | 50,178                               | 43,667                               | 6,211                            | 0                                    | 49,878                               |
| Joint Venture Housing Reserve     | 51,294                               | 1,251                            | 0                                    | 52,545         | 51,293                               | 318                              | 0                                    | 51,611                               | 49,918                               | 6,376                            | (5,000)                              | 51,294                               |
| Refuse Site Rehab/Closure Reserve | 15,186                               | 371                              | 0                                    | 15,557         | 15,186                               | 28                               | 0                                    | 15,214                               | 0                                    | 15,186                           | 0                                    | 15,186                               |
|                                   | 827,388                              | 20,188                           | (320,000)                            | 527,576        | 827,388                              | 38,802                           | (320,000)                            | 546,190                              | 476,854                              | 734,070                          | (383,536)                            | 827,388                              |

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

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

| Name of Reserve                   | Anticipated<br>date of use | Purpose of the reserve   |
|-----------------------------------|----------------------------|--|
| Leave Reserve                     | Ongoing                    | - to be used to fund annual and long service leave requirements.   |
| Plant Reserve                     | Ongoing                    | - to be used for the purchase of major plant.  |
| Building Reserve                  | Ongoing                    | - to be used to fund the renovation/purchase of Shire of Pingelly buildings and Recreation Infrastructure. |
| Electronic Equipment Reserve      | Ongoing                    | - to be used to fund the purchase of administration computer system equipment.                             |
| Community Bus Reserve             | Bus replacement            | - to be used to fund the change-over of the community bus.   |
| Swimming Pool Reserve             | Ongoing                    | - to be used to fund the upgrading of the swimming pool complex  |
| Joint Venture Housing Reserve     | June 18                    | - to be used for the future maintenance of the Joint Venture units   |
| Refuse Site Rehab/Closure Reserve | Ongoing                    | - to be used to facilitate the rehabilitation/closure of the town refuse site.                             |

## 6. TRADE AND OTHER RECEIVABLES

### Current

|                                       |
|---------------------------------------|
| Rates outstanding                     |
| Sundry debtors                        |
| GST receivable                        |
| Loans receivable - clubs/institutions |
| Accrued Income                        |
| Provision for Doubtful Debts          |

### 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 |
| Impaired                  |

### Sundry debtors

Includes:

|                           |
|---------------------------|
| Past due and not impaired |
| Impaired                  |

| 2018    | 2017    |
|---------|---------|
| \$      | \$      |
| 220,559 | 153,986 |
| 100,719 | 601,751 |
| 100,041 | 42,332  |
| 7,598   | 14,489  |
| 1,958   | 1,779   |
| (3,519) | (9,508) |
| 427,356 | 804,829 |
| 57,359  | 51,385  |
| 174,120 | 181,717 |
| 231,479 | 233,102 |
| 220,559 | 146,039 |
| 0       | 7,947   |
| 97,200  | 600,190 |
| 3,519   | 1,561   |

## 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.

## 7. INVENTORIES

### Current

Fuel & Materials

| 2018  | 2017  |
|-------|-------|
| \$    | \$    |
| 8,380 | 2,474 |
| 8,380 | 2,474 |

### 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.



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

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

|   | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|
|   | <b>\$</b>        | <b>\$</b>        |
| Land and buildings                                    |                  |                  |
| Land - freehold land at:                              |                  |                  |
| - Independent valuation 2017 - level 2                | 676,506          | 676,506          |
| - Independent valuation 2017 - level 3                | 5,000            | 5,000            |
|   | <b>681,506</b>   | <b>681,506</b>   |
| Land - vested in and under the control of Council at: |                  |                  |
| - Independent valuation 2017 - level 3                | 6,000            | 6,000            |
|   | <b>6,000</b>     | <b>6,000</b>     |
| <b>Total land</b>                                     | <b>687,506</b>   | <b>687,506</b>   |
| Buildings - non-specialised at:                       |                  |                  |
| - Independent valuation 2017 - level 2                | 1,877,992        | 1,877,992        |
| Less: accumulated depreciation                        | (37,560)         | 0                |
|   | <b>1,840,432</b> | <b>1,877,992</b> |
| Buildings - specialised at:                           |                  |                  |
| - Independent valuation 2017 - level 3                | 3,793,900        | 3,793,900        |
| Less: accumulated depreciation                        | (76,915)         | 0                |
|   | <b>3,716,985</b> | <b>3,793,900</b> |
| <b>Total buildings</b>                                | <b>5,557,417</b> | <b>5,671,892</b> |
| <b>Total land and buildings</b>                       | <b>6,244,923</b> | <b>6,359,398</b> |
| Furniture and equipment at:                           |                  |                  |
| - Independent valuation 2016 - level 3                | 92,159           | 92,159           |
| - Additions after valuation - cost                    | 7,598            | 7,598            |
| Less: accumulated depreciation                        | (54,882)         | (27,093)         |
|   | <b>44,875</b>    | <b>72,664</b>    |
| Plant and equipment at:                               |                  |                  |
| - Management valuation 2016 - level 2                 | 1,298,076        | 1,298,076        |
| - Management valuation 2016 - level 3                 | 146,820          | 146,820          |
| - Additions after valuation - cost                    | 553,838          | 176,555          |
| Less: accumulated depreciation                        | (369,012)        | (158,111)        |
|   | <b>1,629,722</b> | <b>1,463,340</b> |

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

|  | <b>2018</b>       | <b>2017</b>       |
|--|-------------------|-------------------|
|  | <b>\$</b>         | <b>\$</b>         |
| Works In Progress at:                      |                   |                   |
| - Works in Progress                        | 10,516,851        | 2,118,158         |
| Less: accumulated depreciation             | 0                 | 0                 |
|  | 10,516,851        | 2,118,158         |
| <b>Total property, plant and equipment</b> | <b>18,436,371</b> | <b>10,013,560</b> |

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

### (b) Movements in Carrying Amounts

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

|  | Land -<br>freehold land | Land -<br>vested in<br>and under<br>the control<br>of Council | Total land | Buildings -<br>non-<br>specialised | Buildings -<br>specialised | Total<br>buildings | Total land<br>and<br>buildings | Furniture<br>and<br>equipment | Plant and<br>equipment | Works In<br>Progress | Total<br>property,<br>plant and<br>equipment |
|--|-------------------------|---|------------|------------------------------------|----------------------------|--------------------|--------------------------------|-------------------------------|------------------------|----------------------|--|
|  | \$                      | \$  | \$         | \$                                 | \$                         | \$                 | \$                             | \$                            | \$                     | \$                   | \$   |
| Balance at 1 July 2016   | 918,363                 | 0   | 918,363    | 2,574,368                          | 4,893,573                  | 7,467,941          | 8,386,304                      | 92,159                        | 1,444,896              | 320,008              | 10,243,367                                   |
| Additions  | 0                       | 0   | 0          | 7,588                              | 72,355                     | 79,943             | 79,943                         | 7,598                         | 359,122                | 1,798,150            | 2,244,813                                    |
| (Disposals)  | (106,664)               | 0   | (106,664)  | (522,818)                          | (464,975)                  | (987,793)          | (1,094,457)                    | 0                             | (166,685)              | 0                    | (1,261,142)                                  |
| Revaluation increments/ (decrements)<br>transferred to revaluation surplus | (130,193)               | 6,000   | (124,193)  | (135,176)                          | (46,104)                   | (181,280)          | (305,473)                      | 0                             | 0                      | 0                    | (305,473)                                    |
| Depreciation (expense)   | 0                       | 0   | 0          | (45,970)                           | (97,568)                   | (143,538)          | (143,538)                      | (27,093)                      | (173,993)              | 0                    | (344,624)                                    |
| Transfers  | 0                       | 0   | 0          |                                    | (563,381)                  | (563,381)          | (563,381)                      | 0                             | 0                      | 0                    | (563,381)                                    |
| Carrying amount at 30 June 2017  | 681,506                 | 6,000   | 687,506    | 1,877,992                          | 3,793,900                  | 5,671,892          | 6,359,398                      | 72,664                        | 1,463,340              | 2,118,158            | 10,013,560                                   |
| Additions  | 0                       | 0   | 0          | 0                                  | 0                          | 0                  | 0                              | 0                             | 377,283                | 8,398,693            | 8,775,976                                    |
| Depreciation (expense)   | 0                       | 0   | 0          | (37,560)                           | (76,915)                   | (114,475)          | (114,475)                      | (27,789)                      | (210,901)              | 0                    | (353,165)                                    |
| Carrying amount at 30 June 2018  | 681,506                 | 6,000   | 687,506    | 1,840,432                          | 3,716,985                  | 5,557,417          | 6,244,923                      | 44,875                        | 1,629,722              | 10,516,851           | 18,436,371                                   |

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

| Asset Class                    | Fair Value Hierarchy | Valuation Technique  | Basis of Valuation             | Date of Last Valuation | Inputs Used   |
|--------------------------------|----------------------|--|--------------------------------|------------------------|---|
| <b>Land and buildings</b>      |                      |  |                                |                        |   |
| Land - freehold land           | 2                    | Market approach using recent observable market data for similar properties         | Independent registered valuers | June 2017              | price per hectare   |
| Buildings - non-specialised    | 2                    | Market approach using recent observable market data for similar properties         | Independent registered valuers | June 2017              | price per square metre  |
| Buildings - specialised        | 3                    | Improvements to land valued using cost approach using depreciated replacement cost | Independent registered valuers | June 2017              | Improvements to land using construction costs and current condition (Level 2) , residual values and remaining life assessments (Level 3) inputs |
| <b>Furniture and equipment</b> | 3                    | Cost approach using depreciated replacement cost                                   | Management valuation           | June 2016              | Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs                          |
| <b>Plant and equipment</b>     |                      |  |                                |                        |   |
| - Management valuation 2016    | 2                    | Market approach using recent observable market data for similar items              | Management valuation           | June 2016              | Price per item  |
| - Management valuation 2016    | 3                    | Cost approach using depreciated replacement cost                                   | Management valuation           | June 2016              | Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs                          |

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

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

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

**9 (a). INFRASTRUCTURE**

|  | <b>2018</b>       | <b>2017</b>       |
|--|-------------------|-------------------|
|  | <b>\$</b>         | <b>\$</b>         |
| Infrastructure - Roads                 |                   |                   |
| - Management valuation 2015 - level 3  | 0                 | 58,644,635        |
| - Independent valuation 2018 - level 3 | 66,962,573        | 0                 |
| - Additions after valuation - cost     | 0                 | 2,639,407         |
| Less: accumulated depreciation         | (14,292,762)      | (1,571,357)       |
|  | <b>52,669,811</b> | <b>59,712,685</b> |
| Infrastructure - Footpaths             |                   |                   |
| - Management valuation 2015 - level 3  | 0                 | 952,387           |
| - Independent valuation 2018 - level 3 | 1,499,948         | 0                 |
| - Additions after valuation - cost     | 0                 | 62,795            |
| Less: accumulated depreciation         | (539,229)         | (49,189)          |
|  | <b>960,719</b>    | <b>965,993</b>    |
| Infrastructure - Kerbs and Drainage    |                   |                   |
| - Management valuation 2015 - level 3  | 0                 | 1,155,497         |
| - Independent valuation 2018 - level 3 | 9,037,311         | 0                 |
| Less: accumulated depreciation         | (3,684,315)       | (54,959)          |
|  | <b>5,352,996</b>  | <b>1,100,538</b>  |
| Infrastructure - Other                 |                   |                   |
| - Management valuation 2015 - level 3  | 0                 | 4,444,768         |
| - Independent valuation 2018 - level 3 | 8,762,200         | 0                 |
| - Additions after valuation - cost     | 0                 | 98,223            |
| - Transfer                             | 0                 | 574,878           |
| Less: accumulated depreciation         | (3,834,150)       | (319,583)         |
|  | <b>4,928,050</b>  | <b>4,798,286</b>  |
| Infrastructure - Bridges               |                   |                   |
| - Management valuation 2015 - level 3  | 0                 | 5,403,000         |
| - Independent valuation 2018 - level 3 | 16,332,500        | 0                 |
| - Additions after valuation - cost     | 0                 | 163,116           |
| Less: accumulated depreciation         | (11,818,600)      | (216,119)         |
|  | <b>4,513,900</b>  | <b>5,349,997</b>  |
| <b>Total infrastructure</b>            | <b>68,425,476</b> | <b>71,927,499</b> |

## 9. INFRASTRUCTURE (Continued)

### (b) Movements in Carrying Amounts

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

|   | Infrastructure -          |                               |                       |                           |                             | Total          |
|---|---------------------------|-------------------------------|-----------------------|---------------------------|-----------------------------|----------------|
|   | Infrastructure -<br>Roads | Infrastructure -<br>Footpaths | Kerbs and<br>Drainage | Infrastructure -<br>Other | Infrastructure -<br>Bridges | Infrastructure |
|   | \$                        | \$                            | \$                    | \$                        | \$                          | \$             |
| <b>Balance at 1 July 2016</b>                   | 59,166,263                | 991,372                       | 1,128,015             | 4,390,522                 | 5,294,941                   | 70,971,113     |
| Additions                                       | 1,351,376                 | 0                             | 0                     | 0                         | 163,116                     | 1,514,492      |
| Depreciation (Expense)                          | (804,954)                 | (25,379)                      | (27,477)              | (155,617)                 | (108,060)                   | (1,121,487)    |
| Transfers                                       | 0                         | 0                             | 0                     | 563,381                   | 0                           | 563,381        |
| <b>Carrying amount at 30 June 2017</b>          | 59,712,685                | 965,993                       | 1,100,538             | 4,798,286                 | 5,349,997                   | 71,927,499     |
| Additions                                       | 901,367                   | 0                             | 0                     | 0                         | 0                           | 901,367        |
| (Decrements) Transferred to revaluation Surplus | (7,105,974)               | 0                             | 3,772,178             | 296,878                   | (724,775)                   | (3,761,693)    |
| Reversals through profit or loss                | 0                         | 20,106                        | 507,758               | 0                         | 0                           | 527,864        |
| Depreciation (Expense)                          | (838,267)                 | (25,380)                      | (27,478)              | (167,114)                 | (111,322)                   | (1,169,561)    |
| <b>Carrying amount at 30 June 2018</b>          | 52,669,811                | 960,719                       | 5,352,996             | 4,928,050                 | 4,513,900                   | 68,425,476     |

## 9. INFRASTRUCTURE (Continued)

### (c) Fair Value Measurements

| Asset Class                         | Fair Value Hierarchy | Valuation Technique                              | Basis of Valuation             | Date of Last Valuation | Inputs Used   |
|-------------------------------------|----------------------|--|--------------------------------|------------------------|---|
| Infrastructure - Roads              | 3                    | Cost approach using depreciated replacement cost | Independent Valuation          | June 2018              | Construction costs and current condition (Level2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Footpaths          | 3                    | Cost approach using depreciated replacement cost | Independent Valuation          | June 2018              | Construction costs and current condition (Level2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Kerbs and Drainage | 3                    | Cost approach using depreciated replacement cost | Independent Valuation          | June 2018              | Construction costs and current condition (Level2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Other              | 3                    | Cost approach using depreciated replacement cost | Independent registered valuers | June 2018              | Construction costs and current condition (Level2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Bridges            | 3                    | Cost approach using depreciated replacement cost | Independent registered valuers | June 2018              | Construction costs and current condition (Level2), residual values and remaining useful life assessments (Level 3) inputs |

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

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



## 10. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

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

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

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

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

#### Revaluation

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

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

#### Land under control

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

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

#### Land under roads

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

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

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

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

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

## 10. FIXED ASSETS (Continued)

### (a) Disposals of Assets

The following assets were disposed of during the year.

|                             | Actual<br>Net Book<br>Value | Actual<br>Sale<br>Proceeds | Actual<br>Profit | Actual<br>Loss | Budget<br>Net Book<br>Value | Budget<br>Sale<br>Proceeds | Budget<br>Profit | Budget<br>Loss |
|-----------------------------|-----------------------------|----------------------------|------------------|----------------|-----------------------------|----------------------------|------------------|----------------|
|                             | \$                          | \$                         | \$               | \$             | \$                          | \$                         | \$               | \$             |
| <b>Plant and Equipment</b>  |                             |                            |                  |                |                             |                            |                  |                |
| Other property and services |                             |                            |                  |                |                             |                            |                  |                |
| Nil                         | 0                           | 0                          |                  |                | 32,000                      | 20,000                     | 0                | (12,000)       |
|                             | 0                           | 0                          | 0                | 0              | 32,000                      | 20,000                     | 0                | (12,000)       |

### (b) Depreciation

|                                     | 2018      | 2017      |
|-------------------------------------|-----------|-----------|
|                                     | \$        | \$        |
| Buildings - non-specialised         | 37,560    | 45,970    |
| Buildings - specialised             | 76,915    | 97,568    |
| Furniture and equipment             | 27,789    | 27,093    |
| Plant and equipment                 | 210,901   | 173,993   |
| Infrastructure - Roads              | 838,267   | 804,954   |
| Infrastructure - Footpaths          | 25,380    | 25,379    |
| Infrastructure - Kerbs and Drainage | 27,478    | 27,477    |
| Infrastructure - Other              | 167,114   | 155,617   |
| Infrastructure - Bridges            | 111,322   | 108,060   |
|                                     | 1,522,726 | 1,466,111 |

## 10. FIXED ASSETS (Continued)

### (b) Depreciation (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES

##### Depreciation

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

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

- Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- 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  | 2.0%  | 50 years        |
| Furniture and Equipment                          | 10.0% | 10 years        |
| Computer and Electronic Equipment                | 33.0% | 3 years         |
| Plant and Equipment                              |       |                 |
| Earthmoving Equipment                            | 7.0%  | 15 years        |
| Heavy Trucks                                     | 10.0% | 10 years        |
| Light and Heavy Trucks                           | 12.5% | 8 years         |
| Sedans and Utilities                             | 20.0% | 5 years         |
| Minor Miscellaneous Plant                        | 33.0% | 3 years         |
| Sealed roads and streets                         |       |                 |
| Clearing and Earthworks (Formation)_             |       | not depreciated |
| Construction/Road Base (Pavement)                | 2.5%  | 40 years        |
| Original Surfacing and Major Re-surfacing (Seal) |       |                 |
| Bituminous Seals                                 | 2.5%  | 40 years        |
| Asphalt Surfaces                                 | 2.5%  | 40 years        |
| Gravel roads                                     |       |                 |
| Clearing and Earthworks (Formation)_             |       | not depreciated |
| Construction/Road Base (Pavement)                | 5.0%  | 20 years        |
| Gravel Sheet                                     | 5.0%  | 20 years        |
| Formed Roads (Unsealed)                          |       |                 |
| Clearing and Earthworks (Formation)_             |       | not depreciated |
| Construction/Road Base (Pavement)                | 2.0%  | 50 years        |
| Footpaths - slab                                 | 2.5%  | 40 years        |
| Bridges  | 2.0%  | 50 years        |
| Drainage (Storm Water Channels)                  | 2.5%  | 40 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.

## 11. REVALUATION SURPLUS

|   | 2018<br>Opening<br>Balance | 2018<br>Revaluation<br>Increment | 2018<br>Revaluation<br>(Decrement) | 2018<br>Total<br>Movement on<br>Revaluation | 2018<br>Closing<br>Balance | 2017<br>Opening<br>Balance | 2017<br>Revaluation<br>Increment | 2017<br>Revaluation<br>(Decrement) | 2017<br>Total<br>Movement on<br>Revaluation | 2017<br>Closing<br>Balance |
|---|----------------------------|----------------------------------|------------------------------------|---|----------------------------|----------------------------|----------------------------------|------------------------------------|---|----------------------------|
|   | \$                         | \$                               | \$                                 | \$  | \$                         | \$                         | \$                               | \$                                 | \$  | \$                         |
| Revaluation surplus - Land and Buildings                  | 4,797,665                  | 0                                | 0                                  | 0   | 4,797,665                  | 5,103,138                  | 0                                | (305,473)                          | (305,473)                                   | 4,797,665                  |
| Revaluation surplus - Infrastructure - Roads              | 38,565,134                 | 0                                | (7,105,974)                        | (7,105,974)                                 | 31,459,160                 | 38,565,134                 | 0                                | 0                                  | 0   | 38,565,134                 |
| Revaluation surplus - Infrastructure - Kerbs and Drainage | 0                          | 3,772,178                        | 0                                  | 3,772,178                                   | 3,772,178                  | 0                          | 0                                | 0                                  | 0   | 0                          |
| Revaluation surplus - Infrastructure - Other              | 6,753,047                  | 296,878                          | 0                                  | 296,878                                     | 7,049,925                  | 6,753,047                  | 0                                | 0                                  | 0   | 6,753,047                  |
| Revaluation surplus - Infrastructure - Bridges            | 5,269,655                  | 0                                | (724,775)                          | (724,775)                                   | 4,544,880                  | 5,269,655                  | 0                                | 0                                  | 0   | 5,269,655                  |
|   | 55,385,501                 | 4,069,056                        | (7,830,749)                        | (3,761,693)                                 | 51,623,808                 | 55,690,974                 | 0                                | (305,473)                          | (305,473)                                   | 55,385,501                 |

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.

## 12. TRADE AND OTHER PAYABLES

### Current

|  |
|--|
| Sundry creditors                         |
| Accrued interest on long term borrowings |
| Accrued salaries and wages               |
| ATO liabilities                          |
| Accrued Expenses                         |
| Prepaid Income                           |

| 2018    | 2017    |
|---------|---------|
| \$      | \$      |
| 99,610  | 5,033   |
| 49,507  | 336     |
| 19,658  | 35,071  |
| 32,720  | 34,643  |
| 15,733  | 56,508  |
| 17,280  | 17,130  |
| 234,508 | 148,721 |

### 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.

## 13. SHORT-TERM BORROWINGS

Short term WATC loan funds

|         |   |
|---------|---|
| 500,000 | 0 |
|---------|---|

## 14. INFORMATION ON BORROWINGS

### (a) Repayments - Borrowings

| Particulars                            | Principal<br>1 July 2017 | New<br>Loans | Principal<br>Repayments |        | Principal<br>30 June 2018 |           | Interest<br>Repayments |        |
|--|--------------------------|--------------|-------------------------|--------|---------------------------|-----------|------------------------|--------|
|  | \$                       | \$           | Actual                  | Budget | Actual                    | Budget    | Actual                 | Budget |
| <b>Recreation and culture</b>          |                          |              |                         |        |                           |           |                        |        |
| Loan 123 - Recreation and Cultural Ce  | 2,332,996                | 0            | 43,971                  | 43,971 | 2,289,025                 | 2,289,025 | 97,283                 | 49,110 |
| Loan 124 -Recreation and Cultural Ce   | 0                        |              | 0                       | 10,107 | 0                         | 589,893   | 0                      | 11,520 |
| Short-term Loan-Recreation and Culture |                          | 500,000      | 0                       | 0      | 500,000                   | 0         | 1,002                  | 0      |
| Loan 125 -Recreation and Cultural Ce   | 0                        | 0            | 0                       | 10,107 | 0                         | 589,893   | 0                      | 11,520 |
|  | 2,332,996                | 500,000      | 43,971                  | 64,185 | 2,789,025                 | 3,468,811 | 98,285                 | 72,150 |

Refer Note 13

| Particulars                         | Principal<br>1 July 2017 | New<br>Loans | Principal<br>Repayments |        | Principal<br>30 June 2018 |           | Interest<br>Repayments |        |
|-------------------------------------|--------------------------|--------------|-------------------------|--------|---------------------------|-----------|------------------------|--------|
|                                     | \$                       | \$           | Actual                  | Budget | Actual                    | Budget    | Actual                 | Budget |
| <b>Self Supporting Loans</b>        |                          |              |                         |        |                           |           |                        |        |
| <b>Education and welfare</b>        |                          |              |                         |        |                           |           |                        |        |
| Loan 120 - SSL Pingelly Cottage Hom | 196,206                  | 0            | 14,489                  | 14,489 | 181,717                   | 181,717   | 12,459                 | 12,464 |
|                                     | 196,206                  | 0            | 14,489                  | 14,489 | 181,717                   | 181,717   | 12,459                 | 12,464 |
|                                     | 2,529,202                | 500,000      | 58,460                  | 78,674 | 2,970,742                 | 3,650,528 | 110,744                | 84,614 |

The short term loan above is presented at note 13 as Short Term Borrowings

(500,000)  
2,470,742

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

### Borrowings

|             | 2018      | 2017      |
|-------------|-----------|-----------|
|             | \$        | \$        |
| Current     | 98,336    | 58,460    |
| Non-current | 2,372,406 | 2,470,742 |
|             | 2,470,742 | 2,529,202 |

## 14. 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    |                 |
|                                      | \$              | \$        |             |           |            | \$                       | %             | \$            | \$        | \$              |
| Loan 124 -Recreation and Cultural Ce | 0               | 600,000   | WATC        | Deb       | 20         | 0                        | 3.84%         | 0             | 600,000   | 0               |
| Loan 125 -Recreation and Cultural Ce | 0               | 600,000   | WATC        | Deb       | 20         | 0                        | 3.84%         | 0             | 400,000   | 0               |
| Short-term Loan-Recreation and Cultu | 500,000         | 0         | WATC        | S/T       | 1          | 1,002                    | 2.36%         | 500,000       | 0         | 0               |
|                                      | 500,000         | 1,200,000 |             |           |            | 1,002                    |               | 500,000       | 1,000,000 | 0               |

### (c) Unspent Borrowings

| Particulars                             | Date Borrowed | Balance 1 July 17 | Borrowed During Year | Expended During Year | Balance 30 June 18 |
|---|---------------|-------------------|----------------------|----------------------|--------------------|
|   |               | \$                | \$                   | \$                   | \$                 |
| Loan 123 - Recreation & Cultural Centre |               | 1,903,210         | 0                    | (1,903,210)          | 0                  |
| Short-term Loan-Recreation and Culture  |               | 0                 | 500,000              | (500,000)            | 0                  |
|   |               | 1,903,210         | 500,000              | (2,403,210)          | 0                  |

### (d) Undrawn Borrowing Facilities

#### Credit Standby Arrangements

|                                      | 2018           | 2017           |
|--------------------------------------|----------------|----------------|
|                                      | \$             | \$             |
| Bank overdraft limit                 | 500,000        | 500,000        |
| Bank overdraft at balance date       | 0              | 0              |
| Credit card limit                    | 10,000         | 10,000         |
| Credit card balance at balance date  | (535)          | (6,864)        |
| <b>Total amount of credit unused</b> | <b>509,465</b> | <b>503,136</b> |

#### Loan facilities

|  |                  |                  |
|--|------------------|------------------|
| Loan facilities - current                      | 98,336           | 58,460           |
| Loan facilities - non-current                  | 2,372,406        | 2,470,742        |
| <b>Total facilities in use at balance date</b> | <b>2,470,742</b> | <b>2,529,202</b> |

#### Unused loan facilities at balance date

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.



## 15. PROVISIONS

### Opening balance at 1 July 2017

Current provisions  
Non-current provisions

Additional provision

### Balance at 30 June 2018

### Comprises

Current  
Non-current

| Provision for<br>Annual<br>Leave | Provision for<br>Long Service<br>Leave | Total   |
|----------------------------------|--|---------|
| \$                               | \$                                     | \$      |
| 169,332                          | 80,995                                 | 250,327 |
| 0                                | 65,225                                 | 65,225  |
| 169,332                          | 146,220                                | 315,552 |
| 19,482                           | 22,023                                 | 41,505  |
| 188,814                          | 168,243                                | 357,057 |
| 188,814                          | 115,057                                | 303,871 |
| 0                                | 53,186                                 | 53,186  |
| 188,814                          | 168,243                                | 357,057 |

## SIGNIFICANT ACCOUNTING POLICIES

### Employee benefits

#### Short-term employee benefits

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

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

#### Other long-term employee benefits

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

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

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

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

### Provisions

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

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

## 16. 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<br>Actual | 2018<br>Budget | 2017<br>Actual |
|--|----------------|----------------|----------------|
|  | \$             | \$             | \$             |
| Cash and cash equivalents  | 1,073,956      | 751,330        | 3,431,783      |
| <b>Reconciliation of Net Cash Provided By<br/>Operating Activities to Net Result</b> |                |                |                |
| Net result   | 5,429,032      | 4,807,420      | 1,736,983      |
| Non-cash flows in Net result:  |                |                |                |
| Depreciation   | 1,522,726      | 1,532,000      | 1,466,111      |
| (Profit)/loss on sale of asset   | 0              | 12,000         | 706,484        |
| Fair value adjustments to fixed assets   |                |                |                |
| at fair value through profit or loss   | 0              | 0              | 0              |
| Loss on revaluation of fixed assets  | 0              | 0              | 0              |
| Reversal of loss on revaluation of fixed assets                                      | (527,864)      | 0              | 0              |
| Changes in assets and liabilities:   |                |                |                |
| (Increase)/decrease in receivables   | 364,608        | 439,485        | (538,339)      |
| (Increase)/decrease in inventories   | (5,906)        | 1,000          | (1,326)        |
| Increase/(decrease) in payables  | 85,787         | 109,123        | (260,034)      |
| Increase/(decrease) in provisions  | 41,505         | (19,996)       | 107,530        |
| Grants contributions for<br>the development of assets                                | (6,040,577)    | (6,329,826)    | (3,179,845)    |
| Net cash from operating activities   | 869,311        | 551,206        | 37,564         |

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

**17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

|                             | <b>2018</b>       | <b>2017</b>       |
|-----------------------------|-------------------|-------------------|
|                             | <b>\$</b>         | <b>\$</b>         |
| Governance                  | 2,985,290         | 3,037,417         |
| General purpose funding     | 277,918           | 285,653           |
| Law, order, public safety   | 420,302           | 64,279            |
| Health                      | 46,956            | 52,944            |
| Education and welfare       | 372,679           | 1,254,933         |
| Housing                     | 31,202            | 284,266           |
| Community amenities         | 535,506           | 544,591           |
| Recreation and culture      | 14,267,069        | 9,532,779         |
| Transport                   | 67,190,157        | 68,811,659        |
| Economic services           | 966,781           | 996,262           |
| Other property and services | 929,363           | 1,050,820         |
| Unallocated                 | 631,195           | 502,644           |
|                             | <b>88,654,418</b> | <b>86,418,247</b> |

## 18. CONTINGENT LIABILITIES

There are no contingent liabilities for the year ending 30 June 2018.

## 19. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

Payable:

- not later than one year

| 2018      | 2017      |
|-----------|-----------|
| \$        | \$        |
| 1,173,333 | 8,729,600 |
| 1,173,333 | 8,729,600 |

The capital expenditure projects outstanding at the end of the current reporting period represents the completion of the construction of the new Pingelly Recreation and Cultural Centre and construction of the new Pingelly Aged Appropriate Accommodation units.

### (b) Operating Lease Commitments

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

Payable:

- not later than one year

- later than one year but not later than five years

- later than five years

|         |        |
|---------|--------|
| 21,807  | 9,840  |
| 81,778  | 6,560  |
| 0       | 0      |
| 103,585 | 16,400 |

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

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

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

### Leases (Continued)

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

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

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

## 20. JOINT VENTURE ARRANGEMENTS

### Lot 602 (38) and Lot 603 (36) Sharow Street Singles Units

The Shire of Pingelly entered into a Joint Venture arrangement with the Department of Housing during the 2009/10 financial year for the construction of four x 2 bedroom units. Construction was completed in the 2011/12 financial year. The provision of this housing aims to provide accommodation for singles and childless couples. The Shire of Pingelly has a 18.28% interest in the assets and liabilities of this joint venture under the auspices of Homeswest. All revenue and expenses of the joint venture are recognised in the relevant financial statements of Council.

Council is required to set aside 1% of the current replacement cost of the properties from the rental income each year for the long term maintenance of the properties.

All profits derived from the operation of the Joint Venture Housing are to be recognised as Restricted Assets to provide for future maintenance or the provision of future housing.

|  | 2018<br>\$  | 2017<br>\$  |
|--|-------------|-------------|
| <b>Lot 602 (38) and Lot 603 (36) Sharow Street Singles Units</b> |             |             |
| - Opening Balance  | 51,294      | 49,918      |
| - Profits From Operations  | 5,935       | 5,000       |
| - Interest Earned  | 1,251       | 1,376       |
| - Funds Utilised   | (5,935)     | (5,000)     |
| - Closing Balance  | 52,545      | 51,294      |
|  | <b>2018</b> | <b>2017</b> |
|  | <b>\$</b>   | <b>\$</b>   |
| <b>Non-current assets</b>  |             |             |
| Asset No Freehold land at:                                       |             |             |
| 10173,10174 - Independent valuation 2017 - level 2               | 9,506       | 9,506       |
| Non-Specialised buildings at:                                    |             |             |
| 10289A - Independent valuation 2017 - level 2                    | 116,992     | 116,992     |
| Less: accumulated depreciation                                   | (2,340)     | 0           |
|  | 124,158     | 126,498     |

### SIGNIFICANT ACCOUNTING POLICIES

#### Interests in joint arrangements

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

Separate joint venture entities providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 29 for a description of the equity method of accounting.

#### Interests in joint arrangements (Continued)

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

## 21. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

|                              | 2018<br>Actual | 2018<br>Budget | 2017<br>Actual |
|------------------------------|----------------|----------------|----------------|
|                              | \$             | \$             | \$             |
| Meeting Fees                 | 37,733         | 38,400         | 28,467         |
| President's allowance        | 1,200          | 1,200          | 1,200          |
| Deputy President's allowance | 300            | 300            | 300            |
| Telecommunications allowance | 200            | 1,000          | 500            |
|                              | 39,433         | 40,900         | 30,467         |

### 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 | 511,407 | 510,483 |
| Post-employment benefits     | 77,905  | 57,741  |
| Other long-term benefits     | 45,932  | 39,927  |
|                              | 635,244 | 608,151 |

#### 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                   | 112,862 | 141,769 |
| Salaries paid to related parties                 | 127,879 | 122,336 |
| <b>Amounts outstanding from related parties:</b> |         |         |
| Trade and other receivables                      | 14,489  | 14,215  |
| Loans to associated entities                     | 181,717 | 196,207 |

### Related Parties

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

##### i. Key management personnel

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

##### ii. Entities subject to significant influence by the Shire

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

##### iii. Joint venture entities accounted for under the proportionate consolidation method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint venture entities, refer to Note 20.



## **21. MAJOR LAND TRANSACTIONS**

The Shire did not participate in any major land transactions during the 2017/18 financial year.

## **22. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The Shire did not participate in any trading undertakings or major trading undertaking during 2017/18 financial year.

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

23. CONDITIONS OVER GRANTS/CONTRIBUTIONS

| Grant/Contribution  | Opening<br>Balance <sup>(1)</sup><br>1/07/16 | Received <sup>(2)</sup><br>2016/17 | Expended <sup>(3)</sup><br>2016/17 | Closing<br>Balance <sup>(1)</sup><br>30/06/17 | Received <sup>(2)</sup><br>2017/18 | Expended <sup>(3)</sup><br>2017/18 | Closing<br>Balance<br>30/06/18 |
|---|--|------------------------------------|------------------------------------|---|------------------------------------|------------------------------------|--------------------------------|
|   | \$   | \$                                 | \$                                 | \$  | \$                                 | \$                                 | \$                             |
| <b>Education and welfare</b>                                |  |                                    |                                    |   |                                    |                                    |                                |
| WA Health Department - Aged<br>Appropriate Accommodation    | 267,270                                      | 727,273                            | (197,610)                          | 796,933                                       | 590,909                            | (1,387,842)                        | 0                              |
| LotteryWest - Aged Sensory Garden<br>Grant                  | 50,000                                       | 0                                  | 0                                  | 50,000  | 0                                  | (8,861)                            | 41,139                         |
| Wheatbelt Development Commission -<br>Community Chest funds | 0  | 0                                  | 0                                  | 0   | 30,000                             | (20,000)                           | 10,000                         |
| <b>Recreation and culture</b>                               |  |                                    |                                    |   |                                    |                                    |                                |
| PRACC - National Stronger Regions<br>Fund                   | 0  | 777,719                            | (777,719)                          | 0   | 2,763,149                          | (2,761,637)                        | 1,512                          |
| PRACC - Bendigo Bank  | 0  | 50,000                             | 0                                  | 50,000  | 50,000                             | (100,000)                          | 0                              |
| PRACC - CBH Grass Roots -<br>Playground                     | 0  | 10,000                             | 0                                  | 10,000  | 0                                  | 0                                  | 10,000                         |
| PRACC Forestry Products Commission                          | 0  | 20,000                             | 0                                  | 20,000  | 0                                  | (20,000)                           | 0                              |
| PRACC LotteryWest Grant                                     | 0  | 0                                  | 0                                  | 0   | 1,000,000                          | (1,000,000)                        | 0                              |
| PRACC - Dept of Sport & Recreation                          | 0  | 87,500                             | (87,500)                           | 0   | 175,000                            | (175,000)                          | 0                              |
| PRACC - Pingelly Times                                      | 0  | 0                                  | 0                                  | 0   | 10,000                             | (10,000)                           | 0                              |
| PRACC - Pingelly Development<br>Association                 | 0  | 0                                  | 0                                  | 0   | 5,000                              | (5,000)                            | 0                              |
| PRACC - Focus Group   | 0  | 0                                  | 0                                  | 0   | 4,323                              | (4,323)                            | 0                              |
| <b>Transport</b>  |  |                                    |                                    |   |                                    |                                    |                                |
| Roads to Recovery - Road & Bridge<br>Construction           | 0  | 606,900                            | (606,900)                          | 0   | 299,369                            | (299,369)                          | 0                              |
| Main Roads - Bullaring Rd Bridge funds                      | 0  | 0                                  | 0                                  | 0   | 168,000                            | 0                                  | 168,000                        |
| <b>Economic services</b>                                    |  |                                    |                                    |   |                                    |                                    |                                |
| Vehicle   | 7,074  | 0                                  | (7,074)                            | 0   | 0                                  | 0                                  | 0                              |
| <b>Total</b>  | <b>324,344</b>                               | <b>2,279,392</b>                   | <b>(1,676,803)</b>                 | <b>926,933</b>                                | <b>5,095,750</b>                   | <b>(5,792,032)</b>                 | <b>230,651</b>                 |

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

## 24. 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 \$ |
|---|------------|----------------------|-------------|-----------------|------------------|---------------|------------------|------------------------|------------------------|---------------------|-------------------------|
| <b>Differential general rate / general rate</b> |            |                      |             |                 |                  |               |                  |                        |                        |                     |                         |
| <b>Gross rental valuations</b>                  |            |                      |             |                 |                  |               |                  |                        |                        |                     |                         |
| GRV - Residential                               | #####      | 315                  | 3,087,332   | 378,300         | 341              | 0             | 378,641          | 378,300                | 0                      | 0                   | 378,300                 |
| GRV - Rural Residential                         | #####      | 68                   | 712,052     | 87,250          | 0                | 0             | 87,250           | 87,250                 | 0                      | 0                   | 87,250                  |
| GRV - Commercial/Industrial                     | #####      | 31                   | 448,114     | 54,909          | 0                | 0             | 54,909           | 54,909                 | 0                      | 0                   | 54,909                  |
| GRV - Townsites                                 | #####      | 12                   | 128,439     | 15,738          | 0                | 0             | 15,738           | 15,738                 | 0                      | 0                   | 15,738                  |
| <b>Unimproved valuations</b>                    |            |                      |             |                 |                  |               |                  |                        |                        |                     |                         |
| UV - Broadacre Rural                            | #####      | 250                  | 114,659,500 | 1,227,316       | (1,419)          | 79            | 1,225,976        | 1,224,318              | 0                      | 0                   | 1,224,318               |
| <b>Sub-Total</b>                                |            | 676                  | 119,035,437 | 1,763,513       | (1,078)          | 79            | 1,762,514        | 1,760,515              | 0                      | 0                   | 1,760,515               |
| <b>Minimum payment</b>                          |            |                      |             |                 |                  |               |                  |                        |                        |                     |                         |
| <b>Gross rental valuations</b>                  |            |                      |             |                 |                  |               |                  |                        |                        |                     |                         |
| GRV - Residential                               | 898        | 63                   | 144,961     | 56,574          | 0                | 0             | 56,574           | 56,574                 | 0                      | 0                   | 56,574                  |
| GRV - Rural Residential                         | 898        | 21                   | 76,672      | 18,858          | 0                | 0             | 18,858           | 18,858                 | 0                      | 0                   | 18,858                  |
| GRV - Commercial/Industrial                     | 898        | 10                   | 43,695      | 8,980           | 0                | 0             | 8,980            | 8,980                  | 0                      | 0                   | 8,980                   |
| GRV - Townsites                                 | 898        | 7                    | 20,271      | 6,286           | 0                | 0             | 6,286            | 6,286                  | 0                      | 0                   | 6,286                   |
| <b>Unimproved valuations</b>                    |            |                      |             |                 |                  |               |                  |                        |                        |                     |                         |
| UV - Broadacre Rural                            | 898        | 44                   | 2,493,240   | 39,512          | 0                | 0             | 39,512           | 39,512                 | 0                      | 0                   | 39,512                  |
| <b>Sub-Total</b>                                |            | 145                  | 2,778,839   | 130,210         | 0                | 0             | 130,210          | 130,210                | 0                      | 0                   | 130,210                 |
|   |            | 821                  | 121,814,276 | 1,893,723       | (1,078)          | 79            | 1,892,724        | 1,890,725              | 0                      | 0                   | 1,890,725               |
| Discounts/concessions (refer note 24(d))        |            |                      |             |                 |                  |               | 0                |                        |                        |                     | 0                       |
| <b>Total amount raised from general rate</b>    |            |                      |             |                 |                  |               | 1,892,724        |                        |                        |                     | 1,890,725               |
| Specified Area Rate (refer note 24(b))          |            |                      |             |                 |                  |               | 0                |                        |                        |                     | 0                       |
| Ex-gratia rates                                 |            |                      |             |                 |                  |               | 219              |                        |                        |                     | 200                     |
| Movement in Excess Rates                        |            |                      |             |                 |                  |               | 20,456           |                        |                        |                     | 0                       |
| <b>Totals</b>                                   |            |                      |             |                 |                  |               | 1,913,399        |                        |                        |                     | 1,890,925               |

### 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.

24. RATING INFORMATION (Continued)

(b) Specified Area Rate  
Nil

(c) Service Charges  
Nil

## 24. RATING INFORMATION (Continued)

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

#### Rates Discounts

| Rate or Fee<br>Discount Granted | Discount<br>% | Discount<br>\$ | Actual<br>\$ | Budget<br>\$ | Circumstances in which Discount is Granted |
|---------------------------------|---------------|----------------|--------------|--------------|--|
| Nil                             | 0.00%         | 0              | 0            | 0            |  |
|                                 |               |                | 0            | 0            |  |

#### Waivers or Concessions

| Rate or Fee and<br>Charge to which<br>the Waiver or<br>Concession is Granted | Type      | Discount<br>% | Discount<br>\$ | Actual<br>\$ | Budget<br>\$ |
|--|-----------|---------------|----------------|--------------|--------------|
| Rate Assessment  | Write-off | 0.00%         | 0              | 7,585        | 0            |
|  |           |               |                | 0            | 0            |

| Rate or Fee and<br>Charge to which<br>the Waiver or<br>Concession is Granted | Circumstances in which<br>the Waiver or Concession is<br>Granted and to whom it was<br>available | Objects of the Waiver<br>or Concession | Reasons for the Waiver<br>or Concession |
|--|--|--|---|
| Nil  |  |  |   |

## 24. RATING INFORMATION (Continued)

### (e) Interest Charges & Instalments

| Instalment Options          | Date Due  | Instalment Plan Admin Charge | Instalment Plan Interest Rate | Unpaid Rates Interest Rate |
|-----------------------------|-----------|------------------------------|-------------------------------|----------------------------|
|                             |           | \$                           | %                             | %                          |
| <b>Option One</b>           |           |                              |                               |                            |
| Single full payment         | 05-Oct-17 | 0                            |                               | 11.00%                     |
| <b>Option Two</b>           |           |                              |                               |                            |
| First instalment            | 05-Oct-17 | 0                            | 5.50%                         | 11.00%                     |
| Second instalment           | 06-Feb-18 | 10                           | 5.50%                         | 11.00%                     |
| <b>Option Three</b>         |           |                              |                               |                            |
| First instalment            | 05-Oct-17 | 0                            | 5.50%                         | 11.00%                     |
| Second instalment           | 05-Dec-17 | 10                           | 5.50%                         | 11.00%                     |
| Third instalment            | 06-Feb-18 | 10                           | 5.50%                         | 11.00%                     |
| Fourth instalment           | 10-Apr-18 | 10                           | 5.50%                         | 11.00%                     |
|                             |           | <b>2,018</b>                 |                               |                            |
|                             |           | <b>2018</b>                  | <b>Budget</b>                 |                            |
|                             |           | \$                           | \$                            |                            |
| Interest on unpaid rates    |           | 17,402                       | 11,000                        |                            |
| Interest on instalment plan |           | 6,782                        | 6,000                         |                            |
| Charges on instalment plan  |           | 4,700                        | 5,000                         |                            |
| Esl Penalty Interest        |           | 804                          | 100                           |                            |
|                             |           | 29,688                       | 22,100                        |                            |

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

**25. NET CURRENT ASSETS**

Composition of net current assets

|  | <b>2018<br/>2018<br/>Carried<br/>Forward)</b> | <b>2018<br/>(1 July 2017<br/>Brought<br/>Forward)</b> | <b>2017<br/>(30 June 2017<br/>Carried<br/>Forward)</b> |
|--|---|---|--|
|  | <b>\$</b>                                     | <b>\$</b>   | <b>\$</b>  |
| <b>Surplus/(Deficit) 1 July 17 brought forward</b>               | 740,012                                       | 1,345,278   | 1,345,278  |
| <b>CURRENT ASSETS</b>  |   |   |  |
| Cash and cash equivalents  |   |   |  |
| Unrestricted   | 315,731                                       | (225,748)   | (225,748)  |
| Restricted   | 758,225                                       | 3,657,531   | 3,657,531  |
| Investments  |   |   |  |
| Financial assets at fair value through profit and loss           | 5,000   | 5,000   | 5,000  |
| Receivables  |   |   |  |
| Rates outstanding  | 220,559                                       | 153,986   | 153,986  |
| Sundry debtors   | 100,719                                       | 601,751   | 601,751  |
| GST receivable   | 100,041                                       | 42,332  | 42,332   |
| Loans receivable - clubs/institutions                            | 7,598   | 14,489  | 14,489   |
| Accrued Income   | 1,958   | 1,779   | 1,779  |
| Provision for Doubtful Debts                                     | (3,519)                                       | (9,508)   | (9,508)  |
| Inventories  |   |   |  |
| Fuel & Materials   | 8,380   | 2,474   | 2,474  |
| <b>LESS: CURRENT LIABILITIES</b>                                 |   |   |  |
| Trade and other payables   |   |   |  |
| Sundry creditors   | (99,610)                                      | (5,033)   | (5,033)  |
| Accrued interest on long term borrowings                         | (49,507)                                      | (336)   | (336)  |
| Accrued salaries and wages                                       | (19,658)                                      | (35,071)  | (35,071)   |
| ATO liabilities  | (32,720)                                      | (34,643)  | (34,643)   |
| Accrued Expenses   | (15,733)                                      | (56,508)  | (56,508)   |
| Prepaid Income   | (17,280)                                      | (17,130)  | (17,130)   |
| Short term WATC loan funds                                       | (500,000)                                     | 0   | 0  |
| Current portion of long term borrowings                          | (98,336)                                      | (58,460)  | (58,460)   |
| Provisions   |   |   |  |
| Provision for annual leave                                       | (188,814)                                     | (169,332)   | (169,332)  |
| Provision for long service leave                                 | (115,057)                                     | (80,995)  | (80,995)   |
| <b>Unadjusted net current assets</b>                             | <b>424,377</b>                                | <b>3,786,578</b>                                      | <b>3,786,578</b>                                       |
| <b>Adjustments</b>   |   |   |  |
| Less: Reserves - restricted cash                                 | (527,574)                                     | (827,388)   | (827,388)  |
| Less: Loans receivable - clubs/institutions                      | (7,598)                                       | (14,489)  | (14,489)   |
| Less: Unspent Loans  | 0   | (1,903,210)   | (1,903,210)  |
| Less: Investments Current  | (5,000)                                       | (5,000)   | (5,000)  |
| Less: Investments Non-Current                                    | (46,400)                                      | 0   | 0  |
| Add: Short term WATC loan funds                                  | 500,000                                       | 0   | 0  |
| Add: Current portion of long term borrowings                     | 98,336  | 58,460  | 58,460   |
| Add Back: Component of Leave Liability not Required to be funded | 303,871                                       | 250,327   | 250,327  |
| <b>Adjusted net current assets - surplus/(deficit)</b>           | <b>740,012</b>                                | <b>1,345,278</b>                                      | <b>1,345,278</b>                                       |

**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.



## 26. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

|                              | Carrying Value   |                  | Fair Value       |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | 2018             | 2017             | 2018             | 2017             |
|                              | \$               | \$               | \$               | \$               |
| <b>Financial assets</b>      |                  |                  |                  |                  |
| Cash and cash equivalents    | 1,073,956        | 3,431,783        | 1,073,956        | 3,431,783        |
| Investments                  | 5,000            | 5,000            | 5,000            | 5,000            |
| Receivables                  | 658,835          | 1,037,931        | 658,835          | 1,037,931        |
|                              | <u>1,737,791</u> | <u>4,474,714</u> | <u>1,737,791</u> | <u>4,474,714</u> |
| <b>Financial liabilities</b> |                  |                  |                  |                  |
| Payables                     | 234,508          | 148,721          | 234,510          | 148,721          |
| Borrowings                   | 2,470,742        | 2,529,202        | 2,470,742        | 2,529,202        |
|                              | <u>2,705,250</u> | <u>2,677,923</u> | <u>2,705,252</u> | <u>2,677,923</u> |

Fair value is determined as follows:

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

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

## 26. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss  
Available-for-sale financial assets  
Held-to-maturity investments

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

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

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

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

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

|  | 2018   | 2017   |
|--|--------|--------|
|  | \$     | \$     |
| Impact of a 10% <sup>(1)</sup> movement in price of investments  |        |        |
| - Equity   | 500    | 500    |
| - Statement of Comprehensive Income                              | 500    | 500    |
| Impact of a 1% <sup>(1)</sup> movement in interest rates on cash |        |        |
| - Equity   | 30,024 | 38,600 |
| - Statement of Comprehensive Income                              | 30,024 | 38,600 |

**Notes:**

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

## 26. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Receivables

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

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

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

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

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

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

|  | 2018    | 2017    |
|--|---------|---------|
|  | %       | %       |
| Percentage of rates and annual charges |         |         |
| - Current                              | 0.00%   | 0.00%   |
| - Overdue                              | 100.00% | 100.00% |
| Percentage of other receivables        |         |         |
| - Current                              | 98.00%  | 93.00%  |
| - Overdue                              | 2.00%   | 7.00%   |

## 26. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Payables and borrowings

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

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

|             | Due within 1 year | Due between 1 & 5 years | Due after 5 years | Total contractual cash flows | Carrying values |
|-------------|-------------------|-------------------------|-------------------|------------------------------|-----------------|
|             | \$                | \$                      | \$                | \$                           | \$              |
| <b>2018</b> |                   |                         |                   |                              |                 |
| Payables    | 234,508           | 0                       | 0                 | 234,508                      | 234,508         |
| Borrowings  | 713,114           | 852,455                 | 2,341,745         | 3,907,314                    | 2,970,742       |
|             | 947,622           | 852,455                 | 2,341,745         | 4,141,822                    | 3,205,250       |
| <b>2017</b> |                   |                         |                   |                              |                 |
| Payables    | 148,721           | 0                       | 0                 | 148,721                      | 148,721         |
| Borrowings  | 213,114           | 639,342                 | 2,554,859         | 3,407,315                    | 2,529,202       |
|             | 361,835           | 639,342                 | 2,554,859         | 3,556,036                    | 2,677,923       |

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

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

| Year ended 30 June 2018                  | <1 year | >1<2 years | >2<3 years | >3<4 years | >4<5 years | >5 years  | Total     | Weighted Average Effective Interest Rate |
|--|---------|------------|------------|------------|------------|-----------|-----------|--|
|  | \$      | \$         | \$         | \$         | \$         | \$        | \$        | %  |
| <b>Borrowings</b>                        |         |            |            |            |            |           |           |  |
| <b>Fixed rate</b>                        |         |            |            |            |            |           |           |  |
| Long term borrowings                     | 500,000 | 0          | 0          | 0          | 0          | 2,470,742 | 2,970,742 | 4.037%                                   |
| Weighted average Effective interest rate | 2.36%   |            |            |            |            | 4.376%    |           |  |
| <b>Year ended 30 June 2017</b>           |         |            |            |            |            |           |           |  |
| <b>Borrowings</b>                        |         |            |            |            |            |           |           |  |
| <b>Fixed rate</b>                        |         |            |            |            |            |           |           |  |
| Long term borrowings                     | 0       | 0          | 0          | 0          | 0          | 2,529,202 | 2,529,202 | 4.39%                                    |
| Weighted average Effective interest rate |         |            |            |            |            | 4.39%     |           |  |

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

**27. TRUST FUNDS**

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

|                                      | <b>1 July<br/>2017</b> | <b>Amounts<br/>Received</b> | <b>Amounts<br/>Paid</b> | <b>30 June<br/>2018</b> |
|--------------------------------------|------------------------|-----------------------------|-------------------------|-------------------------|
|                                      | <b>\$</b>              | <b>\$</b>                   | <b>\$</b>               | <b>\$</b>               |
| Transport Licensing                  | 0                      | 408,688                     | (408,688)               | 0                       |
| Funds Held on Behalf of Groups       | 40                     | 0                           | 0                       | 40                      |
| Unclaimed Monies                     | 100                    | 0                           | 0                       | 100                     |
| Nomination Deposits                  | 0                      | 480                         | (400)                   | 80                      |
| Bond Monies (Including Key Deposits) | 3,921                  | 9,900                       | (9,781)                 | 4,040                   |
|                                      | <u>4,061</u>           |                             |                         | <u>4,260</u>            |

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

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

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

|       | <b>Title</b>  | <b>Issued / Compiled</b> | <b>Applicable (1)</b> | <b>Impact</b>   |
|-------|---|--------------------------|-----------------------|---|
| (i)   | AASB 9 Financial Instruments<br>(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.

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

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

Notes:

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

### Adoption of New and Revised Accounting Standar

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 |

## 29. SIGNIFICANT ACCOUNTING POLICIES

### a) Goods and services tax (GST)

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

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

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

### b) Current and non-current classification

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

### c) Rounding off figures

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

### d) Comparative figures

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

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

### e) Budget comparative figures

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

### f) Superannuation

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

### g) Fair value of assets and liabilities

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

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

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

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

### h) Fair value hierarchy

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

#### Level 1

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

#### Level 2

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

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

### Valuation techniques

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

#### Market approach

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

#### Income approach

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

#### Cost approach

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

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

### i) Impairment of assets

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

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

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

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





### 30. ACTIVITIES/PROGRAMS

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

| PROGRAM NAME                       | OBJECTIVE   | ACTIVITIES   |
|------------------------------------|---|--|
| <b>GOVERNANCE</b>                  | Effective leadership and governance   | Administration and operation of facilities and services to members of Council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.             |
| <b>GENERAL PURPOSE FUNDING</b>     | A financially sustainable Shire.  | Rates, general purpose government grants and interest revenue.   |
| <b>LAW, ORDER, PUBLIC SAFETY</b>   | A safe community.   | Fire prevention, animal control and assistance to emergency services.  |
| <b>HEALTH</b>                      | Health and family support services that are accessible and meet the needs of the community. | Food quality control, provision of doctor services and maintenance of dental equipment.  |
| <b>EDUCATION AND WELFARE</b>       | Quality of life for the aged and disabled. Development and participation of young people.   | Maintenance of a daycare centre and assistance to the provision of aged care accommodation.  |
| <b>COMMUNITY AMENITIES</b>         | Appropriate development which is diverse in nature and protects local heritage.             | Rubbish and recyclables collection and disposal services, operation of the refuse site, administration of the town planning scheme, maintenance of the cemetery, maintenance of public toilets and maintenance of storm water drainage |
| <b>RECREATION AND CULTURE</b>      | Access to recreation, sporting and leisure opportunities.                                   | Maintenance of the Town Hall, Pavilion, Community Centre, recreation ground, swimming pool complex, reserves, operation of the library together with support of cultural events.   |
| <b>TRANSPORT</b>                   | Safe and reliable transport infrastructure.   | Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets and depot maintenance.   |
| <b>ECONOMIC</b>                    | Support the promotion and marketing of local businesses and tourism initiatives.            | The regulation and provision of building control, control of noxious weeds and vermin, standpipe water supplies and area promotion.  |
| <b>OTHER PROPERTY AND SERVICES</b> | Provide support services for works and plant operations.                                    | Private works operations, plant repairs and operation costs.   |

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

**31. FINANCIAL RATIOS**

|                                   | 2018   | 2017   | 2016   |
|-----------------------------------|--------|--------|--------|
| Current ratio                     | 0.74   | 2.03   | 1.05   |
| Asset sustainability ratio        | 2.90   | 2.23   | 1.60   |
| Debt service cover ratio          | 2.92   | 0.25   | (0.07) |
| Operating surplus ratio           | (0.47) | (0.60) | (0.72) |
| Own source revenue coverage ratio | 0.48   | 0.42   | 0.48   |
| Asset consumption ratio           | 0.71   | 0.71   | 0.62   |
| Asset renewal funding ratio       | 0.74   | 0.75   | 0.77   |

The above ratios are calculated as follows:

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

**Notes:**

Information relating to the asset consumption ratio and the asset renewal funding ratio can be found at Supplementary Ratio Information on Page 56-58 of this document.

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

In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

|  | 2017/18 | 2016/17 | 2015/16 |
|--|---------|---------|---------|
|  | \$      | \$      | \$      |
| Amount of Financial Assistance Grant received during the year relating to the subsequent year. | 429,939 | 428,095 | 0       |
| Amount of Financial Assistance Grant received in prior year relating to current year.          | 428,095 | 0       | 405,924 |
| Amount of reimbursement for flood damage received  | 117,211 | 0       | 0       |
| Expenditure on flood damage re-instatement   | 284,643 | 123,233 | 0       |

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

|                                   | 2018   | 2017   | 2016   |
|-----------------------------------|--------|--------|--------|
| Current ratio                     | 0.74   | 2.22   | 0.35   |
| Debt service cover ratio          | 6.03   | (0.35) | 1.26   |
| Operating surplus ratio           | (0.27) | (0.77) | (0.56) |
| Own source revenue coverage ratio | 0.50   | 0.42   | 0.49   |

## INDEPENDENT AUDITOR'S REPORT

### To the Electors of the Shire of Pingelly

### Report on the Audit of the Financial Report

#### **Opinion**

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

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

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

#### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) In our opinion, the following matters indicate significant adverse trends in the financial position of the Shire of Pingelly:
  - a. Operating surplus ratio as reported in Note 31 of the financial report is below the below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.719, 2017: -0.596 and 2018: -0.472).

- (ii) There were no instances of non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

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

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

#### **AMD Chartered Accountants**



**TIM PARTRIDGE**  
**Director**

28-30 Wellington Street, Bunbury, Western Australia

Dated this 6<sup>th</sup> day of December 2018