

Year Ended 30 June 2018

Annual Report

Shire of Cunderdin



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OUR COUNCIL

**Councillor:**

Phone:
Ward:
President:
Years of Service:

DA (Dennis) Whisson

9625 1022
District 2021
2016 to present
2003 to present

Councillor:

Phone:
Ward:
Years of Service:

D (Doug) Kelly

9625 1305
District 2019
2007 to present

Councillor:

Phone:
Ward:
Years of Service:

TE (Todd) Harris

9636 2030
District 2019
2005 to present

Councillor:

Phone:
Ward:
Years of Service:

NW (Norm) Jenzen

9635 2046
District 2021
2013 to present

Councillor:

Phone:
Ward:
Years of Service:

B (Bernie) Daly

0488 079 334
District 2019
2015 to present

Councillor:

Phone:
Ward:
Years of Service:

J (Jayson) Goldson

9635 1304
District 2021
2017 to present

Councillor:

Phone:
Ward:
Years of Service:

DG (Dianne) Kelly

9625 1313
District 2019
2004 to present

Councillor:

Phone:
Ward:
Years of Service:

A (Alison) Harris

9636 2030
District 2021
2015 to Present

PRESIDENT'S REPORT



The financial year to 30th June 2018 has seen advances in some large projects within the Community of the Shire of Cunderdin, some of which are:

Health & Aged Care

The Age Appropriate Accommodation Project is now complete with tenants moving into the buildings in October 2018.

The Primary Health Care Centre will commence operation in January of 2019.

Water Catchment Dam

Council have received funding for the first two stages of this project with construction of the Town Dam to be constructed in early 2019.

Airfield

Development of the Cunderdin Airfield is still ongoing with Council signing an 'Agreement to Lease' with a private developer namely Ascent Aviation. It is hoped that Ascent Aviation will be able to make a public announcement on development plans in early 2020.

Meckering Earthquake Anniversary

Council in collaboration with the Meckering Community, have put together a commemorative event to celebrate Meckering, 50years on!

The Earthquake shook the town in October 1968 and affected the lives of many people who still reside within our Shire today.

The event is expected to bring thousands of people to the community.

Roads

At our last Electors Meeting it was obvious that roads were a major concern of ratepayers throughout the Shire. We have spent \$1,560,946 this year on roads and in the 2018/19 budget, we have targeted up to 12 roads to be gravel re-sheeted or resealed to bring our roads up to the standard expected by our ratepayers.

Staff

Under the guidance of our Chief Executive Officer Neville Hale, Deputy Chief Executive Officer Paul Godfrey and Manager of Works and Services, Fabian Houbrechts, we have an efficient, friendly and helpful staff both in the office and the outside staff.

Councillors

Thank you to all Councillors for your support and assistance over the past twelve months. Your time and dedication to the welfare of our Shire is appreciated and I look forward to your continued support.

DENNIS WHISSON
PRESIDENT

CHIEF EXECUTIVE OFFICERS REPORT



In November 2017, staff, Council and the community said farewell to Chief Executive Officer of 5 years, Mr Peter Naylor.

Prior to my appointment in February 2018, Peter had established a number of projects that are still ongoing this year.

In this regard Cunderdin's Health Care progressed extensively in 2017-18 with the Age Appropriate Accommodation due to open in October 2018, the Primary Health Care Demonstration Site that will open in January 2019. Cunderdin Health Services will transition to a new health model over the coming 12 months.

Since my arrival we have farewelled Ian Bartlett for his long awaited retirement as well as saying goodbye to Antoinette Gibson and her husband Constable Jim Gibson. The Shared Manager of Works and Services Greg Stephens left in June 2018 with Mr Fabian Houbrechts currently acting in this position.

Despite the turnover, I believe the Shire administration has a strong team as we continue to establish the Shared Services with the Shire's of Cunderdin and Tammin at both the Chief Executive Officer and Manager of Works and Services level.

At the Annual General Meeting held in Meckering in February 2018, ratepayers indicated concerns about the road network within the Shire. As a result, this year we spent \$1,560,946 on road renewal and repair with funds provided by Roads to Recovery, Regional Road Group and Councils own source. However less funds will be available in 2018/19 financial year.

As we look forward, the Shire will be able to focus its attention on exploring for the effective utilisation of the old hospital site and the installation of the Ton Dam Water Harvesting Project and an appropriate train station for the Cunderdin townsite.

OUR SHIRE

Our Services

The Shire delivers a wide range of services and facilities to the community. The revenues and expenditure of the Shire are required to be classified in accordance with legislation. The Local Government (Financial Management) Regulations 1996 (Schedule 1 Part 1) specify the minimum program classifications to be disclosed.

Statement of Objectives

The Shire of Cunderdin is dedicated to providing high quality services to the community through the various service orientated programs which it has established. These programs are summarised as follows:

GOVERNANCE

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

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various local laws, fire prevention, emergency services and animal control.

HEALTH

Food quality, pest control and other related matters.

EDUCATION AND WELFARE

Home and community care assistance, operation of senior citizens' centre and playgroup centre. Family and community support service.

HOUSING

Maintenance of staff and rental housing. Administration and maintenance of community housing.

COMMUNITY AMENITIES

Rubbish collection services, operation of tips, effluent service, noise control, administration, town-planning scheme,

maintenance of cemeteries, rest centres and storm water drainage maintenance.

RECREATION AND CULTURE

Maintenance of halls, aquatic centre, recreation centres and various reserves. Operation of library.

TRANSPORT

Construction and maintenance of streets, roads, drainage and footpaths. Cleaning and lighting of streets, traffic signs, depot maintenance and airstrip maintenance.

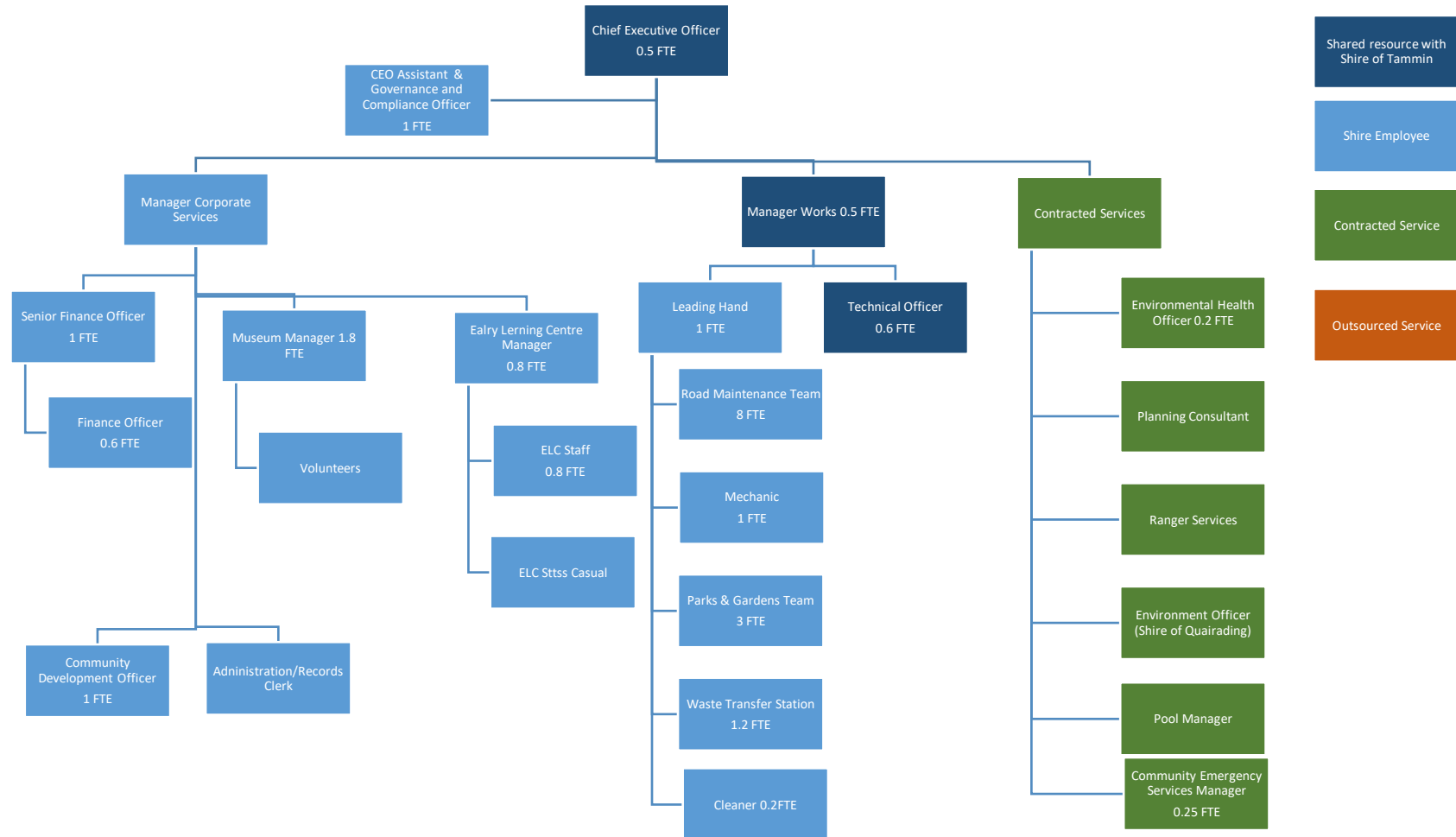
ECONOMIC SERVICES

The regulation and provision of tourism facilities, area promotion, building controls, saleyards, noxious weeds, vermin control and standpipes.

OTHER PROPERTY AND SERVICES

Private work operations, plant repairs and operation costs.

STAFF



OUR COMMUNITY



Recreation Facilities

There are two main sporting precincts within the Shire of Cunderdin. The Meckering Sporting Club, a community run facility that hosts Bowls, Tennis and Hockey and; the Cunderdin Sport and Recreation Centre, also a community run facility that hosts Bowls, Tennis, Football, Netball, Hockey, Basketball and Darts competitions.

Numbers for these sports increased over the last year, which is having a positive impact on both communities and their economy.

Within the Shire there are also two golf courses, the Cunderdin War Memorial Swimming Pool, Park, an abundance of gardens, Cunderdin Hill Reserve and Bulgin Rock Reserve.

Events

Cunderdin once again had a wide range of events in 2017-18, including, family aged and children events.

The majority of these events were Council supported and Cunderdin Community Resource Centre run.

Meckering also held two events being the Meckering Christmas Tree which for the first time was proudly sponsored by the Shire of Cunderdin.

Meckering, as did Cunderdin, held the launch of the community video, "This is OUR Shire".

Development Applications

During 2017-18, the number of development applications lodged was 12. That is 33% decrease from the previous year. This is believed to be due to the state of the economy.

Wyalkatchem Road, Counsel Road, Hodgson St and Vanzetti Street and Johnston Street.

OUR PLAN FOR THE FUTURE



Town Dam Project

In accordance with the Shire of Cunderdin Strategic Community Plan E2.1.1.4, works will commence for the Cunderdin Water Harvesting Project in early 2019.

The primary use of the water collected will be for the maintenance of the newly constructed Sport and Recreation Centre and town oval, which currently rely on scheme water. The full scope of the project includes the construction of a 32 mega litre storage dam along with a 4.7 mega litre silt trap dam, a pump and two storage tanks.

Once built, the proposed catchment is estimated to cost \$6,600 per annum, which represents a substantial saving for the Shire (approximately 88% less than current expenditure at \$54,950 (2016)). The significant financial benefit speaks for itself but it is the anticipated water saving of 26,700 KL each year, which highlights the absolute necessity of this project to reduce the drain on the States already scarce and highly valuable water resources.

Age Friendly Community

In 2017 Council adopted the Cunderdin – Tammin Age Friendly Community Plan (the Plan). The Shires of Tammin and Cunderdin understand that our residents want to age where they live and that they deserve a quality of life afforded by well-planned and accessible community infrastructure and services. The Cunderdin-Tammin Age Friendly Communities Plan was informed through engagement with ~100 residents and service providers within the Cunderdin and Tammin Shires.

The Plan outlines the actions that our Local Governments will undertake individually and collectively to make our communities better places for people of all ages and abilities to live and participate in.

We are committed to engaging and working with our communities and other stakeholders to implement the actions in this plan. We will also be responsive to changes in the priorities of our communities by undertaking regular reviews of this Plan and being proactive in engaging our older residents in conversations about how we can make our communities more age friendly.

GOVERNANCE AND LEADERSHIP

STATUTORY REPORTING

Freedom of Information

In accordance with Section 96 and 97 of the Freedom of Information Act 1992, the Shire is required to publish an annual Information Statement which details the process for applying for information under the Act, as well as information that the Shire provides outside of the Act. During the 2017-18 the Shire of Cunderdin had 0 applications, the equivalent of last year. This document is available from the Shire of Cunderdin Administration Office or on the Shire's website.

Public Interest Disclosure

The Public Interest Disclosure Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of the disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken. The Chief Executive Officer reports that no Complaints have been received during the year under review and declares that all obligations under the Public Interest Act and the Local Government Act Section 5.121 have been complied with.

Complaints Register - Conduct of Certain Officials

In accordance with Section 5.121 of the Local Government Act 1995 (as amended) and Section 5.53 (2), the Annual Report is required to disclose the number of complaints of minor breaches received each year.

No complaints have been reported in 2017/18.

Record Keeping

The State Records Act 2000 requires that the Shire maintains and disposes of all records in the proscribed manner. Principle 6 – Compliance: Government organisations ensure their employees comply with the record keeping plan. An organisation and its employees must comply with the organisation's record keeping plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

The efficiency and effectiveness of the record keeping plan is reviewed by senior staff on a regular basis. During the induction of new employees, an awareness program is conducted on the record keeping plan, procedures and policies and continues to adhere to an ongoing staff training program. 2 courses were completed in 2017/18.

The Shire is currently reviewing the record keeping plan to ensure that it remains current and complies with the State Records Act 2000.

Disability Access and Inclusion Plan

The Disability Services Act 1993 requires State Government authorities and local governments to develop and implement a Disability Access and Inclusion Plan (DAIP). The Shire's DAIP underwent a major review in 2015-16, to assess the Shire's progress in actioning the plan and determine priorities for the future. The review was completed in April 2016 and the DAIP 2016-20 was adopted in May 2016. A desktop review was undertaken in June 2018.

The overarching goal of a DAIP is to provide equity of access and inclusion to

all services, facilities and functions and information provided by the Shire of Cunderdin.

Disclosure of Annual salaries

In accordance with Section 19B of the Local Government (Administration) Regulations 1996 set out below, in bands of \$10,000, is the number of employees of the Shire of Cunderdin entitled to an annual salary of \$100,000 or more in 2017/18:

Salary Range	No. of employees
\$120,000 to \$129,999	1
\$130,000 to \$139,999	1
\$160,000 to \$169,999	1

National Competition Policy

The introduction of the National Competition Policy requires all local governments to include in the Annual Report, Statements relating to the following:-

Competitive Neutrality

Competitive neutrality addresses potential advantages or disadvantages that public enterprises may have compared with businesses operating in the private sector. Council has not received any allegations of non-compliance with Competitive Neutrality Principles from the private sector in 2017-18.

Code of Conduct

Local governments are required to adopt a code of conduct for their Elected Members, committee members and employees. The Code of Conduct sets out the standards of behaviour which must be observed when performing their duties, and is intended to promote accountable and ethical decision-making. This enables professional relationships to be established and maintained in the interests of providing good governance, overall integrity and good government for the community. A review commenced on the Code of Conduct during the year which will be finalised in 2018/19.

All new employees are required to complete an online induction to ensure they understand the Shire's Code of Conduct.

Related Party Disclosures

Effective for reporting periods beginning on or after 1 July 2016, local governments must disclose certain related party relationships and related party transactions together with information associated with those transactions in its annual financial report in order to comply with Australian Accounting Standard AASB 124 Related Party Disclosures (AASB 124).

This is a requirement specified by the Australian Accounting Standard and is different from the Disclosure of Interest and Gift and Travel Disclosure requirements that are imposed under the Local Government Act 1995 and associated Regulations.

For the 2017/18 period the Shire of Cunderdin have no related party disclosures to report.

INTEGRATED PLANNING AND REPORTING FRAMEWORK

The Shire of Cunderdin Strategic Community Plan, in compliance with s5.56 of the Local Government Act 1995 was reviewed and adopted by Council in June 2017. Following amendments to the Act, local governments must develop and implement integrated strategic long term plans. These amendments were supported by the statewide introduction of the Integrated Planning and Reporting (IPR) Framework. This Framework was introduced to ensure the integration of community priorities into strategic planning for Councils.

The Strategic Community Plan (SCP) is the head document of the IPR framework and provides the longer term view (10 year plus timeframe) and sets out the vision, aspirations and objectives of the community. The Shire of Cunderdin's Strategic Community Plan 2017-2027 was adopted by Council in 2017. A desktop review is due to be undertaken in 2019. The Department does not currently specify the requirements of a desktop review, and also does not require local governments to report back to it on completion of the review. However, a report to Council is required, in order to ensure that the review is formally documented.

The Corporate Business Plan (CBP) is responsible for translating the strategic direction of the Shire articulated within the SCP, into specific priorities and actions at an operational level. The CBP also draws together actions contained within the Long Term Financial Plan, Capital Works Programs and various informing strategies, and is reviewed annually in line with the budget process to ensure priorities are achievable and effectively timed.

A Place for People,

A Place for Community.



*Cunderdin Movie night under the stars - top
Cunderdin Carols in the Park – below*

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

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COMMUNITY VISION

A place for people a place for community.

Principal place of business:
37 Lundy Avenue
Cunderdin WA

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

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Cunderdin for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Cunderdin at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 16 day of April 2019



Chief Executive Officer

Neville Hale

Name of Chief Executive Officer

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	24(a)	1,998,635	1,992,788	1,890,058
Operating grants, subsidies and contributions	2(a)	1,865,293	1,070,052	2,578,288
Fees and charges	2(a)	304,519	243,916	381,581
Interest earnings	2(a)	61,925	56,000	63,942
Other revenue	2(a)	24,991	20,000	11,328
		4,255,363	3,382,756	4,925,197
Expenses				
Employee costs		(1,745,081)	(1,894,654)	(1,849,065)
Materials and contracts		(1,385,225)	(1,428,152)	(1,816,018)
Utility charges		(254,429)	(209,425)	(212,170)
Depreciation on non-current assets	10(b)	(5,256,520)	(3,616,600)	(4,724,414)
Interest expenses	2(b)	(76,810)	(74,453)	(75,800)
Insurance expenses		(114,186)	(145,838)	(160,669)
Other expenditure		(64,534)	(75,531)	(58,866)
		(8,896,785)	(7,444,653)	(8,897,002)
		(4,641,422)	(4,061,897)	(3,971,805)
Non-operating grants, subsidies and contributions	2(a)	1,421,798	1,492,366	3,396,426
Profit on asset disposals	10(a)	4,500	0	27,497
(Loss) on asset disposals		0	0	(57,161)
Fair value adjustments to financial assets at fair value through profit or loss	4	0	0	(9,064)
Net result		(3,215,124)	(2,569,531)	(614,107)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	2,399,000	0	1,409,604
Total other comprehensive income		2,399,000	0	1,409,604
Total comprehensive income		(816,124)	(2,569,531)	795,497

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

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
	2(a)			
Governance		0	0	388
General purpose funding		3,448,384	2,788,373	4,068,390
Law, order, public safety		50,299	35,980	56,756
Health		164	500	2,042
Education and welfare		134,536	75,000	84,770
Housing		16,340	15,600	17,255
Community amenities		172,724	125,916	224,355
Recreation and culture		62,629	25,700	53,455
Transport		109,954	107,771	158,942
Economic services		34,090	7,000	16,645
Other property and services		226,243	200,916	242,199
		4,255,363	3,382,756	4,925,197
Expenses				
Governance		(119,716)	(165,775)	(102,682)
General purpose funding		(38,234)	(48,000)	(69,823)
Law, order, public safety		(83,269)	(134,186)	(105,061)
Health		(48,996)	(57,743)	(39,264)
Education and welfare		(143,305)	(167,922)	(133,728)
Housing		(106,265)	(84,096)	(67,804)
Community amenities		(525,085)	(651,684)	(463,356)
Recreation and culture		(1,565,035)	(1,422,520)	(1,305,736)
Transport		(5,059,725)	(4,279,730)	(5,180,201)
Economic services		(78,737)	(85,073)	(73,477)
Other property and services		(1,051,608)	(273,471)	(1,280,070)
		(8,819,975)	(7,370,200)	(8,821,202)
Finance Costs				
Recreation and culture		(64,941)	(62,462)	(63,068)
Other property and services		(11,869)	(11,991)	(12,732)
		(76,810)	(74,453)	(75,800)
		(4,641,422)	(4,061,897)	(3,971,805)
Non-operating grants, subsidies and contributions	2(a)	1,421,798	1,492,366	3,396,426
Profit on disposal of assets	10(a)	4,500	0	27,497
(Loss) on disposal of assets		0	0	(57,161)
Fair value adjustments to financial assets at fair value through profit or loss	4	0	0	(9,064)
		1,426,298	1,492,366	3,357,698
		(3,215,124)	(2,569,531)	(614,107)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	2,399,000	0	1,409,604
Total other comprehensive income		2,399,000	0	1,409,604
Total comprehensive income		(816,124)	(2,569,531)	795,497

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

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

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,593,833	3,785,635
Trade and other receivables	6	521,958	391,810
Inventories	7	12,371	6,800
TOTAL CURRENT ASSETS		3,128,162	4,184,245
NON-CURRENT ASSETS			
Financial Assets	4	64,080	64,080
Trade and Other Receivables	6	19,447	15,455
Property, plant and equipment	8	16,959,737	15,937,919
Infrastructure	9	106,542,190	107,386,555
TOTAL NON-CURRENT ASSETS		123,585,454	123,404,009
TOTAL ASSETS		126,713,616	127,588,254
CURRENT LIABILITIES			
Trade and other payables	12	560,858	521,812
Current portion of long term borrowings	13(b)	74,131	70,144
Provisions	14	115,215	135,190
TOTAL CURRENT LIABILITIES		750,204	727,146
NON-CURRENT LIABILITIES			
Long term borrowings	13(b)	1,236,603	1,310,734
Provisions	14	115,972	123,413
TOTAL NON-CURRENT LIABILITIES		1,352,575	1,434,147
TOTAL LIABILITIES		2,102,779	2,161,293
NET ASSETS		124,610,837	125,426,961
EQUITY			
Retained surplus		10,280,707	13,402,104
Reserves - cash backed	5	993,724	1,087,451
Revaluation surplus	11	113,336,406	110,937,406
TOTAL EQUITY		124,610,837	125,426,961

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

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

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		14,328,436	775,226	109,527,802	124,631,464
Comprehensive income					
Net result		(614,107)	0	0	(614,107)
Other Comprehensive Income	11	0	0	1,409,604	1,409,604
Total comprehensive income		(614,107)	0	1,409,604	795,497
Transfers from/(to) reserves		(312,225)	312,225	0	0
Balance as at 30 June 2017		13,402,104	1,087,451	110,937,406	125,426,961
Comprehensive income					
Net result		(3,215,124)	0	0	(3,215,124)
Other Comprehensive Income	11	0	0	2,399,000	2,399,000
Total comprehensive income		(3,215,124)	0	2,399,000	(816,124)
Transfers from/(to) reserves		93,727	(93,727)	0	0
Balance as at 30 June 2018		10,280,707	993,724	113,336,406	124,610,837

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$	\$
Receipts				
Rates		1,980,933	2,042,788	1,927,969
Operating grants, subsidies and contributions		1,865,291	1,090,052	2,803,675
Fees and charges		161,068	243,916	381,581
Interest earnings		61,925	56,000	63,942
Goods and services tax		335,728	15,000	256,226
Other revenue		47,965	20,000	11,328
		4,452,910	3,467,756	5,444,721
Payments				
Employee costs		(1,771,696)	(1,854,620)	(1,807,900)
Materials and contracts		(1,374,398)	(1,499,407)	(1,713,088)
Utility charges		(254,429)	(209,425)	(212,170)
Interest expenses		(77,896)	(74,453)	(76,836)
Insurance expenses		(114,186)	(145,838)	(160,669)
Goods and services tax		(308,754)	0	(299,314)
Other expenditure		(64,534)	(75,531)	(58,866)
		(3,965,893)	(3,859,274)	(4,328,843)
Net cash provided by (used in) operating activities	15(a)	487,017	(391,518)	1,115,878
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(2,106,597)	(2,427,629)	(1,137,495)
Payments for construction of infrastructure		(974,376)	(1,242,511)	(744,985)
Non-operating grants, subsidies and contributions		1,421,798	1,492,366	3,396,426
Proceeds from sale of fixed assets		50,500	0	103,425
Net cash provided by (used in) investment activities		(1,608,675)	(2,177,774)	1,617,371
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(70,144)	(70,144)	(66,374)
Net cash provided by (used in) financing activities		(70,144)	(70,144)	(66,374)
Net increase (decrease) in cash held		(1,191,802)	(2,639,436)	2,666,875
Cash at beginning of year		3,785,635	3,780,221	1,118,760
Cash and cash equivalents at the end of the year	15(b)	2,593,833	1,140,785	3,785,635

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
		2,574,983	2,750,426	537,811
		2,574,983	2,750,426	537,811
Revenue from operating activities (excluding rates)				
Governance		0	0	388
General purpose funding		1,464,767	810,603	2,192,703
Law, order, public safety		50,299	35,980	56,756
Health		164	500	2,042
Education and welfare		134,536	75,000	84,770
Housing		16,340	15,600	17,255
Community amenities		172,724	125,916	224,355
Recreation and culture		62,629	25,700	69,055
Transport		109,954	107,771	170,839
Economic services		34,090	7,000	16,645
Other property and services		230,743	200,916	242,199
		2,276,246	1,404,986	3,077,007
Expenditure from operating activities				
Governance		(119,716)	(165,775)	(102,682)
General purpose funding		(38,234)	(48,000)	(78,887)
Law, order, public safety		(83,269)	(134,186)	(126,603)
Health		(48,996)	(57,743)	(39,264)
Education and welfare		(143,305)	(167,922)	(133,728)
Housing		(106,265)	(84,096)	(67,804)
Community amenities		(525,085)	(651,684)	(463,356)
Recreation and culture		(1,629,976)	(1,484,982)	(1,368,804)
Transport		(5,059,725)	(4,279,730)	(5,192,009)
Economic services		(78,737)	(85,073)	(73,477)
Other property and services		(1,063,477)	(285,462)	(1,316,613)
		(8,896,785)	(7,444,653)	(8,963,227)
Operating activities excluded				
(Profit) on disposal of assets	10(a)	(4,500)	0	(27,497)
Loss on disposal of assets		0	0	57,161
Movement in Local Government House		0	0	9,064
Movement in employee benefit provisions (non-current)		(31,410)	0	45,790
Depreciation and amortisation on assets	10(b)	5,256,520	3,616,600	4,724,414
Amount attributable to operating activities		1,175,054	327,359	(539,477)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,421,798	1,492,366	3,396,426
Proceeds from disposal of assets	10(a)	50,500	0	103,425
Purchase of property, plant and equipment	8(b)	(2,106,597)	(2,427,629)	(1,137,495)
Purchase and construction of infrastructure	9(b)	(974,376)	(1,242,511)	(744,985)
Amount attributable to investing activities		(1,608,675)	(2,177,774)	1,617,371
FINANCING ACTIVITIES				
Repayment of long term borrowings	13(a)	(70,144)	(70,144)	(66,374)
Transfers to reserves (restricted assets)	5	(55,219)	(20,000)	(352,225)
Transfers from reserves (restricted assets)	5	148,946	59,436	40,000
Amount attributable to financing activities		23,583	(30,708)	(378,599)
Surplus(deficiency) before general rates		(410,038)	(1,881,123)	699,296
Total amount raised from general rates	24(a)	1,983,617	1,977,770	1,875,687
Net current assets at June 30 c/fwd - surplus/(deficit)	25	1,573,579	96,647	2,574,983

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Revenue Other than Fees and Charges

Other

Fees and Charges

General purpose funding

Law, order, public safety

Health

Education and welfare

Housing

Community amenities

Recreation and culture

Transport

Economic services

Other property and services

	2018 Actual	2017 Actual
	\$	\$
	24,991	11,328
	24,991	11,328
	5,330	6,519
	4,465	2,317
	164	2,042
	19,581	21,438
	16,340	17,255
	152,724	199,355
	35,805	49,234
	42,183	42,714
	14,100	14,609
	13,827	26,098
	304,519	381,581

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	0	388
General purpose funding	1,376,967	2,102,330
Law, order, public safety	45,835	54,438
Education and welfare	114,954	63,332
Community amenities	20,000	25,000
Recreation and culture	26,823	4,221
Transport	67,771	116,228
Economic services	19,989	2,036
Other property and services	192,954	210,315
	1,865,293	2,578,288
Non-operating grants, subsidies and contributions		
Law, order, public safety	3,878	555,547
Education and welfare	578,545	1,844,840
Community amenities	60,000	40,000
Recreation and culture	44,813	32,000
Transport	734,562	924,039
	1,421,798	3,396,426
Total grants, subsidies and contributions	3,287,091	5,974,714

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 for the current period.

Interest earnings

- Reserve funds
- Other funds
Other interest revenue (refer note 24(e))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Reserve funds	24,614	20,000	20,313
- Other funds	6,288	6,000	7,728
Other interest revenue (refer note 24(e))	31,023	30,000	35,901
	61,925	56,000	63,942

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other Services

Interest expenses (finance costs)

Long term borrowings (refer Note 13(a))

	2018	2017
	\$	\$
	27,300	19,640
	3,300	1,000
	30,600	20,640
	76,810	75,800
	76,810	75,800

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

3. CASH AND CASH EQUIVALENTS	NOTE	2018 \$	2017 \$
Cash at Bank		1,599,608	2,697,684
Cash on Hand		500	500
Term Deposits		993,725	1,087,451
		2,593,833	3,785,635
Unrestricted		1,290,076	982,140
Restricted		1,303,757	2,803,495
		2,593,833	3,785,635
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	5	170,668	166,892
Plant Reserve	5	215,280	219,835
Building Reserve	5	132,092	172,876
Airfield Reserve	5	110,462	108,017
Community Bus Reserve	5	19,502	19,070
Asset Replacement Reserve	5	240,930	313,255
Cunderdin Museum Reserve	5	20,970	20,506
Surfaces Replace Reserve	5	83,820	67,000
Unspent grants	23	310,033	1,716,044
		1,303,757	2,803,495

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 with original maturities of three months or less that are readily convertible to known amounts of

Cash and cash equivalents (Continued)

cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

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

4 FINANCIAL ASSETS

2018 Actual	2017 Actual
\$	\$

Non Current

Investment in WALGA Local Government House Trust*

Opening Fair Value	61,904	70,968
Revaluation/(Devaluation)	0	(9,064)
Shire of Cunderdin Equity (4 Units)	61,904	61,904
Co-op Shares	2,176	2,176
	64,080	64,080

* This note discloses the equity the Shire has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House. There are 620 units in the Local Government House Trust of which 4 are owned by the shire. The value of the investment is based on the Trust's audited financial report as at 30 June 2017. Movement during the financial year 2018 was not considered to be material.

5. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	166,892	3,776	0	170,668	166,892	3,069	0	169,961	158,854	8,038	0	166,892
Plant Reserve	219,835	4,976	(9,531)	215,280	219,835	4,043	(9,531)	214,347	142,618	77,217	0	219,835
Building Reserve	172,876	19,216	(60,000)	132,092	172,876	3,180	0	176,056	6,545	166,331	0	172,876
Airfield Reserve	108,017	2,445	0	110,462	108,017	1,987	0	110,004	102,815	5,202	0	108,017
Community Bus Reserve	19,070	432	0	19,502	19,070	351	0	19,421	18,152	918	0	19,070
Asset Replacement Reserve	313,255	7,090	(79,415)	240,930	313,255	5,761	(49,905)	269,111	336,242	17,013	(40,000)	313,255
Cunderdin Museum Reserve	20,506	464	0	20,970	20,506	377	0	20,883	10,000	10,506	0	20,506
Surfaces Replace Reserve	67,000	16,820	0	83,820	67,000	1,232	0	68,232	0	67,000	0	67,000
	1,087,451	55,219	(148,946)	993,724	1,087,451	20,000	(59,436)	1,048,015	775,226	352,225	(40,000)	1,087,451

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

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

Name of Reserve	Anticipated Date of Use	Purpose of the reserve
Leave Reserve	Ongoing	To be used to fund annual and long service leave requirements.
Plant Reserve	Ongoing	To be used to fund acquisition, disposal and maintenance of plant and equipment.
Building Reserve	Ongoing	To be used to fund acquisition, disposal and maintenance of land and buildings.
Airfield Reserve	Ongoing	To be used to fund acquisition, maintenance and funding of property, buildings, plant and equipment associated with the Cunderdin airfield.
Community Bus Reserve	Ongoing	To be used to fund acquisition, disposal and maintenance of community bus.
Asset Replacement Reserve	Ongoing	To provide for the replacement of necessary equipment, furniture and infrastructure comprising of road, drains, footpaths and recreational reserves.
Cunderdin Museum Reserve	Ongoing	To be used to fund exhibitions and upgrades to the Cunderdin Museum
Surfaces Replace Reserve	Ongoing	To be used to fund the replacement of the tennis and bowling surfaces in Cunderdin and Meckering

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

6. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
Sundry debtors
GST receivable
Accrued Income Rebate

Non-current

Rates outstanding - pensioners

	2018	2017
	\$	\$
Rates outstanding	210,331	196,621
Sundry debtors	245,730	102,277
GST receivable	51,171	78,145
Accrued Income Rebate	14,726	14,767
	521,958	391,810
Rates outstanding - pensioners	19,447	15,455
	19,447	15,455

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

7. INVENTORIES

Current

Fuel

	2018	2017
	\$	\$
	12,371	6,800
	12,371	6,800

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

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017	2,381,000	2,381,000
- Management Valuation 2017	127,000	127,000
- Disposals after valuation	(46,000)	0
	2,462,000	2,508,000
Land - vested in and under the control of Council at:		
- Independent valuation 2017	14,000	14,000
	14,000	14,000
Total land	2,476,000	2,522,000
Buildings - non-specialised at:		
- Independent valuation 2017	27,288,200	27,288,200
- Additions after valuation - cost	2,447,006	38,836
Less: accumulated depreciation	(16,717,021)	(16,004,920)
	13,018,185	11,322,116
Total buildings	13,018,185	11,322,116
Total land and buildings	15,494,185	13,844,116
Furniture and equipment at:		
- Management valuation 2015	345,170	345,170
- Additions after valuation - cost	7,588	3,220
Less: accumulated depreciation	(315,794)	(305,736)
	36,964	42,654
Plant and equipment at:		
- Management valuation 2015	1,940,419	1,940,419
- Additions after valuation - cost	668,633	668,633
Less: accumulated depreciation	(1,180,464)	(863,844)
	1,428,588	1,745,208
Works in Progress - Buildings	0	305,941
	0	305,941
Total property, plant and equipment	16,959,737	15,937,919

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 - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Works in Progress - Buildings	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	1,359,000	3,000	1,362,000	11,322,625	11,322,625	12,684,625	55,378	1,543,554	0	14,283,557
Additions	0	0	0	162,920	162,920	162,920		668,634	305,941	1,137,495
(Disposals)	0	0	0	0	0	0	0	(133,089)	0	(133,089)
Revaluation increments/ (decrements) transferred to revaluation surplus	1,149,000	11,000	1,160,000	249,604	249,604	1,409,604	0	0	0	1,409,604
Depreciation (expense)			0	(413,033)	(413,033)	(413,033)	(12,724)	(333,891)	0	(759,648)
Carrying amount at 30 June 2017	2,508,000	14,000	2,522,000	11,322,116	11,322,116	13,844,116	42,654	1,745,208	305,941	15,937,919
Additions	0	0	0	2,408,170	2,408,170	2,408,170	4,368	0	(305,941)	2,106,597
(Disposals)	(46,000)	0	(46,000)	0	0	(46,000)	0	0	0	(46,000)
Depreciation (expense)	0	0	0	(712,101)	(712,101)	(712,101)	(10,058)	(316,620)	0	(1,038,779)
Carrying amount at 30 June 2018	2,462,000	14,000	2,476,000	13,018,185	13,018,185	15,494,185	36,964	1,428,588	0	16,959,737

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
Land and buildings					
Land - freehold land	2	Market Approach	Independent Valuation	2017	Price per square metre
	3	Cost Approach using depreciated replacement cost	Management Valuation	2017	Price per square metre
Land - vested in and under the control of Council	2	Market Approach	Independent Valuation	2017	Price per square metre
Buildings - non-specialised	3	Cost Approach using depreciated replacement cost	Independent Valuation	2017	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Furniture and equipment	2	Market Approach	Management Valuation	2015	Make, size, year of manufacture and condition.
Plant and equipment	2	Market Approach	Management Valuation	2015	Make, size, year of manufacture and condition.

Works in Progress - Buildings

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

	2018	2017
	\$	\$
Infrastructure - Roads		
- Independent valuation 2015	140,332,088	140,332,088
- Additions after valuation - cost	2,569,069	1,763,833
Less: accumulated depreciation	(47,263,152)	(43,568,135)
	95,638,005	98,527,786
Infrastructure - Footpaths		
- Independent valuation 2015	644,675	644,675
Less: accumulated depreciation	(306,586)	(298,080)
	338,089	346,595
Infrastructure - Airfield		
- Independent valuation 2015	16,896,000	16,896,000
Less: accumulated depreciation	(12,275,867)	(12,073,467)
	4,620,133	4,822,533
Infrastructure -Other Infrastructure		
- Independent valuation 2015	6,075,000	6,075,000
- Additions after valuation - cost	258,384	89,244
Less: accumulated depreciation	(2,786,421)	(2,474,603)
	3,546,963	3,689,641
Infrastructure - Bridges		
- Independent valuation 2018	5,575,500	0
Less: accumulated depreciation	(3,176,500)	0
	2,399,000	0
Total infrastructure	106,542,190	107,386,555

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

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 - Roads	Infrastructure - Footpaths	Infrastructure - Airfield	Infrastructure - Other Infrastructure	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	101,223,655	355,384	5,024,933	4,002,364	0	110,606,336
Additions	741,840	0	0	3,145	0	744,985
Depreciation (expense)	(3,437,709)	(8,789)	(202,400)	(315,868)	0	(3,964,766)
Carrying amount at 30 June 2017	98,527,786	346,595	4,822,533	3,689,641	0	107,386,555
Additions	805,236	0	0	169,140	0	974,376
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	2,399,000	2,399,000
Depreciation (expense)	(3,695,017)	(8,506)	(202,400)	(311,818)	0	(4,217,741)
Carrying amount at 30 June 2018	95,638,005	338,089	4,620,133	3,546,963	2,399,000	106,542,190

In 2017-18, an independent valuation was performed on Bridges and the assets were valued at \$2.4 million. These assets had previously existed, but were not recorded in the financial report. The assets were independently valued for the first time in 2015-16 at \$2.3 million. Retrospective restatement of the asset values was not performed as management considered that the adjustment was immaterial.”

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	2015	Cost of components used to create the assets and condition based on estimates.
Infrastructure - Footpaths	3	Cost Approach using depreciated replacement cost	Independent Valuation	2015	Cost of components used to create the assets and condition based on estimates.
Infrastructure - Airfield	3	Cost Approach using depreciated replacement cost	Independent Valuation	2015	Cost of components used to create the assets and condition based on estimates.
Infrastructure -Other Infrastructure	3	Cost Approach using depreciated replacement cost	Independent Valuation	2015	Cost of components used to create the assets and condition based on estimates.
Infrastructure - Bridges	3	Cost Approach using depreciated replacement cost	Independent Valuation	2018	Cost of components used to create the assets and condition based on estimates.

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 to five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

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

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

10. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Other property and services								
Land - Margret Street	46,000	50,500	4,500	0	0	0	0	0
	46,000	50,500	4,500	0	0	0	0	0

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	712,101	413,033
Furniture and equipment	10,058	12,724
Plant and equipment	316,620	333,891
Infrastructure - Roads	3,695,017	3,437,709
Infrastructure - Footpaths	8,506	8,789
Infrastructure - Airfield	202,400	202,400
Infrastructure -Other Infrastructure	311,818	315,868
	5,256,520	4,724,414

10. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings	20 to 50 years
Furniture and equipment	4 to 20 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	Not Depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	Not Depreciated
pavement	50 years
Formed roads (unsealed) formation	Not Depreciated
pavement	50 years
Footpaths - slab	20 years
Water supply piping and drainage systems	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.

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.

11. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land - freehold land	2,277,891	0	0	2,277,891	1,128,891	1,149,000	1,149,000	2,277,891
Revaluation surplus -Land - vested in and under the control of Council	11,000	0	0	11,000	0	11,000	11,000	11,000
Revaluation surplus -Buildings - non-specialised	4,650,061	0	0	4,650,061	4,400,457	249,604	249,604	4,650,061
Revaluation surplus -Plant and equipment	773,264	0	0	773,264	773,264	0	0	773,264
Revaluation surplus - Infrastructure - Roads	95,187,091	0	0	95,187,091	95,187,091	0	0	95,187,091
Revaluation surplus - Infrastructure - Footpaths	26,804	0	0	26,804	26,804	0	0	26,804
Revaluation surplus - Infrastructure - Airfield	4,700,692	0	0	4,700,692	4,700,692	0	0	4,700,692
Revaluation surplus - Infrastructure -Other Infrastructure	3,310,603	0	0	3,310,603	3,310,603	0	0	3,310,603
Revaluation surplus - Infrastructure - Bridges	0	2,399,000	2,399,000	2,399,000	0	0	0	0
	110,937,406	2,399,000	2,399,000	113,336,406	109,527,802	1,409,604	1,409,604	110,937,406

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

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

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Accrued interest on long term borrowings	
Accrued salaries and wages	
ATO liabilities	
Other Liabilities	
Income Received in Advance	

	2018	2017
	\$	\$
	453,830	437,432
	16,541	17,627
	11,731	11,804
	34,080	33,206
	36,426	14,548
	8,250	7,195
	560,858	521,812

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. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture								
76 Community Recreation Centre	1,182,903	0	44,599	44,599	1,138,304	1,138,304	64,941	62,462
Economic services								
73 Ettamogah Pub	116,594	0	15,034	15,034	101,560	101,560	7,017	7,090
74 Ettamogah Pub	81,381	0	10,511	10,511	70,870	70,870	4,852	4,901
	1,380,878	0	70,144	70,144	1,310,734	1,310,734	76,810	74,453
Self Supporting Loans	\$	\$	\$	\$	\$	\$	\$	\$
	1,380,878	0	70,144	70,144	1,310,734	1,310,734	76,810	74,453

All loan repayments were financed by general purpose revenue.

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

13. INFORMATION ON BORROWINGS (Continued)

(b) Loan facilities

Current - Secured by floating charge

74,131 70,144

Non-current - Secure by floating charge

1,236,603 1,310,734

Total facilities in use at balance date

1,310,734 1,380,878

Unused loan facilities at balance date

NIL NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

14. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Employment On Cost	Total
	\$	\$	\$	\$
Opening balance at 1 July 2017				
Current provisions	92,590	15,338	27,262	135,190
Non-current provisions	0	107,315	16,098	123,413
	92,590	122,653	43,360	258,603
Additional provision	(17,524)	(8,112)	(1,780)	(27,416)
Balance at 30 June 2018	75,066	114,541	41,580	231,187
Comprises				
Current	75,066	13,698	26,451	115,215
Non-current	0	100,843	15,129	115,972
	75,066	114,541	41,580	231,187

	Actual 2017/18	Actual 2016/17
Current Employees Benefits Related to Provisions		
Annual Leave	75,066	92,590
Long Service Leave	13,698	15,338
Employment On Costs	26,451	27,262
	115,215	135,190
Non Current Employees Benefits Related to Provisions		
Long Service Leave	100,843	107,315
Employment On Costs	15,129	16,098
	115,972	123,413
Total Provisions	231,187	258,603

Annual Leave Liabilities

Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2017/18	2016/17
Within 12 months of the end of the reporting period	61,238	76,836
More than 12 months after the end of the reporting period	13,828	15,754
	75,066	92,590

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by the employed up to the reporting date.

Long Service Leave Liabilities

Unconditional long service leave provisions are classified as current liabilities as the Shire of Cunderdin does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Shire of Cunderdin has an unconditional right to defer settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	13,698	15,338
More than 12 months after the end of the reporting period	100,843	107,315
	<u>114,541</u>	<u>122,653</u>

The provision for long service leave is calculated at the present value as the Shire of Cunderdin does not expect to wholly settle the amounts with 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match as closely as possible the estimated future cash outflows.

Employment On Cost Provision

The settlement of annual leave and long service leave liabilities give rise to the payment of employment on-costs including worker compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers compensation, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of "Employee Costs" in the Statement of Comprehensive income. The related liability is included in the "Employee On-Costs" provision.

	2017/18	2016/17
Carrying amount at start of period	43,360	39,454
Additional (reversal of) provision recognised	(1,780)	3,906
	<u>41,580</u>	<u>43,360</u>

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
(a) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(3,215,124)	(2,569,531)	(614,107)
Non-cash flows in Net result:			
Depreciation	5,256,520	3,616,600	4,724,414
(Profit)/loss on sale of asset	(4,500)	0	29,664
Fair value adjustments to fixed assets at fair value through profit or loss	0	0	9,064
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(134,140)	85,000	220,210
(Increase)/decrease in inventories	(5,571)	(5,000)	(2,956)
Increase/(decrease) in payables	39,046	(66,255)	96,689
Increase/(decrease) in provisions	(27,416)	40,034	49,326
Grants contributions for the development of assets	(1,421,798)	(1,492,366)	(3,396,426)
Net cash from operating activities	487,017	(391,518)	1,115,878

(b) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, the entity considers cash to include Cash on Hand and in Banks and Investments in Money Market instruments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash at Bank	1,599,608	92,270	2,697,684
Cash on Hand	500	500	500
Term Deposits	993,725	1,048,015	1,087,451
Cash and Cash Equivalents at the end of the reporting period	<u>2,593,833</u>	<u>1,140,785</u>	<u>3,785,635</u>
Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Credit Card limit	8,000		8,000
Credit Card Balance at Balance Date	(1,083)		(4,412)
Total Amount of Credit Unused	<u>6,917</u>		<u>3,588</u>

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

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	2,042,304	1,822,004
Law, order, public safety	124,840	180,125
Health	583,683	620,083
Education and welfare	2,546,124	172,418
Housing	1,258,582	3,181,919
Community amenities	324,711	693,704
Recreation and culture	10,099,389	10,294,582
Transport	102,991,774	106,524,732
Economic services	0	624,080
Other property and services	1,602,317	1,745,824
Unallocated	5,139,892	1,728,783
	126,713,616	127,588,254

17. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities to disclose as at 30 June 2018.

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

18. CAPITAL AND LEASING COMMITMENTS

	2018	2017
	\$	\$

(a) Capital Expenditure Commitments

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

Contracted for:

- capital expenditure projects	0	2,390,736
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Payable:

- not later than one year	0	2,390,736
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(b) Operating Lease Commitments

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

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

19. JOINT ARRANGEMENTS

The Shire of Cunderdin together with the Cunderdin-Meckering Cottage Homes Inc. and Homeswest has a joint venture arrangement for the provision of an Aged Persons Home located at Lot 391 Kennedy St, Cunderdin. The Shire has a 5.6% equitable interest in the Joint Venture.

20. Investment in Associates

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

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

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

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

20. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	27,086	27,781	23,421
President's allowance	0	1,500	0
Deputy President's allowance	0	750	0
Travelling expenses	0	500	113
	27,086	30,531	23,534

Other Key Management Personnel (KMP) Compensation Disclosure

The total remuneration for other KMP of the Shire during the year are as follows:

	2018	2017
	\$	\$
Short-term employee benefits	323,014	348,455
Post-employment benefits	43,529	49,470
Other long-term benefits	45,178	43,674
	411,721	441,599

Short-term employee benefits

These amounts include all salary, 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 annual leave and long service benefits accruing during the 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.

No transactions occurred with related parties as indicated below:

	2018	2017
	\$	\$
Purchase of goods and services	0	0

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.

21. MAJOR LAND TRANSACTIONS

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

22. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

23. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
DFES - Prepaid BFB Grant	8,250	7,125	(8,250)	7,125	8,250	(7,125)	8,250
DFES - Aware Grant	18,114	0	(18,114)	0	0	0	0
Education and welfare							
Aged Appropriate Accommodation Project	272,727	1,772,727	(336,535)	1,708,919	545,455	(2,079,892)	174,482
Transport							
Roads to Recovery	0	0	0	0	469,167	(341,866)	127,301
Total	299,091	1,779,852	(362,899)	1,716,044	1,022,872	(2,428,883)	310,033

Notes:

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

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

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

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

24. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Total Revenue \$
Differential general rate / general rate								
Gross rental valuations								
Residential	0.0817	377	5,302,228	433,192	1,794	434,986	432,044	432,044
Unimproved valuations								
Rural	0.009261	293	151,039,500	1,398,777	87	1,398,864	1,398,777	1,398,777
Sub-Total		670	156,341,728	1,831,969	1,881	1,833,850	1,830,821	1,830,821
Minimum payment	\$							
Gross rental valuations								
Residential	671	130	430,997	87,230		87,230	87,901	87,901
Unimproved valuations								
Rural	671	87	3,589,100	58,377		58,377	58,377	58,377
Mining	671	6	45,364	4,026	134	4,160	671	671
Sub-Total		223	4,065,461	149,633	134	149,767	146,949	146,949
		893	160,407,189	1,981,602	2,015	1,983,617	1,977,770	1,977,770
Total amount raised from general rate						1,983,617		1,977,770
Ex-gratia rates						15,018		15,018
Totals						1,998,635		1,992,788

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

24. RATING INFORMATION (Continued)

(b) Specified Area Rate

No Specified Area Rates were imposed by the Shire during the year ended 30 June 2018.

(c) Service Charges

No Service charges were imposed by the Shire during the year ended 30 June 2018.

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

The Shire did not offer a discount on rates in the year ended 30 June 2018.

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	26-Sep-17			11.00%
Option Two				
First instalment				
Second instalment				
Option Three				
First instalment	26-Sep-17		5.00%	11.00%
Second instalment	27-Nov-17	7.50	5.00%	11.00%
Third instalment	29-Jan-18	7.50	5.00%	11.00%
Fourth instalment	30-Mar-18	7.50	5.00%	11.00%
2018				
Budget				
Interest on unpaid rates			22,495	25,000
Interest on instalment plan			8,528	5,000
Charges on instalment plan			5,528	5,000
			36,551	35,000

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 for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	1,573,579	2,574,983	2,574,983
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,290,076	982,140	982,140
Restricted	1,303,757	2,803,495	2,803,495
Receivables			
Rates outstanding	210,330	196,622	196,622
Sundry debtors	245,730	102,277	102,277
GST receivable	51,171	78,145	78,145
Accrued Income Rebate	14,726	14,767	14,767
Inventories			
Fuel	12,371	6,800	6,800
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(453,830)	(437,432)	(437,432)
Accrued interest on long term borrowings	(16,541)	(17,627)	(17,627)
Accrued salaries and wages	(11,731)	(11,804)	(11,804)
ATO liabilities	(34,080)	(33,206)	(33,206)
Other Liabilities	(36,426)	(14,548)	(14,548)
Income Received in Advance	(8,250)	(7,195)	(7,195)
Current portion of long term borrowings	(74,131)	(70,144)	(70,144)
Provisions			
Provision for annual leave	(99,462)	(117,551)	(117,551)
Provision for long service leave	(15,753)	(17,639)	(17,639)
Unadjusted net current assets	2,377,957	3,457,100	3,457,100
Adjustments			
Less: Reserves - restricted cash	(993,724)	(1,087,451)	(1,087,451)
Add: Current portion of long term borrowings	74,131	70,144	70,144
Add: Provision for Employees - Cash Backed	115,215	135,190	135,190
Adjusted net current assets - surplus/(deficit)	1,573,579	2,574,983	2,574,983

Difference

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

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

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
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	2,593,833	3,785,635	2,593,833	3,785,635
Investments	64,080	64,080	64,080	64,080
Receivables	541,405	407,265	541,403	407,265
	3,199,318	4,256,980	3,199,316	4,256,980
Financial liabilities				
Payables	560,858	521,812	560,858	521,812
Borrowings	1,310,734	1,380,878	1,097,563	1,162,385
	1,871,592	1,902,690	1,658,421	1,684,197

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

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

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

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

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

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

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	25,938	37,856
- Statement of Comprehensive Income	25,938	37,856

Notes:

⁽¹⁾ 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	1.00%	1.00%
- Overdue	99.00%	99.00%
Percentage of other receivables		
- Current	76.00%	74.00%
- Overdue	24.00%	26.00%

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 Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	560,858	0	0	560,858	560,858
Borrowings	143,525	680,088	1,059,891	1,883,504	1,310,734
	<u>704,383</u>	<u>680,088</u>	<u>1,059,891</u>	<u>2,444,362</u>	<u>1,871,592</u>
2017					
Payables	521,812	0	0	521,812	521,812
Borrowings	143,525	717,624	1,165,880	2,027,029	1,380,878
	<u>665,337</u>	<u>717,624</u>	<u>1,165,880</u>	<u>2,548,841</u>	<u>1,902,690</u>

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	Up to 1 year	1-5 Years	Over 5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	%
Borrowings	74,130	420,139	816,466	1,310,735	5.36%
Weighted average Effective interest rate	5.61%	5.58%	5.23%		
Year ended 30 June 2017					
Borrowings					
Fixed rate					
Long term borrowings	70,144	415,278	895,457	1,380,879	5.38%
Weighted average Effective interest rate	5.60%	5.61%	5.25%		

**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:

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Working Trust	20,586	2,230	0	22,816
Community Centre Trust	83,209	9	0	83,218
Community Centre Term Deposit	421,878	10,827	0	432,705
	<u>525,673</u>			<u>538,739</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:

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

Notes:

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

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 2016-17 and AASB 2016-18)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

29. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of

the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

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

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

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

30. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of resources	Includes the activities of Council and the administrative support available to the Council for the provision of governance for the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific Council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, noise control and waste disposal compliance.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Maintenance of daycare centre, aged housing and provision of aged and youth services.
HOUSING	To provide and maintain housing.	Provision of staff housing and other housing to the community.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.	Maintenance of public halls, civic centres, aquatic centres, recreation centres and various sporting facilities. Provision and maintenance of parks gardens and playgrounds. Funding of library museum and other cultural facilities.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, footpaths, depots, parking facilities and traffic control. Cleaning of streets maintenance of street trees and street lighting.
ECONOMIC SERVICES	To promote the Shire and its economic wellbeing.	Tourism and area promotion including coordination of events. Provision of rural services including weed control, vermin control and standpipes. Building control.
OTHER PROPERTY AND SERVICES	To monitor and control the Shires overhead and operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

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

31. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	2.87	2.36	1.50
Asset consumption ratio	0.60	0.62	0.64
Asset renewal funding ratio	N/A	N/A	N/A
Asset sustainability ratio	0.12	0.26	0.21
Debt service cover ratio	4.74	5.55	0.47
Operating surplus ratio	(1.94)	(1.70)	(2.15)
Own source revenue coverage ratio	0.27	0.26	0.26

The above ratios are calculated as follows:

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

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

32. ECONOMIC DEPENDENCY

A significant portion of Council revenue is received by way of grants from the State and Federal Government

	Actual 2017/18	Budget 2017/18	Actual 2016/17
The total of grant revenue from Government sources	2,930,524	2,371,502	5,156,802

33. EVENTS AFTER THE REPORTING DATE

There are no significant events occurring after the reporting date that require disclosure.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of Cunderdin

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Cunderdin 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 my opinion the annual financial report of the Shire of Cunderdin:

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and 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 my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I 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 the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Asset Sustainability, Operating Surplus, and Own Source Revenue Coverage Ratios have been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years.
The financial ratios are reported at Note 31 to the financial report.
- (ii) The following material matters indicating 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 were identified during the course of my audit:

- a. For all the purchase transactions sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained, to test the market, and no documentation to explain why other quotes were not sought. This included one transaction that exceeded \$150,000 which was not procured through a tender process. This practice increases the likelihood of not receiving value for money in procurement. In addition, the Local Government (Functions and General) Regulations 1996 require public tenders to be invited for services above \$150,000.
 - b. The Shire has not reported the Asset Renewal Funding Ratio for 2018, 2017 and 2016 in the annual financial report, as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure.
- (iii) Except for the matters referred to in paragraph (ii) above, all required information and explanations were obtained by me.
 - (iv) All audit procedures were satisfactorily completed.
 - (v) In my opinion, the asset consumption ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 31 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



DON CUNNINGHAME
ACTING DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
18 April 2019