

SHIRE OF PEPPERMINT GROVE



**AUDIT COMMITTEE AGENDA
MEETING TO BE HELD ON THE
25th OCTOBER 2016
COMMENCING AT 4:00pm**



Shire of Peppermint Grove

NOTICE OF MEETING

Dear Committee Member

It is advised that the **Audit Committee Meeting** will be held in the Council Chamber of the **Shire of Peppermint Grove**, 1 Leake Street, Peppermint Grove, on **25th October 2016**, commencing at 4.00pm.

MEETING AGENDA ATTACHED

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Rawlings', is written over the printed name.

Paul Rawlings
ACTING CHIEF EXECUTIVE OFFICER

Shire of Peppermint Grove

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Shire of Peppermint Grove

AUDIT COMMITTEE MEETING AGENDA

25th OCTOBER 2016

-
1. OFFICIAL OPENING
 2. ATTENDANCE AND APOLOGIES
 - 2.1 ATTENDANCE
 - 2.2 APOLOGIES
 3. DECLARATIONS OF INTERESTS
 4. CONFIRMATION OF MINUTES
 - 4.1 AUDIT COMMITTEE MEETING (22ND MARCH 2016)

Recommendation

That the Minutes of the Audit Committee meeting held on 22nd March 2016 be confirmed as a true and accurate record of proceedings.

5. OFFICER REPORTS
 - 5.1 AUDIT REPORT

ATTACHMENT DETAILS

Attachment No	Details
Attachment 1 – Item 5.1 refers	Audit Report 30 June 2016
Attachment 2 – Item 5.1 refers	Management Report 30 June 2016

Voting Requirement	:	Simple Majority
Subject Index	:	AUDIT REPORT
Location / Property Index	:	Nil
Application Index	:	N/A

TPS No 3 Zoning	:	N/A
Land Use	:	N/A
Lot Area	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Officer	:	Paul Rawlings, Manager Corporate Services

COUNCIL ROLE

- | | | |
|-------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> | Advocacy | <i>When Council advocates on its own behalf or on behalf of its community to another level of government / body / agency.</i> |
| <input checked="" type="checkbox"/> | Executive | <i>The substantial direction setting and oversight role of the Council eg. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i> |
| <input type="checkbox"/> | Legislative | <i>Includes adopting local laws, town planning schemes & policies.</i> |
| <input type="checkbox"/> | Review | <i>When Council reviews decisions made by Officers.</i> |
| <input type="checkbox"/> | Quasi-Judicial | <i>When Council determines an application / matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include town planning applications, building licences, applications for other permits / licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |

PURPOSE OF REPORT

The purpose of this report is to adopt the Audit Report for the 2015/16 financial year.

SUMMARY AND KEY ISSUES

- The Audit Report and Management Report for the 2015/16 financial year are presented for committee review.

LOCATION

N/A

BACKGROUND

The Shire of Peppermint Grove is required to meet with its auditor at least once in every year to examine the report of the auditor and determine if any matters raised require action to be taken.

CONSULTATION

There has been no specific consultation undertaken in respect to this matter.

STRATEGIC IMPLICATIONS

There are no Strategic Plan implications evident at this time.

POLICY IMPLICATIONS

There are no Policy implications evident at this time.

STATUTORY IMPLICATIONS

The Shire of Peppermint Grove is required to meet with its auditor at least once in every year to examine the report of the auditor and determine if any matters raised require action to be taken (section 7.12(A) (2) of the *Local Government Act 1995*).

FINANCIAL IMPLICATIONS

There are no financial implications evident at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

OFFICER COMMENT

The Audit Report and Management Report will be presented to the Audit Committee and the committee will have the opportunity to discuss the reports with the Shire's Auditor, Mr Marius van der Merwe, who will be present at the meeting.

OFFICER RECOMMENDATION

THAT the Audit Report and Management Report for the financial year ending 30 June 2016 be received and adopted.

6. CLOSURE



Shire of Peppermint Grove

Audit Committee Meeting

Attachment #1

Item 5.1 refers

Audit Report 30 June 2016



INDEPENDENT AUDITOR'S REPORT TO THE SHIRE OF PEPPERMINT GROVE

Report on the Financial Report

We have audited the accompanying financial report of Shire of Peppermint Grove, which comprises the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by chief executive officer.

Council's Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the financial report which gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion, the financial report of Shire of Peppermint Grove is in accordance with the underlying records of the Council, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Emphasis of Matter

Without modifying our opinion, we draw attention to page 55 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

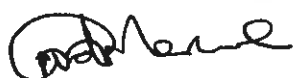
Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) There are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director
Date: 20 October 2016



Shire of Peppermint Grove

Audit Committee Meeting

Attachment #2

Item 5.1 refers

Management Report 30 June 2016

SHIRE OF PEPPERMINT GROVE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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Principal place of business:	
1 Leake Street, PEPPERMINT GROVE WA 6011	

**SHIRE OF PEPPERMINT GROVE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Peppermint Grove being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire of Peppermint Grove at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the *20th* day of *OCTOBER* 2016


Paul Rawlings
Acting Chief Executive Officer

SHIRE OF PEPPERMINT GROVE
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	22	2,983,759	2,994,350	2,792,584
Operating Grants, Subsidies and Contributions	28	1,322,542	1,360,001	1,412,367
Fees and Charges	27	316,361	278,340	358,425
Interest Earnings	2(a)	85,163	43,200	81,107
Other Revenue		88,994	36,300	47,487
		<u>4,796,820</u>	<u>4,712,191</u>	<u>4,691,970</u>
Expenses				
Employee Costs		(2,121,178)	(2,126,224)	(2,105,542)
Materials and Contracts		(1,756,915)	(1,984,341)	(1,968,668)
Utility Charges		(148,590)	(158,291)	(153,089)
Depreciation on Non-Current Assets	2(a)	(362,263)	(293,500)	(328,660)
Interest Expenses	2(a)	(63,803)	(65,204)	(62,912)
Insurance Expenses		(119,683)	(121,445)	(119,207)
Other Expenditure		(63,250)	0	(2,150)
		<u>(4,635,682)</u>	<u>(4,749,005)</u>	<u>(4,740,228)</u>
		161,138	(36,814)	(48,258)
 Non-Operating Grants, Subsidies and Contributions	 28	 115,901	 19,140	 34,334
Share of Joint Venture Net Assets		11,948	0	(2,923)
Profit on Asset Disposals	20	240	0	8,876
Loss on Asset Disposals	20	<u>(14,311)</u>	<u>(405)</u>	<u>0</u>
NET RESULT		274,915	(18,079)	(7,971)
 Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	12	(40,153)	0	9,432,212
Total Other Comprehensive Income		<u>(40,153)</u>	<u>0</u>	<u>9,432,212</u>
Total Comprehensive Income		<u><u>234,762</u></u>	<u><u>(18,079)</u></u>	<u><u>9,424,241</u></u>

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

SHIRE OF PEPPERMINT GROVE
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Governance		25,284	10,060	23,786
General Purpose Funding		3,103,816	3,119,190	2,967,567
Law, Order, Public Safety		13,555	11,800	11,840
Health		15,500	13,500	14,104
Community Amenities		191,058	123,000	188,195
Recreation and Culture		1,337,378	1,344,036	1,382,710
Transport		24,226	13,225	19,611
Economic Services		79,241	77,380	66,716
Other Property and Services		6,761	0	17,440
	2(a)	<u>4,796,819</u>	<u>4,712,191</u>	<u>4,691,969</u>
Expenses				
Governance		(922,768)	(857,458)	(816,276)
General Purpose Funding		(88,005)	(85,500)	(90,776)
Law, Order, Public Safety		(39,061)	(60,150)	(52,615)
Health		(55,833)	(56,550)	(57,981)
Education and Welfare		(23,182)	(32,000)	(31,744)
Community Amenities		(625,398)	(667,624)	(675,535)
Recreation & Culture		(1,892,699)	(1,978,474)	(2,031,591)
Transport		(818,728)	(864,845)	(847,168)
Economic Services		(74,767)	(78,200)	(62,998)
Other Property and Services		(31,438)	(3,000)	(10,631)
	2(a)	<u>(4,571,879)</u>	<u>(4,683,801)</u>	<u>(4,677,315)</u>
Financial Costs				
Recreation & Culture		(63,803)	(65,204)	(62,912)
	2(a)	<u>(63,803)</u>	<u>(65,204)</u>	<u>(62,912)</u>
Non-Operating Grants, Subsidies and Contributions				
Recreation & Culture		70,000	0	0
Transport		45,901	19,140	34,334
		<u>115,901</u>	<u>19,140</u>	<u>34,334</u>
Profit/(Loss) on Disposal of Assets				
Governance		(347)	0	0
Transport		(13,724)	(405)	8,876
		<u>(14,071)</u>	<u>(405)</u>	<u>8,876</u>
Share of Joint Venture Net Assets		11,948	0	(2,923)
Net Result		274,915	(18,079)	(7,971)
Other Comprehensive Income				
Changes on revaluation of non-current assets	12	(40,153)	0	9,432,212
Total Other Comprehensive Income		(40,153)	0	9,432,212
Total Comprehensive Income		<u>234,762</u>	<u>(18,079)</u>	<u>9,424,241</u>

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

**SHIRE OF PEPPERMINT GROVE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	1,170,540	727,576
Trade and Other Receivables	4	146,862	158,099
TOTAL CURRENT ASSETS		<u>1,317,402</u>	<u>885,675</u>
NON-CURRENT ASSETS			
Investments via Equity Method	5	238,570	226,622
Property, Plant and Equipment	6	15,346,901	15,388,366
Infrastructure	7	12,483,429	12,605,185
TOTAL NON-CURRENT ASSETS		<u>28,068,900</u>	<u>28,220,173</u>
TOTAL ASSETS		<u>29,386,302</u>	<u>29,105,848</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	199,710	182,258
Current Portion of Long Term Borrowings	9	24,186	22,600
Provisions	10	166,919	114,305
TOTAL CURRENT LIABILITIES		<u>390,815</u>	<u>319,163</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	839,937	864,124
Provisions	10	20,827	22,600
TOTAL NON-CURRENT LIABILITIES		<u>860,764</u>	<u>886,724</u>
TOTAL LIABILITIES		<u>1,251,579</u>	<u>1,205,887</u>
		<u>28,134,723</u>	<u>27,899,961</u>
EQUITY			
Retained Surplus		10,236,783	9,897,437
Reserves - Cash Backed	11	491,924	556,355
Revaluation Surplus	12	17,406,016	17,446,169
TOTAL EQUITY		<u>28,134,723</u>	<u>27,899,961</u>

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

**SHIRE OF PEPPERMINT GROVE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		9,937,131	524,632	8,013,957	18,475,720
Comprehensive Income					
Net Result		(7,971)	0	0	(7,971)
Changes on Revaluation of Non-Current Assets	12	0	0	9,432,212	9,432,212
Total Comprehensive Income		(7,971)	0	9,432,212	9,424,241
Transfers from/(to) Reserves		(31,723)	31,723	0	0
Balance as at 30 June 2015		9,897,437	556,355	17,446,169	27,899,961
Comprehensive Income					
Net Result		274,915	0	0	274,915
Changes on Revaluation of Non-Current Assets	12	0	0	(40,153)	(40,153)
Total Comprehensive Income		274,915	0	(40,153)	234,762
Transfers from/(to) Reserves		64,431	(64,431)	0	0
Balance as at 30 June 2016		10,236,783	491,924	17,406,016	28,134,723

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

**SHIRE OF PEPPERMINT GROVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
Cash Flows From Operating Activities				
Receipts				
Rates		2,983,965	2,994,350	2,836,185
Operating Grants, Subsidies and Contributions		1,330,274	1,360,001	1,431,065
Fees and Charges		316,361	278,340	358,425
Interest Earnings		85,163	43,200	81,107
Goods and Services Tax		252,457	201,365	220,360
Other Revenue		88,994	36,300	47,487
		<u>5,057,214</u>	<u>4,913,556</u>	<u>4,974,629</u>
Payments				
Employee Costs		(2,052,223)	(2,111,224)	(2,117,063)
Materials and Contracts		(1,757,578)	(1,934,212)	(1,983,369)
Utility Charges		(148,590)	(158,291)	(153,089)
Interest Expenses		(63,803)	(65,204)	(62,912)
Insurance Expenses		(119,683)	(121,445)	(119,207)
Goods and Services Tax		(249,157)	(201,365)	(231,621)
Other Expenditure		(63,250)	0	(2,149)
		<u>(4,454,284)</u>	<u>(4,591,741)</u>	<u>(4,669,410)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>602,930</u>	<u>321,815</u>	<u>305,219</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(282,574)	(218,295)	(49,842)
Payments for Construction of Infrastructure		(122,371)	(247,150)	(182,191)
Non-Operating Grants, Subsidies and Contributions		115,901	19,140	34,334
Proceeds from Sale of Fixed Assets		151,678	102,000	41,700
Net Cash Provided by (Used in) Investment Activities		<u>(137,366)</u>	<u>(344,305)</u>	<u>(155,999)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		<u>(22,600)</u>	<u>(22,600)</u>	<u>(21,118)</u>
Net Cash Provided By (Used In) Financing Activities		<u>(22,600)</u>	<u>(22,600)</u>	<u>(21,118)</u>
Net Increase (Decrease) in Cash Held		442,964	(45,090)	128,102
Cash at Beginning of Year		727,576	727,689	599,474
Cash and Cash Equivalents at the End of the Year	13(a)	<u>1,170,540</u>	<u>682,599</u>	<u>727,576</u>

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

**SHIRE OF PEPPERMINT GROVE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Revenue				
Governance		25,284	10,060	23,786
General Purpose Funding		120,057	124,840	174,983
Law, Order, Public Safety		13,555	11,800	11,840
Health		15,500	13,500	14,104
Community Amenities		203,006	123,000	188,195
Recreation and Culture		1,407,378	1,344,036	1,382,710
Transport		70,367	32,365	62,821
Economic Services		79,241	77,380	66,716
Other Property and Services		6,761	0	17,440
		<u>1,941,149</u>	<u>1,736,981</u>	<u>1,942,595</u>
Expenses				
Governance		(923,115)	(857,458)	(816,276)
General Purpose Funding		(88,005)	(85,500)	(90,776)
Law, Order, Public Safety		(39,061)	(60,150)	(52,615)
Health		(55,833)	(56,550)	(57,981)
Education and Welfare		(23,182)	(32,000)	(31,744)
Community Amenities		(625,398)	(667,624)	(678,458)
Recreation and Culture		(1,956,502)	(2,043,678)	(2,094,503)
Transport		(832,692)	(865,250)	(847,168)
Economic Services		(74,767)	(78,200)	(62,998)
Other Property and Services		(31,438)	(3,000)	(10,631)
		<u>(4,649,993)</u>	<u>(4,749,410)</u>	<u>(4,743,150)</u>
Net Result Excluding Rates		(2,708,844)	(3,012,429)	(2,800,555)
Adjustments for Cash Budget Requirements:				
(Profit)/Loss on Asset Disposals	20	14,071	405	(8,876)
Share of JV Net Assets	5	(11,948)	0	2,924
Movement in Employee Benefit Provisions (Non-current)		(1,772)	0	16,188
Depreciation and Amortisation on Assets	2(a)	362,263	293,500	328,660
Capital Expenditure and Revenue				
Purchase Land and Buildings	6(a)	(20,931)	(15,000)	(19,928)
Purchase Furniture and Equipment	6(a)	(5,115)	(40,000)	(2,017)
Purchase Plant and Equipment	6(a)	(256,528)	(163,295)	(27,897)
Purchase Roads	7(a)	(72,800)	(20,000)	(29,823)
Purchase Footpaths	7(a)	(49,571)	0	(51,242)
Purchase Drainage	7(a)	0	(47,150)	(3,500)
Purchase Parks & Ovals	7(a)	0	0	(81,470)
Purchase Other Infrastructure	7(a)	0	(180,000)	(16,156)
Proceeds from Disposal of Fixed Assets	20	151,678	102,000	41,700
Repayment of Debentures	21(a)	(22,600)	(22,600)	(21,118)
Transfers to Reserves (Restricted Assets)	11	(87,185)	(65,000)	(155,539)
Transfers from Reserves (Restricted Assets)	11	151,616	175,295	123,816
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	32,757	1,645	(54,994)
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	458,850	1,721	32,757
Total Amount Raised from General Rate	22(a)	<u>(2,983,759)</u>	<u>(2,994,350)</u>	<u>(2,792,584)</u>

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

Except for cash flow and rate setting information, the report has also 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 financial report is presented in Australian dollars.

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 Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19. to these financial statements.

(b) 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.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and Cash Equivalents

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

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

(d) 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.

(e) Inventories

General

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

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

Land Held for Sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

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

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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 Council.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings - Plant & Air Conditioning	15 years
Buildings - Other	40 years
Buildings - Long Life Structures	50 years
Furniture and Equipment	4 to 10 years
Light Vehicles	2 years
Plant and Equipment	5 to 15 years
Sealed Roads and Streets	
- formation	not depreciated
- pavement	40 years
- bituminous seals	20 years
Footpaths & Dual-Use Paths	
- formation	not depreciated
- concrete or paved	50 years
Drainage	70 years

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

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

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

Fair Value is the price that Council 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. 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 (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The Council 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 Council are consistent with one or more of the following valuation approaches:

Market approach

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council 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 and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

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

Other Long-Term Employee Benefits

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

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council 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.

(l) 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.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

Provisions are recognised when the Council 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.

(n) 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 Council, are classified as finance leases.

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

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

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

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

(o) Investment in Associates

An associate is an entity over which the Council 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 Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

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

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

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council 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 Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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 Council, 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 & AASB 2014-8)	December 2014	1 January 2018	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 2018	This Standard incorporates the principles of IFRS 15 (International Accounting Standards Board) - namely the reporting of the nature, amount, timing and (un)certainly of revenue and cash flows arising from a contract with a customer. Minimal impact on Shire, if any, due to minimal exposure to contracts with customers other than neighbouring local governments.
(iii) AASB 16 Leases	February 2016	1 January 2019	Removes distinction between finance and operating leases with lessees bringing to account a right-to-use asset and lease liability onto their statements of financial position. Current method of expensing lease payments when they are incurred to be replaced by depreciation and interest charges. Given the Shire has only two operating leases with an annual cost of around \$10,000, impact from 2019 onwards will be minimal.
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisition of Interests in Joint Operations [AASB 1 and AASB11]	August 2014	1 January 2016	Amendment provides guidance on accounting for acquisitions of interests in joint operations in which the activity constitutes a business. No impact on Shire as it has not acquired interests in any joint operations of such a nature and is unlikely to in the future.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 and AASB 138]	August 2014	1 January 2016	Amendment establishes principle of expected pattern of consumption of the future economic benefits of an asset as the basis for depreciation or amortisation. As the Shire currently uses an expected pattern of asset consumption this amendment is not expected to have an impact.
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15.
(vii) AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 [AASB's 7, 101, 134 and 1049]	January 2015	1 January 2016	Designed to encourage the application of professional judgement in determining what information to disclose in the financial statements. No significant impact on financial reporting anticipated and will mainly be limited to presentation.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Sector Entities [AASB's 10, 124 & 1049]	March 2015	1 July 2016	Amendment extends scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities. A significant disclosure impact is anticipated as both elected members and senior management will be deemed to be key management personnel for the purposes of applying AASB 124

Notes:

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES	2016	2015
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit of the annual financial report	7,500	15,561
- Assistance with the finalisation of the annual financial report	0	4,875
- Acquittals	0	1,250
Depreciation		
Specialised Buildings	103,409	137,277
Furniture and Equipment	14,727	13,282
Plant and Equipment	0	18,840
Roads	145,777	111,612
Footpaths	54,083	14,216
Drainage	7,088	3,735
Parks & Ovals	35,779	29,145
Other Infrastructure	1,400	553
	<u>362,263</u>	<u>328,660</u>
Interest Expenses (Finance Costs)		
Debentures (refer Note 21.(a))	63,803	62,912
	<u>63,803</u>	<u>62,912</u>
Rental Charges		
- Operating Leases	0	67,942
	<u>0</u>	<u>67,942</u>
(ii) Crediting as Revenue:		
Other Revenue		
Reimbursements and Recoveries	55,147	19,307
Other	33,847	28,180
	<u>88,994</u>	<u>47,487</u>
	2016	2016
	Actual	Budget
	\$	\$
Interest Earnings		2015
- Reserve Funds	16,195	Actual
- Other Funds	36,053	\$
Other Interest Revenue (refer note 26)	32,915	
	<u>85,163</u>	<u>81,107</u>

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

The Shire of Peppermint Grove is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

COMMUNITY VISION

To remain a Shire valued for its ambience and independence.

GOVERNANCE

Objective:

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

Activities

Administration and operation of facilities and services to Members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities

Rates, general purpose government grants and interest revenue. Costs associated with raising of rates and other funding activities.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer and environmentally conscious community.

Activities

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities

Maternal and infant health, immunisation control, health inspections, pest control and preventative services.

EDUCATION AND WELFARE

Objective:

To provide services to disadvantaged persons, the elderly, children and youth.

Activities

Contribution towards the operation of a Day Care Centre, Aged Persons Support Service, community centre and other voluntary services.

COMMUNITY AMENITIES

Objective:

To provide services to the community.

Activities

Rubbish collection and recycling services, administration of the Town Planning Scheme, maintenance of bus shelters.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

RECREATION AND CULTURE

Objective:

To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.

Activities

Maintenance of parks and reserves. Administration of the library and community centre that services the Cottesloe, Mosman Park and Peppermint Grove localities.

TRANSPORT

Objective:

To provide safe, effective and efficient transport services to the community.

Activities

Construction and maintenance of roads, drainage works, footpaths, parking facilities and traffic signs. Cleaning of streets and maintaining street verges and street trees.

ECONOMIC SERVICES

Objective:

To help promote the Shire and its economic wellbeing.

Activities

Implementation of building controls.

OTHER PROPERTY & SERVICES

Objective:

To monitor and control Council's overhead operating accounts.

Activities

Plant operation and public works overhead costs.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance⁽¹⁾ 01/07/14 \$	Received⁽²⁾ 2014/15 \$	Expended⁽³⁾ 2014/15 \$	Closing Balance⁽¹⁾ 30/06/15 \$	Received⁽²⁾ 2015/16 \$	Expended⁽³⁾ 2015/16 \$	Closing Balance 30/06/16 \$
Grant/Contribution	Function/ Activity							
Water Recycling	Recreation & Culture	6,266	0	(6,266)	0	0	0	0
Cultural Heritage	Recreation & Culture	7,230	0	(4,895)	2,335	0	(2,335)	0
Bay View Terrace (RRG)	Transport	0	0	0	0	18,552	0	18,552
Bay View Terrace (RTR)	Transport	0	0	0	0	21,878	0	21,878
Hobbs Place (RTR)	Transport	0	0	0	0	5,471	0	5,471
River Wall (DPaW)	Recreation & Culture	0	0	0	0	70,000	0	70,000
Total		13,496	0	(11,161)	2,335	115,901	(2,335)	115,901

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		562,716	168,886
Restricted		607,824	558,690
		<u>1,170,540</u>	<u>727,576</u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Leave Reserve	11	36,336	35,290
Plant Reserve	11	0	62,492
Infrastructure/Building Reserve	11	27,137	26,355
IT Reserve	11	37,326	1,747
Road Reserve	11	105,424	82,681
Library Staff Leave Reserve	11	2,145	5,813
Public Open Space Reserve	11	156,803	234,649
Library Infrastructure Reserve	11	109,411	106,259
Arts & Culture Reserve	11	17,342	1,069
Unspent Grants	2(c)	115,901	2,335
		<u>607,825</u>	<u>558,690</u>

4. TRADE AND OTHER RECEIVABLES

Current			
Rates Outstanding		111,964	112,170
Sundry Debtors		8,515	16,247
GST Receivable		23,661	29,682
Rebates		2,722	0
		<u>146,862</u>	<u>158,099</u>
Non-Current			
		<u>0</u>	<u>0</u>

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Non-Current Investment in Joint Venture

The Shire of Peppermint Grove, together with the Towns of Claremont, Cottesloe and Mosman Park and the City of Subiaco, have a joint venture arrangement with regard to the provision of a waste transfer station. The Council was formed to provide for the efficient treatment and/or disposal of waste.

A waste transfer station was constructed using funds provided by constituent Councils. The voting power held by the Shire of Peppermint Grove is 20%. The Shire's 3.98% share of the assets is included as an investment in equity in joint venture as follows:

	2016 \$	2015 \$
(i) Retained surplus attributable to interest in joint venture:		
Balance at beginning of the financial year	62,824	65,747
Share of joint venture's net result	11,948	(2,923)
Balance at the end of the financial year	<u>74,772</u>	<u>62,824</u>
(ii) Carrying amount of investment in joint venture:		
Balance at beginning of the financial year	226,622	229,545
Share of joint venture's net assets	11,948	(2,923)
Balance at the end of the financial year	<u>238,570</u>	<u>226,622</u>

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 1 July 2013	965,000	965,000
- Independent Valuation 30 June 2014	6,000,000	6,000,000
- Cost	0	0
	<u>6,965,000</u>	<u>6,965,000</u>
Total Land	<u>6,965,000</u>	<u>6,965,000</u>
Specialised Buildings at:		
- Independent Valuation 1 July 2013	6,498,980	6,498,980
- Independent Valuation 30 June 2014	1,893,750	1,893,750
- Cost	40,858	19,928
Less: Accumulated Depreciation	<u>(399,907)</u>	<u>(296,499)</u>
	<u>8,033,681</u>	<u>8,116,159</u>
Total Buildings	<u>8,033,681</u>	<u>8,116,159</u>
Total Land and Buildings	<u>14,998,681</u>	<u>15,081,159</u>
Furniture and Equipment at:		
- Management Valuation 30 June 2014	138,610	138,610
- Additions after Valuation - Cost	7,132	2,017
Less Accumulated Depreciation	<u>(28,010)</u>	<u>(13,282)</u>
	<u>117,732</u>	<u>127,345</u>
Plant and Equipment at:		
- Management Valuation 2016	230,488	108,050
- Additions after Valuation - Cost	0	118,719
Less Accumulated Depreciation	<u>0</u>	<u>(46,907)</u>
	<u>230,488</u>	<u>179,862</u>
	<u>15,346,901</u>	<u>15,388,366</u>

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Plant and Equipment:

Plant and equipment was revalued during the year ending 30 June 2016 by management having regard for their current replacement cost and condition assessment (level 2 inputs in the fair value hierarchy).

The revaluation resulted in an overall decrease of \$40,153 in the net value of the Shire's plant and equipment. All of this decrease was debited to the revaluation reserve in the Shire's equity (refer note 12 (b) for further details) and was recognised as Changes on Revaluation of Non-Current Assets in the Statement of Comprehensive Income.

Furniture and Equipment:

The Shire's Furniture and Equipment was revalued at 30 June 2014 by management having regard for their current replacement cost, condition assessment (level 2 inputs in the fair value hierarchy) residual values and remaining estimated useful life (level 3 inputs). Given the significance of the level 3 inputs into the overall fair value measurement the assets are deemed to have been valued using level 3. These 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 significantly higher or lower fair value measurement.

The revaluation of these assets resulted in an overall decrease of \$3,383 in the net value of the Shire's furniture and equipment. The decrease was recognised in the net result in the Statement of Comprehensive Income.

Land and Buildings:

The Shire's land and buildings were revalued at 1 July 2013 by independent valuers except the Wearne Hostel which has been valued at 30 June 2014 as no information was available at 1 July 2013

In relation to land, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use (level 2 inputs in the fair value hierarchy).

With regard to specialised buildings, these were valued having regard for their current replacement cost using both observable and unobservable inputs being construction costs based on recent contract prices, current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs). These 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 significantly higher or lower fair value measurement.

The revaluation of these assets resulted in an overall increase of \$8,000,540 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer note 12 for further details) and was recognised as Changes on Revaluation of Non-Current Assets in the Statement of Comprehensive Income.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Movements In Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land (Level 2)	6,965,000	0	0	0	0	0	6,965,000
Total Land	6,965,000	0	0	0	0	0	6,965,000
Specialised Buildings (Level 3)	8,116,159	20,931	0	0	0	(103,409)	8,033,681
Total Buildings	8,116,159	20,931	0	0	0	(103,409)	8,033,681
Total Land and Buildings	15,081,159	20,931	0	0	0	(103,409)	14,998,681
Furniture and Equipment (Level 3)	127,345	5,115	0	0	0	(14,727)	117,733
Plant and Equipment (Level 2)	179,862	256,528	(165,749)	(40,153)	0	0	230,488
Total Property, Plant and Equipment	15,388,366	282,574	(165,749)	(40,153)	0	(118,137)	15,346,901

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
7. INFRASTRUCTURE		
Roads		
- Independent Valuation 2015	8,972,822	8,972,822
- Additions after Valuation - Cost	0	0
- Cost	72,800	0
Less Accumulated Depreciation	<u>(145,777)</u>	<u>0</u>
	8,899,845	8,972,822
Footpaths		
- Independent Valuation 2015	1,821,750	1,821,750
- Additions after Valuation - Cost	0	0
- Cost	49,571	0
Less Accumulated Depreciation	<u>(54,083)</u>	<u>0</u>
	1,817,238	1,821,750
Drainage		
- Independent Valuation 2015	774,613	774,613
- Additions after Valuation - Cost	0	0
- Cost	0	0
Less Accumulated Depreciation	<u>(7,088)</u>	<u>0</u>
	767,525	774,613
Parks & Ovals		
- Management Valuation 2015	1,008,000	1,008,000
- Additions after Valuation - Cost	0	0
- Cost	0	0
Less Accumulated Depreciation	<u>(35,779)</u>	<u>0</u>
	972,221	1,008,000
Other Infrastructure		
- Management Valuation 2015	28,000	28,000
- Additions after Valuation - Cost	0	0
- Cost	0	0
Less Accumulated Depreciation	<u>(1,400)</u>	<u>0</u>
	26,600	28,000
	<u>12,483,429</u>	<u>12,605,185</u>

Roads and Infrastructure:

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown at cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions.

The Council's Roads, Footpaths & Drainage Infrastructure was revalued at 30th June 2015 by Asset Infrastructure Management, an independent specialist valuer and Parks/Ovals and Other Infrastructure by Shire's management. The revaluation resulted in an increment of \$9,432,212 in the net value of the infrastructure assets which has been recognised in the Statement of Comprehensive Income and as an increase in the Shire's Infrastructure Asset Revaluation Reserve (refer to Note 12 for further details).

The revaluations were undertaken having regard for their current replacement cost, condition assessment (level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (level 3 inputs). Given the significance of the level 3 inputs into the overall fair value measurement the assets are deemed to have been valued using level 3.

The 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.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

		Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Roads	(Level 3)	8,972,822	72,800	0	0	0	(145,777)	8,899,845
Footpaths	(Level 3)	1,821,750	49,571	0	0	0	(54,083)	1,817,238
Drainage	(Level 3)	774,613	0	0	0	0	(7,088)	767,525
Parks & Ovals	(Level 3)	1,008,000	0	0	0	0	(35,779)	972,221
Other Infrastructure	(Level 3)	28,000	0	0	0	0	(1,400)	26,600
Total		12,605,185	122,371	0	0	0	(244,127)	12,483,429

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	129,773	130,435
Accrued Salaries and Wages	33,585	19,545
ATO Liabilities	36,352	32,278
	<u>199,710</u>	<u>182,258</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge Debentures	24,186	22,600
	<u>24,186</u>	<u>22,600</u>
Non-Current		
Secured by Floating Charge Debentures	839,937	864,124
	<u>839,937</u>	<u>864,124</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Analysis of Total Provisions

Current	166,919	114,305
Non-Current	20,827	22,600
	<u>187,746</u>	<u>136,905</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015	82,144	54,761	136,905
Additional provision	162,584	41,831	204,415
Amounts used	<u>(138,348)</u>	<u>(15,227)</u>	<u>(153,575)</u>
Balance at 30 June 2016	<u>106,380</u>	<u>81,365</u>	<u>187,745</u>

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2016 Budget \$	2015 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	35,290	35,290	9,821
Amount Set Aside / Transfer to Reserve	1,046	350	31,509
Amount Used / Transfer from Reserve	0	0	(6,040)
	<u>36,336</u>	<u>35,640</u>	<u>35,290</u>
(b) Plant Reserve			
Opening Balance	62,492	62,492	47,286
Amount Set Aside / Transfer to Reserve	794	1,200	28,443
Amount Used / Transfer from Reserve	(63,286)	(60,295)	(13,237)
	<u>0</u>	<u>3,397</u>	<u>62,492</u>
(c) Infrastructure/Building Reserve			
Opening Balance	26,355	26,355	25,506
Amount Set Aside / Transfer to Reserve	782	750	849
Amount Used / Transfer from Reserve	0	0	0
	<u>27,137</u>	<u>27,105</u>	<u>26,355</u>
(d) IT Reserve			
Opening Balance	1,747	1,733	1,691
Amount Set Aside / Transfer to Reserve	35,579	35,035	56
Amount Used / Transfer from Reserve	0	0	0
	<u>37,326</u>	<u>36,768</u>	<u>1,747</u>
(e) Road Reserve			
Opening Balance	82,681	82,681	15,786
Amount Set Aside / Transfer to Reserve	22,743	1,650	81,895
Amount Used / Transfer from Reserve	0	0	(15,000)
	<u>105,424</u>	<u>84,331</u>	<u>82,681</u>
(f) Library Staff Leave Reserve			
Opening Balance	5,813	5,813	15,949
Amount Set Aside / Transfer to Reserve	172	200	375
Amount Used / Transfer from Reserve	(3,840)	0	(10,511)
	<u>2,145</u>	<u>6,013</u>	<u>5,813</u>
(g) Public Open Space Reserve			
Opening Balance	234,649	234,648	227,037
Amount Set Aside / Transfer to Reserve	6,644	5,580	7,612
Amount Used / Transfer from Reserve	(84,490)	(115,000)	0
	<u>156,803</u>	<u>125,228</u>	<u>234,649</u>
(h) Library Infrastructure Reserve			
Opening Balance	106,259	106,260	180,522
Amount Set Aside / Transfer to Reserve	3,152	4,200	4,765
Amount Used / Transfer from Reserve	0	0	(79,028)
	<u>109,411</u>	<u>110,460</u>	<u>106,259</u>
(i) Arts & Culture Reserve			
Opening Balance	1,069	1,084	1,034
Amount Set Aside / Transfer to Reserve	16,273	16,035	35
Amount Used / Transfer from Reserve	0	0	0
	<u>17,342</u>	<u>17,119</u>	<u>1,069</u>
TOTAL RESERVES	<u>491,924</u>	<u>446,061</u>	<u>556,355</u>

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

11. RESERVES - CASH BACKED (continued)

Total Opening Balance	556,355	556,356	524,632
Total Amount Set Aside / Transfer to Reserve	87,185	65,000	155,539
Total Amount Used / Transfer from Reserve	<u>(151,616)</u>	<u>(175,295)</u>	<u>(123,816)</u>
TOTAL RESERVES	<u>491,924</u>	<u>446,061</u>	<u>556,355</u>

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

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

(a) Leave Reserve

- to be used to fund annual and long service leave requirements.
- No funds budgeted to be spent in 2016/17.

(b) Plant Reserve

- to be used to fund replacement and upgrading of Council's plant fleet.
- All funds spent in 2015/16.

(c) Infrastructure/Building Reserve

- to be used to upgrade and replace recreational infrastructure and municipal buildings.
- No funds budgeted to be spent in 2016/17.

(d) IT Reserve

- to be used to fund future information technology and telephony equipment and/or software
- \$15,000 to be spent replacing AV Equipment in the Community Centre in 2016/17.

(e) Road Reserve

- to be used to maintain and upgrade the road and drainage systems.
- No funds budgeted to be spent in 2016/17.

(f) Library Staff Leave Reserve

- to be used to fund library and community centre staff leave entitlements.
- No funds budgeted to be spent in 2016/17.

(g) Public Open Space Reserve

- to be used to maintain and upgrade parks, reserves and foreshore areas.
- \$153,000 budgeted to be spent in 2016/17.

(h) Library Infrastructure Reserve

- to be used for capital expenditure projects at the Grove library.
- \$15,000 budgeted to be spent in 2016/17.

(i) Arts & Culture Reserve

- to be used for art & cultural projects
- No funds budgeted to be spent in 2016/17.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. REVALUATION SURPLUS

Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:

(a) Land & Buildings

Opening Balance	8,000,740	8,000,740
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>8,000,740</u>	<u>8,000,740</u>

(b) Plant & Equipment

Opening Balance	13,217	13,217
Revaluation Increment	(0)	0
Revaluation Decrement	(40,153)	0
	<u>(26,936)</u>	<u>13,217</u>

(c) Roads

Opening Balance	8,213,301	0
Revaluation Increment	0	8,213,301
Revaluation Decrement	0	0
	<u>8,213,301</u>	<u>8,213,301</u>

(d) Other Infrastructure

Opening Balance	1,218,911	0
Revaluation Increment	0	1,218,911
Revaluation Decrement	0	0
	<u>1,218,911</u>	<u>1,218,911</u>

TOTAL ASSET REVALUATION SURPLUS

<u>17,406,016</u>	<u>17,446,169</u>
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SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016 \$	2016 Budget \$	2015 \$
Cash and Cash Equivalents	<u>1,170,540</u>	<u>682,599</u>	<u>727,576</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	274,915	(18,079)	(7,971)
Depreciation	362,263	293,500	328,660
(Profit)/Loss on Sale of Asset	14,071	405	(8,876)
(Increase)/Decrease in Receivables	11,238	(7,753)	51,038
Increase/(Decrease) in Payables	17,450	88,765	(16,676)
Increase/(Decrease) in Employee Provisions	50,841	(15,883)	(9,546)
Grants Contributions for the Development of Assets	(115,901)	(19,140)	(34,334)
(Inc)/Dec in Joint Venture Net Assets	(11,948)	0	2,923
Net Cash from Operating Activities	<u>602,930</u>	<u>321,815</u>	<u>305,218</u>
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements	2016 \$		2015 \$
Bank Overdraft limit	200,000		200,000
Bank Overdraft at Balance Date	0		0
Credit Card limit	15,000		15,000
Credit Card Balance at Balance Date	3,479		(990)
Total Amount of Credit Unused	<u>218,479</u>		<u>214,010</u>
Loan Facilities			
Loan Facilities - Current	24,186		22,600
Loan Facilities - Non-Current	839,937		864,124
Total Facilities in Use at Balance Date	<u>864,123</u>		<u>886,724</u>
Unused Loan Facilities at Balance Date	<u>NIL</u>		<u>NIL</u>

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

14. CONTINGENT LIABILITIES

The Shire did not have any contingent liabilities as at 30th June 2016

15. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	37,585	60,874
- later than one year but not later than five years	26,634	47,689
- later than five years	0	0
	<u>64,219</u>	<u>108,563</u>

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	315,247	0
Payable:		
- not later than one year	315,247	0

The capital expenditure projects outstanding at the end of the current reporting are as follows:

Bay View Terrace (reseal)	69,570
Monument Street (reseal)	20,000
Swan Riverwall renewal	105,000
Footpath renewal	40,000
Kerbing renewal	20,677
Boundary Wall (Grove precinct)	60,000

16. JOINT VENTURE ARRANGEMENTS

The Shire is a member of the Western Metropolitan Regional Council (WMRC).
The WMRC operates a waste transfer facility. Further details are included under Note 5.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	4,806,683	4,944,193
General Purpose Funding	114,686	171,221
Community Amenities	8,119,064	8,110,039
Recreation and Culture	3,161,908	3,213,548
Transport	11,752,758	11,603,667
Other Property and Services	194,488	177,505
Unallocated	1,236,716	885,675
	<u>29,386,302</u>	<u>29,105,848</u>

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016	2015	2014
18. FINANCIAL RATIOS			
Current Ratio	2.00	1.15	0.81
Asset Sustainability Ratio	0.70	0.53	0.70
Debt Service Cover Ratio	6.77	4.16	1.82
Operating Surplus Ratio	0.05	(0.01)	(0.11)
Own Source Revenue Coverage Ratio	0.74	0.69	0.64

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 53 of this document.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

19. TRUST FUNDS

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

	Balance 1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2016 \$
Footpath Bonds	115,060	29,000	(46,000)	98,060
Other Deposits	5,568	17,470	(7,600)	15,438
	<u>120,628</u>			<u>113,498</u>

20. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Plant and Equipment						
Governance						
Holden Commodore Utility	24,125	0	23,778	0	(347)	0
Transport						
Mitsubishi Challenger	31,683	30,000	25,042	30,000	(6,641)	0
Holden Colorado	17,033	19,000	17,273	19,000	240	
Mazda BT50	18,503	19,000	16,727	19,000	(1,776)	0
Ford Ranger XLT	40,000	0	40,000	0	0	0
Tenant Street Sweeper	4,000	4,000	2,858	4,000	(1,142)	
Caterpillar 904B Loader	30,405	30,405	26,000	30,000	(4,405)	(405)
	<u>165,749</u>	<u>102,405</u>	<u>151,678</u>	<u>102,000</u>	<u>(14,071)</u>	<u>(405)</u>

Profit	240	0
Loss	(14,311)	(405)
	<u>(14,071)</u>	<u>(405)</u>

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2015 \$	New Loans \$	Principal Repayments		Principal 30 June 2016		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation and Culture Grove Library/Community Centre	886,724	0	22,600	22,600	864,124	864,124	63,803	65,204
	886,724	0	22,600	22,600	864,124	864,124	63,803	65,204

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2015/16

The Shire did not take up any new debentures during the year ended 30 June 2016.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2016.

(d) Overdraft

Council established an overdraft facility of \$200,000 in 2010 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2015 and 30 June 2016 was \$nil.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

22. RATING INFORMATION - 2015/16 FINANCIAL YEAR

(a) Rates		Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
RATE TYPE												
General Rate												
Residential		7.4252	549	35,814,134	2,659,271	(5,591)		2,653,680	2,453,375	5,000		2,458,375
Commercial		7.4252	33	2,802,218	208,070			208,070	413,966			413,966
Railway Reserve		7.4252	3	94,298	7,002			7,002	7,002			7,002
MRS Reserve		7.4252	1	486,956	36,157			36,157	36,157			36,157
Parks		7.4252	1	28,952	2,150			2,150	2,150			2,150
Sub-Totals			587	39,226,558	2,912,650	(5,591)	0	2,907,059	2,912,650	5,000	0	2,917,650
Minimum Payment		Minimum \$										
Residential		1,300	53	751,822	68,900			68,900	68,900			68,900
Commercial		1,300	6	104,708	7,800			7,800	7,800			7,800
Sub-Totals			59	856,530	76,700	0	0	76,700	76,700	0	0	76,700
Discounts (refer note 25.)								2,983,759				2,983,759
Total Amount Raised From General Rate Specified Area Rate (refer note 23.)								0				0
Totals								2,983,759				2,994,350
								0				0
								2,983,759				2,994,350

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

22. RATING INFORMATION - 2015/16 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July Brought Forward	<u>458,850</u>	<u>32,757</u>	<u>32,757</u>
Comprises:			
Cash and Cash Equivalents			
Unrestricted	562,716	168,886	168,886
Restricted	607,824	558,690	558,690
Receivables			
Rates Outstanding	111,964	112,170	112,170
Sundry Debtors	8,515	16,247	16,247
GST Receivable	23,661	29,682	29,682
Rebates	2,722	0	0
Less:			
Trade and other Payables			
Sundry Creditors	(129,772)	(130,435)	(130,435)
Accrued Salaries and Wages	(33,585)	(19,545)	(19,545)
ATO Liabilities	(36,352)	(32,278)	(32,278)
Current Portion of Long Term Borrowings			
Secured by Floating Charge Debentures	(24,186)	(22,600)	(22,600)
Provisions			
Provision for Annual Leave	(106,380)	(82,144)	(82,144)
Provision for Long Service Leave	(60,539)	(32,161)	(32,161)
Net Current Assets	<u>926,588</u>	<u>566,512</u>	<u>566,512</u>
Less:			
Reserves - Restricted Cash	(491,924)	(556,355)	(556,355)
Add:			
Secured by Floating Charge Debentures	24,186	22,600	22,600
Surplus/(Deficit)	<u>458,850</u>	<u>32,757</u>	<u>32,757</u>

Difference

There was no difference between the Surplus/(Deficit) 1 July 2015 Brought Forward position used in the 2016 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2015 audited financial report.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

23. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire did not impose any Specified Area Rates.

24. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2015/16 FINANCIAL YEAR**

No discount on rates is available.

26. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		16,195	4,000
Interest on Instalments Plan	5.50%		14,743	13,600
Charges on Instalment Plan		30	5,210	5,000
			36,148	22,600

Ratepayers had the option of paying rates in four equal instalments, due on 10th August 2015, 12th October 2015, 14th December 2015 and 15th February 2016. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2016 \$	2015 \$
Governance	0	5,955
General Purpose Funding	8,410	9,200
Law, Order, Public Safety	6,055	4,840
Health	6,446	3,700
Community Amenities	133,539	185,161
Recreation and Culture	67,920	74,524
Transport	15,305	8,686
Economic Services	78,686	66,359
	316,361	358,425

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

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

28. GRANT REVENUE

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

	2016	2015
By Nature or Type:	\$	\$
Operating Grants, Subsidies and Contributions	1,322,542	1,412,367
Non-Operating Grants, Subsidies and Contributions	115,901	34,334
	<u>1,438,443</u>	<u>1,446,701</u>
By Program:		
Governance	18,435	0
General Purpose Funding	25,509	83,451
Law, Order, Public Safety	3,500	3,000
Community Amenities	2,371	3,034
Recreation and Culture	1,333,806	1,303,115
Transport	54,822	54,101
	<u>1,438,443</u>	<u>1,446,701</u>

29. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>23</u>	<u>23</u>
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30. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
		\$	
Meeting Fees	52,500	52,500	37,500
President's Allowance	10,750	10,750	10,750
Expenses	0	0	7,500
	<u>63,250</u>	<u>63,250</u>	<u>55,750</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2015/16.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

33. FINANCIAL RISK MANAGEMENT

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,170,540	727,576	1,170,540	727,576
Receivables	146,862	158,099	146,862	158,099
	<u>1,317,402</u>	<u>885,675</u>	<u>1,317,402</u>	<u>885,675</u>
Financial Liabilities				
Payables	199,710	182,258	199,710	182,258
Borrowings	864,123	886,724	864,123	886,724
	<u>1,063,833</u>	<u>1,068,982</u>	<u>1,063,833</u>	<u>1,068,982</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings, Held to Maturity Investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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 and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

Council manages these risks by diversifying its portfolio and only investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2016 \$	2015 \$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	11,705	7,276
- Statement of Comprehensive Income	11,705 ^(*)	7,276 ^(*)

Notes:

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

**SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

Council'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. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council 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 Council's credit risk at balance date was:

	2016	2015
Percentage of Rates and Annual Charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of Other Receivables		
- Current	20%	84%
- Overdue	80%	16%

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

33. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council 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 Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

2016

Payables	199,710	0	0	199,710	199,709
Borrowings	83,400	333,600	1,125,900	1,542,900	864,123
	<u>283,110</u>	<u>333,600</u>	<u>1,125,900</u>	<u>1,742,610</u>	<u>1,063,832</u>

2015

Payables	182,258	0	0	182,258	182,258
Borrowings	83,400	333,600	1,209,300	1,626,300	886,724
	<u>265,658</u>	<u>333,600</u>	<u>1,209,300</u>	<u>1,808,558</u>	<u>1,068,982</u>

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (Continued)

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. Council 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:

							Weighted Average Effective Interest Rate %
	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$
Year Ended 30 June 2016							
Borrowings							
Fixed Rate							
Debentures							864,124
Weighted Average Effective Interest Rate							6.90%
Year Ended 30 June 2015							
Borrowings							
Fixed Rate							
Debentures	0	0	0	0	0	886,723	886,723
Weighted Average Effective Interest Rate							6.90%

INDEPENDENT AUDITOR'S REPORT TO THE SHIRE OF PEPPERMINT GROVE

Report on the Financial Report

We have audited the accompanying financial report of Shire of Peppermint Grove, which comprises the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by chief executive officer.

Council's Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the financial report which gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion, the financial report of Shire of Peppermint Grove is in accordance with the underlying records of the Council, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Emphasis of Matter

Without modifying our opinion, we draw attention to page 54 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) There are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director
Date: 20 October 2016

**SHIRE OF PEPPERMINT GROVE
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2016**

RATIO INFORMATION

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

	2016	2015	2014
Asset Consumption Ratio	0.969	0.983	0.745
Asset Renewal Funding Ratio	1.104	0.972	1.098

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

SHIRE OF PEPPERMINT GROVE



AUDIT COMMITTEE

MINUTES

OF THE MEETING HELD ON THE

22nd March 2016



Shire of Peppermint Grove

AUDIT COMMITTEE MEETING MINUTES

22nd March 2016

1. OFFICIAL OPENING

The Shire President declared the meeting open at 4:40pm.

2. ATTENDANCE AND APOLOGIES

2.1 ATTENDANCE

Shire President	Cr R Thomas
Deputy Shire President	Cr C Hohnen
Councillor	Cr P Macintosh
Chief Executive Officer	Mr J Merrick
Manager Corporate Services	Mr P Rawlings (Minutes)

2.2 APOLOGIES

Cr S Fleay

2.3 OBSERVER

Cr D Horrex

3. DECLARATION OF INTEREST

Nil

4. CONFIRMATION OF MINUTES

4.1 AUDIT COMMITTEE MEETING (24TH NOVEMBER 2015)

OFFICER RECOMMENDATION & COMMITTEE RESOLUTION

Moved Cr Macintosh

Seconded Cr Hohnen

That the Minutes of the Audit Committee meeting held on 24th November 2015 be confirmed as a true and accurate record of proceedings.

CARRIED 3/0

5. OFFICER REPORTS

5.1 VEHICLE FLEET MANAGEMENT

ATTACHMENT DETAILS

Attachment No	Details
Attachment 1	Quote from Titan Ford for 2WD Ranger
Attachment 2	Quote from Gt Southern Toyota for two 4WD Hilux's
Attachment 3	Email from Gt Southern Toyota regarding buybacks

Voting Requirement	:	Simple Majority
Subject Index	:	N/A
Location / Property Index	:	N/A
Application Index	:	N/A
TPS No 3 Zoning	:	N/A
Land Use	:	N/A
Lot Area	:	N/A
Disclosure of any Interest	:	N/A
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Officers	:	Paul Rawlings – Manager Corporate Services Donovan Norgard – Manager Infrastructure Services

COUNCIL ROLE

- | | | |
|-------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> | Advocacy | <i>When Council advocates on its own behalf or on behalf of its community to another level of government / body / agency.</i> |
| <input type="checkbox"/> | Executive | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i> |
| <input type="checkbox"/> | Legislative | <i>Includes adopting local laws, town planning schemes & policies.</i> |
| <input checked="" type="checkbox"/> | Review | <i>When Council reviews decisions made by Officers.</i> |
| <input type="checkbox"/> | Quasi-Judicial | <i>When Council determines an application / matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include town planning applications, building licences, applications for other permits / licences (e.g. under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |

PURPOSE OF REPORT

The purpose of this report is for Council to consider fleet vehicle replacement options. Once a preferred methodology has been determined, the Chief Executive Officer will enter into negotiations with authorised Government Fleet suppliers to ensure the Shire's vehicles always are well maintained, meet or exceed current appropriate safety standards, are environmentally responsible and present the best 'whole of life' costs.

SUMMARY AND KEY ISSUES

- Currently the Shire of Peppermint Grove does not have a formal schedule for replacing fleet vehicles.
- Historically the Shire's vehicles have been replaced at two to three year intervals at a net cost of around \$11,000 - \$15,000 each.
- Investigations indicate this may not be the most effective approach to fleet replacement when 'whole of life cost' is taken into account.
- The ability of Local Government to access State Government fleet pricing offers substantial savings over 'normal' retail pricing of selected vehicles.
- These savings become more attractive due to LGA's not being required to pay stamp duty.
- A reputable dealer has offered to provide an 'agreed changeover' deal for selected Toyota commercial vehicles. This changeover arrangement is currently being regularly used by at least eight other Shires.
- Apart from providing a much improved level of certainty regarding changeover costs, this approach also means no servicing costs are incurred, vehicles always being under full factory warranty, a door to door delivery / changeover service is provided and there are no replacement of expensive consumables such as tyres, brakes or batteries.
- To shift to this arrangement would require an additional \$9,352 over and above the revised estimated changeover. From this point onwards however changeover costs would be fixed at \$1,750 per 15,000km's or 9 months (whichever comes first).
- Savings have been identified from the current capital budget to offset this 'one off' additional expenditure.

BACKGROUND

Estimating and comparing 'whole-of-life' costs for vehicles enables fleet managers to gain a more accurate picture of vehicle costs over time and therefore to make more strategic purchasing decisions. 'Whole-of-life' cost calculations include the following elements:

- Purchase price (dealer delivery charge, compulsory third party insurance, registration, motor vehicle duty, number plate fees, optional extras and adjustment for trade-in vehicle)
- Depreciation (purchase price minus residual value)
- Recurring fixed costs (registration, insurance, roadside assistance and finance costs)
- Operating costs (fuel, tyres and maintenance).

The following table highlights the (GST exclusive) cost of replacing the last eight works vehicles:

Vehicle	Purchase Date	Cost	Sale Date	Price received	Net Cost
Colorado	June 2010	\$24,319	July 2013	\$13,670	\$10,649
Colorado	Oct 2010	\$24,319	Nov 2013	\$12,496	\$11,823
Navarra	July 2011	\$38,673	Sept 2013	\$26,131	\$12,542
Challenger	Sept 2013	\$40,036	Oct 2015	\$25,041	\$14,995
BT50	July 2013	\$26,383	Apr 2016*	\$13,182	\$13,201
Ranger	Oct 2015	\$42,612	March 2016	\$40,000	\$2,612
Colorado	Nov 2013	\$24,083	Apr 2016*	\$13,000	\$11,083
Ranger	March 2016	\$42,832	Sept 2016**	\$40,727	\$2,105

Notes * Quoted sale price if traded on similar 2WD utility
 ** Agreed sale price

As can be seen the first 4 vehicles had a combined net replacement cost of \$50,009 over 124 months. (\$403 per month).

The two vehicles yet to be traded - the BT50 and the last Colorado - have monthly net replacement costs of \$388 and \$396 respectively.

The first Ford Ranger has just been traded for reasons other than changeover cost and the second Ranger was a slightly upgraded vehicle which enables Council to trade it in in around 6 month's time (15,000 kms) for \$40,727 (\$44,800 GST-inclusive) for a guaranteed changeover price of \$1,750 under an arrangement with Titan Ford.

The Gt Southern Toyota dealership has supplied the following quotes to replace the BT50 & Colorado with 4WD Toyota Hilux's with the ability to regularly change over vehicles for \$1,750 at 15,000 kilometres (approximately 9 months):

New Vehicle	Price	Trade	Price	Changeover
Hilux 4x4 2.4L Diesel single cab chassis (Auto)	\$34,545	Colorado	\$17,273	\$17,272
Hilux 4x4 2.4L Diesel single cab chassis (Manual)	\$33,091	BT50	\$16,727	\$16,364

STRATEGIC IMPLICATIONS

There are no strategic implications at this time.

POLICY IMPLICATIONS

There are no significant policy implications evident at this time.

STATUTORY IMPLICATIONS

There are no statutory implications at this time.

FINANCIAL IMPLICATIONS

A quote to replace the BT50 with a 2WD Ford Ranger (Attachment One) was also obtained with a GST-exclusive net cost of \$11,719 (\$26,264 - \$14,545). As can be seen, this amount is only some \$4,645 less than the cost of trading the BT50 on a 4WD Toyota Hilux with the ability to changeover for \$1,750 every 15,000 kilometres.

Additionally, this arrangement means servicing costs – typically around \$400 per service – will be avoided in future. Also, the proposed arrangement effectively guarantees future trade-in prices while not preventing Council from selling at auction if this is deemed more advantageous.

The current budget proposes trading both vehicles for total net cost of \$9,000 which clearly cannot be achieved.

The above proposal will require an initial \$33,636, or an additional \$24,636. This can be achieved by transferring funds allocated to fencing the depot (\$20,000) and deferring the purchase of a trailer for the skid-steer loader until 2016/17.

OFFICER COMMENT

The above proposed arrangements are commonplace in WA local government, both in the metropolitan area and the country.

The arrangement gives certainty to trade-in values (and therefore depreciation expenses) as well as capital expenditure requirements.

The estimated initial additional cost of 4wd vehicles rather than 2wd (\$9,352) will be "repaid" through a combination of reduced servicing costs (4 x \$400pa) and depreciation expenses (and therefore capital renewal targets) of around \$3,500pa within two years.

In 2015/16, such amount will also assist Council in meeting its capital renewal target.

Re-allocating the \$10,000 set-aside for a trailer will also help cover the cost of the additional Ranger and Holden Commodore already purchase due to concerns regarding their trade-in values.

OFFICER RECOMMENDATION & COMMITTEE RESOLUTION

Moved Cr Hohnen Seconded Cr Thomas
That the Committee recommends to Council:

- The quotations from Great Southern Toyota to replace the two two-wheel drive utilities with four-wheel drive Toyota Hilux's for a total net cost of \$33,636 be accepted; and
- Budget allocations set aside for a trailer (\$10,000) and fencing at the depot (\$20,000) be re-allocated to cover the above cost (with the balance coming from the plant cash reserve).

CARRIED 3/0

5.2 COMPLIANCE AUDIT RETURN 2015

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 4 – Item 5.2 refers	Compliance Audit Return 2015

Voting Requirement	:	Simple Majority
Subject Index	:	Compliance Audit Report
Location / Property Index	:	Nil
Application Index	:	N/A
TPS No 3 Zoning	:	N/A
Land Use	:	N/A
Lot Area	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	Nil
Applicant	:	N/A
Owner	:	N/A
Responsible Officer	:	Paul Rawlings, Manager Corporate Services

COUNCIL ROLE

- | | | |
|-------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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PURPOSE OF REPORT

The purpose of this report is to present to Council the 2015 Compliance Audit Return (CAR) for adoption and endorsement.

SUMMARY AND KEY ISSUES

There are no items of non-compliance to bring to Council's attention with all statutory requirements of regulation 13 of the *Local Government (Audit) Regulations 1996* being met.

BACKGROUND

Completion of the Compliance Audit Return is a statutory requirement and requires that it be:

- a) presented to Council at a meeting of the Council;
- b) adopted by the Council; and
- c) recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return has been presented to the Council, a certified copy of the return, along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit, is to be submitted to the Director General by 31 March 2016. (Certified means signed by the Mayor or President and the CEO).

CONSULTATION

There has been no specific consultation undertaken in respect to this matter.

STRATEGIC IMPLICATIONS

There are no Strategic Plan implications evident at this time.

POLICY IMPLICATIONS

There are no Policy implications evident at this time.

STATUTORY IMPLICATIONS

The Shire has met all statutory requirements under regulation 13 of the *Local Government (Audit) Regulations 1996*.

FINANCIAL IMPLICATIONS

There are no financial implications.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no social implications at this time.

OFFICER COMMENT

In the reporting year, 2015, the Shire has been compliant in all areas.

OFFICER RECOMMENDATION & COMMITTEE RESOLUTION

Moved Cr Hohnen

Seconded Cr Macintosh

That the Audit Committee recommends that Council adopts the Compliance Audit Return for 2015.

CARRIED 3/0

6. CLOSURE

There being no further business to discuss the Shire President closed the meeting at 5:02pm.