



Shire of Peppermint Grove

Audit Committee Meeting

Attachment #1

Item 5.2 refers

2017-18 Financial & Audit Report

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 - 53
Independent Audit Report	54 - 56

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

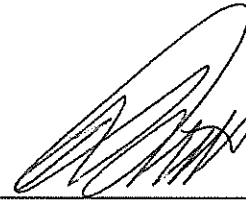
SHIRE OF PEPPERMINT GROVE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 20th day of DECEMBER 2018



Don Burnett
Chief Executive Officer

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

	NOTE	2018 \$	2018 Budget \$	2017 \$
Revenue				
Rates	22	3,165,048	3,149,311	3,080,256
Operating grants, subsidies and contributions	29	1,410,444	1,386,076	1,421,422
Fees and charges	28	262,542	261,300	282,741
Interest earnings	2(a)	94,076	62,790	72,058
Other revenue	2(a)	46,353	5,500	131,233
		<u>4,978,462</u>	<u>4,864,977</u>	<u>4,987,710</u>
Expenses				
Employee costs		(2,200,437)	(2,198,351)	(2,136,278)
Materials and contracts		(1,879,206)	(1,816,643)	(2,022,321)
Utility charges		(129,779)	(150,973)	(144,533)
Depreciation on non-current assets	2(a)	(442,382)	(136,956)	(408,341)
Interest expenses	2(a)	(63,146)	(63,376)	(67,924)
Insurance expenses		(93,589)	(112,930)	(101,917)
Other expenditure		(64,250)	(64,250)	(66,650)
		<u>(4,872,789)</u>	<u>(4,543,479)</u>	<u>(4,947,964)</u>
		105,674	321,497	39,746
Non-operating grants, subsidies and contributions	29	108,088	85,599	113,827
Profit on asset disposals	20	278	0	1,530
(Loss) on asset disposals	20	(2,300)	0	(131,457)
Share of Joint Venture Net Assets	3	(47,078)	0	(5,792)
Net result		164,662	407,096	17,854
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	2,734,628	0	(8,366,555)
Total other comprehensive income		2,734,628	0	(8,366,555)
Total comprehensive income		2,899,290	407,096	(8,348,701)

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 2018**

	NOTE	2018 \$	2018 Budget \$	2017 \$
Revenue	2(a)			
Governance		50,225	5,000	60,353
General purpose funding		3,321,103	3,245,081	3,241,281
Law, order, public safety		9,415	15,000	16,463
Health		18,463	17,000	7,060
Education and welfare		909	0	0
Community amenities		93,661	100,000	108,028
Recreation and culture		1,400,862	1,404,868	1,381,346
Transport		18,176	16,028	17,188
Economic services		21,288	62,000	67,312
Other property and services		44,360	0	88,680
		<u>4,978,462</u>	<u>4,864,977</u>	<u>4,987,711</u>
Expenses	2(a)			
Governance		(1,080,836)	(931,247)	(1,054,082)
General purpose funding		(85,984)	(85,123)	(82,136)
Law, order, public safety		(38,645)	(40,722)	(37,756)
Health		(49,381)	(49,486)	(50,102)
Education and welfare		(67,233)	(63,191)	(26,881)
Community amenities		(692,315)	(685,414)	(745,000)
Recreation and culture		(1,970,863)	(1,994,997)	(1,998,920)
Transport		(751,184)	(528,546)	(729,971)
Economic services		(60,631)	(101,378)	(63,011)
Other property and services		(12,570)	0	(92,182)
		<u>(4,809,642)</u>	<u>(4,480,104)</u>	<u>(4,880,041)</u>
Finance costs	2(a)			
Recreation and culture		(63,146)	(63,376)	(67,924)
		<u>(63,146)</u>	<u>(63,376)</u>	<u>(67,924)</u>
		105,674	321,497	39,746
Non-operating grants, subsidies and contributions	29	108,088	85,599	113,827
Profit on disposal of assets	20	278	0	1,530
(Loss) on disposal of assets	20	(2,300)	0	(131,457)
Share of Joint Venture Net Assets	3.	(47,078)	0	(5,792)
Net result		<u>164,662</u>	<u>407,096</u>	<u>17,854</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	2,734,628	0	(8,366,555)
Total other comprehensive income		<u>2,734,628</u>	<u>0</u>	<u>(8,366,555)</u>
Total comprehensive income		<u>2,899,290</u>	<u>407,096</u>	<u>(8,348,701)</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 2018**

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3	1,539,702	1,315,796
Trade and other receivables	4	99,590	119,568
TOTAL CURRENT ASSETS		<u>1,639,292</u>	<u>1,435,364</u>
NON-CURRENT ASSETS			
Other receivables	4	31,559	0
Investment via Equity Method	5	185,700	232,778
Property, plant and equipment	6	7,613,483	6,861,425
Infrastructure	7	14,427,663	12,528,002
TOTAL NON-CURRENT ASSETS		<u>22,258,405</u>	<u>19,622,205</u>
TOTAL ASSETS		<u>23,897,697</u>	<u>21,057,569</u>
CURRENT LIABILITIES			
Trade and other payables	8	177,507	215,822
Current portion of long term borrowings	9	27,701	25,884
Provisions	10	188,779	189,630
TOTAL CURRENT LIABILITIES		<u>393,987</u>	<u>431,336</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	786,353	814,053
Provisions	10	32,045	26,157
TOTAL NON-CURRENT LIABILITIES		<u>818,398</u>	<u>840,210</u>
TOTAL LIABILITIES		<u>1,212,385</u>	<u>1,271,546</u>
NET ASSETS		<u>22,685,314</u>	<u>19,786,023</u>
EQUITY			
Retained surplus		9,699,218	9,894,186
Reserves - cash backed	11	1,212,006	852,376
Revaluation surplus	12	11,774,090	9,039,462
TOTAL EQUITY		<u>22,685,314</u>	<u>19,786,024</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 2018**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2016		10,236,784	491,924	17,406,017	28,134,725
Comprehensive income					
Net result		17,854	0	0	17,854
Changes on revaluation of assets	12	0	0	(8,366,555)	(8,366,555)
Total comprehensive income		17,854	0	(8,366,555)	(8,348,701)
Transfers from/(to) reserves		(360,452)	360,452	0	0
Balance as at 30 June 2017		9,894,186	852,376	9,039,462	19,786,024
Comprehensive income					
Net result		164,662	0	0	164,662
Changes on revaluation of assets	12	0	0	2,734,628	2,734,628
Total comprehensive income		164,662	0	2,734,628	2,899,290
Transfers from/(to) reserves		(359,630)	359,630	0	0
Balance as at 30 June 2018		9,699,218	1,212,006	11,774,090	22,685,314

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 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,180,304	3,149,311	3,092,887
Operating grants, subsidies and contributions		1,408,948	1,386,076	1,421,016
Fees and charges		262,542	261,300	282,741
Interest earnings		94,076	62,790	72,059
Goods and services tax		211,379	165,000	240,233
Other revenue		46,353	5,500	131,234
		<u>5,203,602</u>	<u>5,029,977</u>	<u>5,240,170</u>
Payments				
Employee costs		(2,193,827)	(2,198,351)	(2,152,728)
Materials and contracts		(1,919,958)	(1,859,243)	(1,961,718)
Utility charges		(129,779)	(150,973)	(144,533)
Interest expenses		(62,282)	(63,376)	(67,924)
Insurance expenses		(93,589)	(112,930)	(101,917)
Goods and services tax		(236,718)	(165,000)	(225,164)
Other expenditure		(64,250)	(64,250)	(66,650)
		<u>(4,700,403)</u>	<u>(4,614,123)</u>	<u>(4,720,634)</u>
Net cash provided by (used in) operating activities	13(b)	<u>503,199</u>	<u>415,854</u>	<u>519,536</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(124,913)	(43,500)	(321,571)
Payments for construction of infrastructure		(326,715)	(414,688)	(297,449)
Non-operating grants, subsidies and contributions		108,088	85,599	113,827
Proceeds from sale of fixed assets		90,132	0	155,099
Net cash provided by (used in) investment activities		<u>(253,408)</u>	<u>(372,589)</u>	<u>(350,094)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(25,884)	(25,884)	(24,186)
Net cash provided by (used in) financing activities		<u>(25,884)</u>	<u>(25,884)</u>	<u>(24,186)</u>
Net increase (decrease) in cash held		223,907	17,381	145,256
Cash at beginning of year		1,315,796	1,243,788	1,170,540
Cash and cash equivalents at the end of the year	13(a)	<u>1,539,703</u>	<u>1,261,169</u>	<u>1,315,796</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 2018**

NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Net current assets at start of financial year - surplus/(deficit)	<u>177,536</u>	<u>261,470</u>	<u>458,850</u>
	177,536	261,470	458,850
Revenue from operating activities (excluding rates)			
Governance	50,225	5,000	60,761
General purpose funding	156,055	95,770	161,025
Law, order, public safety	9,415	15,000	16,463
Health	18,463	17,000	7,060
Education and welfare	909	0	0
Community amenities	93,661	100,000	108,028
Recreation and culture	1,400,862	1,404,868	1,381,346
Transport	18,454	16,028	18,311
Economic services	21,288	62,000	67,312
Other property and services	44,360	0	88,680
	<u>1,813,692</u>	<u>1,715,666</u>	<u>1,908,986</u>
	1,813,692	1,715,666	1,908,986
Expenditure from operating activities			
Governance	(1,082,016)	(931,247)	(1,061,206)
General purpose funding	(85,984)	(85,123)	(87,928)
Law, order, public safety	(38,645)	(40,722)	(37,756)
Health	(49,381)	(49,486)	(50,102)
Education and welfare	(67,233)	(63,191)	(26,881)
Community amenities	(739,393)	(685,414)	(745,000)
Recreation and culture	(2,034,009)	(2,058,373)	(2,066,844)
Transport	(752,304)	(528,546)	(733,153)
Economic services	(60,631)	(101,378)	(63,011)
Other property and services	(12,570)	0	(213,334)
	<u>(4,922,166)</u>	<u>(4,543,480)</u>	<u>(5,085,215)</u>
	(4,922,166)	(4,543,480)	(5,085,215)
Operating activities excluded from budget			
(Profit) on disposal of assets	20	(278)	0
Loss on disposal of assets	20	2,300	0
Movement in Lease Rent Receivable	4	(31,559)	0
Movement in JV Shared Assets (WMRC)		47,078	0
Movement in employee benefit provisions (non-current)		5,888	0
Depreciation and amortisation on assets	2(a)	442,382	136,956
Amount attributable to operating activities		<u>(2,465,127)</u>	<u>(2,429,388)</u>
		(2,465,127)	(2,429,388)
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions		108,088	85,599
Proceeds from disposal of assets	20	90,132	0
Purchase of property, plant and equipment	6(b)	(124,913)	(43,500)
Purchase and construction of infrastructure	7(b)	(326,715)	(414,687)
Amount attributable to investing activities		<u>(253,408)</u>	<u>(372,588)</u>
		(253,408)	(372,588)
FINANCING ACTIVITIES			
Repayment of debentures	21(a)	(25,884)	(25,884)
Transfers to reserves (restricted assets)	11	(433,035)	(340,790)
Transfers from reserves (restricted assets)	11	73,405	51,560
Amount attributable to financing activities		<u>(385,514)</u>	<u>(315,114)</u>
		(385,514)	(315,114)
Surplus(deficiency) before general rates		<u>(3,104,048)</u>	<u>(3,117,090)</u>
Total amount raised from general rates	22	<u>3,165,049</u>	<u>3,149,311</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	23	<u>61,001</u>	<u>177,536</u>
		61,001	177,536

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 2018**

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 been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

(a) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

(b) Cash and Cash Equivalents

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade and Other Receivables

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

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

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

(d) Inventories

General

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

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

Land held for sale

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

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

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

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings - 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(h) Impairment of Assets

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

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

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

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

(i) Trade and Other Payables

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(k) Borrowing Costs

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

(l) Provisions

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

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

(m) Leases

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(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 Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note

(p) Rates, Grants, Donations and Other Contributions

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

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

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

(q) Superannuation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

(w) Adoption of New and Revised Accounting Standards

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

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

(i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable amount of non-cash generating specialised assets of Not-For-Profit Entities	1 January 2017
AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-For-Profit Entities.	1 January 2017

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

2. REVENUE AND EXPENSES	2018	2017
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	7,500	8,325
- Other Services	1,900	800
- Disbursements	13	13
Depreciation		
Buildings - specialised	80,392	125,174
Furniture and equipment	3,212	17,826
Plant and equipment	28,286	12,468
Infrastructure - Roads	187,118	148,949
Infrastructure - Footpaths	56,314	56,069
Infrastructure - Drainage	15,607	7,088
Infrastructure - Parks & Ovals	68,305	39,367
Infrastructure - Other	3,148	1,400
	<u>442,382</u>	<u>408,341</u>
Interest expenses (finance costs)		
Debentures (refer Note 21 (a))	63,146	67,924
	<u>63,146</u>	<u>67,924</u>
Rental charges		
- Operating leases	22,368	35,196
	<u>22,368</u>	<u>35,196</u>
(ii) Crediting as revenue:		
Significant revenue		
Demolition - Recoup of expenses	0	88,680
Other revenue		
Reimbursements and recoveries	46,017	41,773
Significant revenue (refer above)	0	88,680
Other	336	780
	<u>46,353</u>	<u>131,233</u>
	<u>488,735</u>	<u>546,574</u>
	<u>\$</u>	<u>\$</u>
Interest earnings		
- Reserve funds	21,752	11,330
- Other funds	35,823	28,753
Other interest revenue (refer note 27)	36,500	31,975
	<u>94,076</u>	<u>72,058</u>
	<u>\$</u>	<u>\$</u>

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

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 ambiance and independence.

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

GOVERNANCE

Objective:

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

Activities

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

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 2018**

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 2018

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance ⁽¹⁾ 30/06/17 \$	Received ⁽²⁾ 2017/18 \$	Expended ⁽³⁾ 2017/18 \$	Closing Balance 30/06/18 \$
Governance							
Metropolitan Youth Scholarship	0	9,048	(1,031)	8,017	0	(1,836)	6,181
Recreation and culture							
River Wall (DPaW) Stage 1 & 2	70,000	0	(70,000)	0	0	0	0
River Wall (DPaW) Stage 3	0	25,070	0	25,070	0	(25,070)	0
River Wall (DPaW) Riverbank Erosion	0	30,440	(8,090)	22,350	0	(22,350)	0
Transport							
Bay View Terrace	40,430	0	(40,430)	0	0	0	0
Hobbs Place	5,471	0	(5,471)	0	0	0	0
Total	<u>115,901</u>	<u>64,558</u>	<u>(125,022)</u>	<u>55,437</u>	<u>0</u>	<u>(49,256)</u>	<u>6,181</u>

Notes:

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

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

	Note	2018	2017
		\$	\$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		321,515	407,983
Restricted		1,218,187	907,813
		<u>1,539,702</u>	<u>1,315,796</u>

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

Leave Reserve	12	144,513	170,577
Plant Reserve	12	20,000	0
Infrastructure/Building Reserve	12	550,537	377,871
Information Technology	12	23,066	22,473
Road Reserve	12	375,364	268,277
Library Infrastructure Reserve	12	10,669	10,394
Arts & Culture Reserve	12	2,857	2,784
Legal Costs Reserve	12	85,000	0
Unspent grants	2(c)	6,181	55,437
		<u>1,218,187</u>	<u>907,813</u>

		2018	2017
		\$	\$

4. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding		84,077	99,333
Sundry debtors		13,139	12,412
GST receivable		338	8,592
Payroll deduction in advance		2,036	0
Rebates		0	(769)
		<u>99,590</u>	<u>119,568</u>

Non-current

Lease receivable - Freshwaters Cafe		31,559	0
		<u>31,559</u>	<u>0</u>

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

Rates outstanding		<u>84,077</u>	<u>99,333</u>
Includes:			
Past due and not impaired		84,077	99,333
Impaired		<u>0</u>	<u>0</u>
Sundry debtors		<u>13,139</u>	<u>12,412</u>
Includes:			
Past due and not impaired		13,139	12,412
Impaired		<u>0</u>	<u>0</u>

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

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:

	2018	2017
	\$	\$
(i) Retained surplus attributable to interest in joint venture:		
Balance at beginning of the financial year	68,980	74,772
Share of joint venture's net result	(47,078)	(5,792)
Balance at the end of the financial year	<u>21,902</u>	<u>68,980</u>
(ii) Carrying amount of investment in joint venture:		
Balance at beginning of the financial year	232,778	238,570
Share of joint venture's net assets	(47,078)	(5,792)
Balance at the end of the financial year	<u>185,700</u>	<u>232,778</u>

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

	2018	2017
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
- Independent valuation 2017 - level 3	815,000	815,000
	<u>815,000</u>	<u>815,000</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2018 - level 3	831,190	0
	<u>831,190</u>	<u>0</u>
	<u>1,646,190</u>	<u>815,000</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	5,803,708	5,803,708
- Additions after valuation - cost	19,160	0
Buildings - specialised - Less: accumulated depreciation	<u>(80,392)</u>	<u>0</u>
	<u>5,742,476</u>	<u>5,803,708</u>
	<u>5,742,476</u>	<u>5,803,708</u>
Total land and buildings	<u>7,388,666</u>	<u>6,618,708</u>
Furniture and equipment at:		
- Independent valuation 2017 - level 3	23,636	23,636
Furniture and equipment - Less: accumulated depreciation	<u>(3,212)</u>	<u>0</u>
	<u>20,424</u>	<u>23,636</u>
Plant and equipment at:		
- Management valuation 2016 - level 2	126,454	230,488
- Additions after valuation - cost	106,814	1,061
Plant and equipment - Less: accumulated depreciation	<u>(28,875)</u>	<u>(12,468)</u>
	<u>204,393</u>	<u>219,081</u>
	<u>7,613,483</u>	<u>6,861,425</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	815,000	0	0	0	0	0	0	0	815,000
Land - vested in and under the control of Council	0	0	0	831,190	0	0	0	0	831,190
Total land	815,000	0	0	831,190	0	0	0	0	1,646,190
Buildings - specialised	5,803,708	19,160	0	0	0	0	(80,392)	0	5,742,476
Total buildings	5,803,708	19,160	0	0	0	0	(80,392)	0	5,742,476
Total land and buildings	6,618,708	19,160	0	831,190	0	0	(80,392)	0	7,388,666
Furniture and equipment	23,636	0	0	0	0	0	(3,212)	0	20,424
Plant and equipment	219,081	105,753	(90,132)	0	0	0	(28,286)	0	204,393
Total property, plant and equipment	6,861,425	124,913	(90,132)	831,190	0	0	(111,890)	0	7,613,483

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold land	Level 3	Independent Valuation	Fair Value	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Buildings - specialised	Level 3	Independent Valuation	Fair Value	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Furniture and equipment					
	Level 3	Management Valuation	Fair Value	June 2017	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Plant and equipment					
	Level 2	Management Valuation	Fair Value	June 2016	Current Replacement Cost/Condition Assessment (Level 2)

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

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

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

	2018	2017
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	0	8,972,822
- Management valuation 2018 - level 3	10,360,165	0
- Additions after valuation - cost	0	178,520
Infrastructure - Roads - Less: accumulated depreciation	0	0
	<u>10,360,165</u>	<u>8,856,616</u>
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	0	1,821,750
- Management valuation 2018 - level 3	2,066,321	0
- Additions after valuation - cost	0	122,347
Infrastructure - Footpaths - Less: accumulated depreciation	0	(110,152)
	<u>2,066,321</u>	<u>1,833,945</u>
Infrastructure - Drainage		
- Management valuation 2015 - level 3	0	774,612
- Management valuation 2018 - level 3	715,547	0
Infrastructure - Drainage - Less: accumulated depreciation	0	(14,176)
	<u>715,547</u>	<u>760,436</u>
Infrastructure - Parks & Ovals		
- Management valuation 2015 - level 3	0	1,008,000
- Management valuation 2018 - level 3	962,605	0
- Additions after valuation - cost	0	118,950
Infrastructure - Parks & Ovals - Less: accumulated depreciation	0	(75,146)
	<u>962,605</u>	<u>1,051,804</u>
Infrastructure - Other		
- Management valuation 2015 - level 3	0	28,000
- Management valuation 2018 - level 3	323,025	0
Infrastructure -Other - Less: accumulated depreciation	0	(2,799)
	<u>323,025</u>	<u>25,201</u>
	<u>14,427,663</u>	<u>12,528,002</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A(2) which requires infrastructure to be shown at fair value.

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

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	8,856,616	135,648	0	1,555,019	0	0	(187,118)	0	10,360,165
Infrastructure - Footpaths	1,833,945	46,593	0	242,097	0	0	(56,314)	0	2,066,321
Infrastructure - Drainage	760,436	0	0	(29,282)	0	0	(15,607)	0	715,547
Infrastructure - Parks & Ovals	1,051,804	68,718	0	(89,612)	0	0	(68,305)	0	962,605
Infrastructure - Other	25,201	75,756	0	225,216	0	0	(3,148)	0	323,025
Total infrastructure	12,528,002	326,715	0	1,903,438	0	0	(330,492)	0	14,427,663

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	Level 3	Independent Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Infrastructure - Footpaths	Level 3	Independent Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Infrastructure - Drainage	Level 3	Independent Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Infrastructure - Parks & Ovals	Level 3	Management Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)
Infrastructure - Other	Level 3	Management Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) & Residual Values and Estimated Remaining Lives (Level 3)

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

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

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

	2018	2017
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	147,679	190,376
Building Levies	864	0
Accrued salaries and wages	26,649	24,824
ATO liabilities	370	622
	<u>177,507</u>	<u>215,822</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	<u>27,701</u>	<u>25,884</u>
	<u>27,701</u>	<u>25,884</u>
Non-current		
Secured by floating charge		
Debentures	<u>786,353</u>	<u>814,053</u>
	<u>786,353</u>	<u>814,053</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2017			
Current provisions	102,156	87,474	189,630
Non-current provisions	0	26,157	26,157
	<u>102,156</u>	<u>113,631</u>	<u>215,787</u>
Additional provision	7,632	(2,595)	5,037
Balance at 30 June 2018	<u>109,788</u>	<u>111,036</u>	<u>220,824</u>
Comprises			
Current	109,788	78,991	188,779
Non-current	0	32,045	32,045
	<u>109,788</u>	<u>111,036</u>	<u>220,824</u>

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

12. RESERVES - CASH BACKED

	Actual 2018	Actual 2018	Actual 2018	Actual 2018	Budget 2018	Budget 2018	Budget 2018	Budget 2018	Actual 2017	Actual 2017	Actual 2017	Actual 2017
	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	170,577	10,780	(36,845)	144,512	169,018	3,750	0	172,768	36,336	134,241	0	170,577
Plant Reserve	0	20,000	0	20,000	0	20,000	0	20,000	0	0	0	0
Infrastructure/Building Reserve	377,871	209,225	(36,560)	550,536	379,431	209,450	(51,560)	537,321	27,137	350,734	0	377,871
Information Technology	22,473	594	0	23,067	22,472	560	0	23,032	37,326	703	(15,556)	22,473
Road Reserve	268,277	107,088	0	375,365	268,277	106,700	0	374,977	105,424	162,853	0	268,277
Library Infrastructure Reserve	10,394	275	0	10,669	10,394	260	0	10,654	109,411	2,321	(101,338)	10,394
Arts & Culture Reserve	2,784	74	0	2,858	2,784	70	0	2,854	17,342	442	(15,000)	2,784
Legal Costs Reserve	0	85,000	0	85,000	0	0	0	0	0	0	0	0
Library Staff Leave Reserve	0	0	0	0	0	0	0	0	2,145	58	(2,203)	0
Public Open Space Reserve	0	0	0	0	0	0	0	0	156,803	3,235	(160,038)	0
	852,376	433,036	(73,405)	1,212,007	852,376	340,790	(51,560)	1,141,606	491,924	654,587	(294,135)	852,376

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	On-going	To fund future staff annual and long service leave entitlements
Plant Reserve	On-going	To fund replacement and upgrading of Council's vehicles and plant
Infrastructure/Building Reserve	On-going	To fund replacement and upgrading of Council's recreational infrastructure and municipal buildings
Information Technology	On-going	To fund replacement and upgrading of Council's information and technology assets
Road Reserve	On-going	To fund renewal and expansion of Council's roads and drainage systems
Library Infrastructure Reserve	On-going	To fund the Shire's portion of capital items at the Grove Library and/or Community Centre
Arts & Culture Reserve	On-going	To enable the purchase of items of public art
Legal Costs Reserve	On-going	To provide for future general legal expenses including building and planning action.

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

12. REVALUATION SURPLUS

	2018				2017					
	Opening Balance	Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	814,800	0	0	0	814,800	6,964,800	0	(6,150,000)	(6,150,000)	814,800
Revaluation surplus - Land - under the control of Council	0	831,190	0	831,190	831,190					0
Revaluation surplus - Buildings - specialised	(1,090,708)	0	0	0	(1,090,708)	1,035,940	0	(2,126,648)	(2,126,648)	(1,090,708)
Revaluation surplus - Furniture and equipment	(89,907)	0	0	0	(89,907)	0	0	(89,907)	(89,907)	(89,907)
Revaluation surplus - Plant and equipment	(26,937)	0	0	0	(26,937)	(26,937)	0	0	(26,937)	(26,937)
Revaluation surplus - Infrastructure - Roads	8,213,301	1,555,019	0	1,555,019	9,768,320	8,213,301	0	0	0	8,213,301
Revaluation surplus - Infrastructure - Footpaths	1,698,184	242,097	0	242,097	1,940,281	1,698,184	0			1,698,184
Revaluation surplus - Infrastructure - Drainage	447,810	0	(29,282)	(29,282)	418,528	447,810	0	0	0	447,810
Revaluation surplus - Infrastructure - Parks & Reserves	(929,833)	0	(89,612)	(89,612)	(1,019,445)	(929,833)	0	0	0	(929,833)
Revaluation surplus - Infrastructure - Other	2,751	225,216	0	225,216	227,967	2,751	0	0	0	2,751
	9,039,461	2,853,522	(118,894)	2,734,628	11,774,089	17,406,016	0	(8,366,555)	(8,366,555)	9,039,461

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

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

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:

	2018	2018	2017
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>1,539,702</u>	<u>1,261,169</u>	<u>1,315,796</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	164,662	407,096	17,854
Non-cash flows in Net result:			
Depreciation	442,382	136,956	408,342
(Profit)/Loss on sale of asset	2,022	0	129,928
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(11,581)	24,186	27,294
(Increase)/Decrease in joint venture net assets	0		5,792
Increase/(Decrease) in payables	(38,315)	(63,036)	16,112
Increase/(Decrease) in provisions	5,037	(3,750)	28,041
Grants contributions for the development of assets	<u>(108,088)</u>	<u>(85,599)</u>	<u>(113,827)</u>
Net cash from operating activities	<u>503,199</u>	<u>415,853</u>	<u>519,536</u>
	2018		2017
	\$		\$
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
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	<u>7,906</u>		<u>9,623</u>
Total amount of credit unused	<u>222,906</u>		<u>224,623</u>
Loan facilities			
Loan facilities - current	27,701		25,884
Loan facilities - non-current	<u>786,353</u>		<u>814,053</u>
Total facilities in use at balance date	<u>814,054</u>		<u>839,937</u>
Unused loan facilities at balance date	<u>200,000</u>		<u>200,000</u>

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

14. CONTINGENT LIABILITIES

The Shire did not have any contingent liabilities as at 30 June 2018.

	2018	2017
	\$	\$
15. CAPITAL AND LEASING COMMITMENTS		
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	9,552	15,837
- later than one year but not later than five years	7,938	13,310
- later than five years	0	0
	<u>17,490</u>	<u>29,147</u>

(b) Capital Expenditure Commitments

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

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

	2018	2017
	\$	\$
Governance	4,082,575	4,165,148
Community amenities	1,819,750	1,047,778
Recreation and culture	2,362,985	2,561,342
Transport	12,589,838	11,809,100
Other property and services	572,067	38,837
Unallocated	2,470,482	1,435,364
	<u>23,897,697</u>	<u>21,057,569</u>

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

	2018	2017	2016
18. FINANCIAL RATIOS			
Current ratio	1.69	2.02	2.01
Asset sustainability ratio	0.72	1.06	0.70
Debt service cover ratio	6.31	4.13	6.77
Operating surplus ratio	0.02	(0.03)	0.05
Own source revenue coverage ratio	0.73	0.69	0.74

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 Page 53 of this document.

Three of the 2018 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2018.

The early payment of the grant increased operating revenue in 2018 by \$28,017

Three of the 2017 and 2016 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2016.

The early payment of the grant increased operating revenue in 2016 and decreased operating revenue in 2017 by \$28,269.

If recognised in the year to which the allocation related, the calculations in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	1.69	1.92	1.89
Operating surplus ratio	0.02	(0.04)	0.05
Debt service cover ratio	6.32	3.82	7.10

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

20. TRUST FUNDS

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

	1 July 2017 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2018 \$
Footpath Bonds	111,060	13,000	(20,000)	104,060
Manners Hill Park Bonds	11,250	7,150	(8,000)	10,400
Community Centre Bonds	4,688	1,850	(900)	5,638
Councillor Nomination Deposits	0	480	(480)	0
	<u>126,998</u>	<u>22,480</u>	<u>(29,380)</u>	<u>120,098</u>

21. DISPOSALS OF ASSETS - 2017/18 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment								
<u>Governance</u>								
Holden Utility	21,085	19,905	-	(1,180)	0	0	0	0
<u>Transport</u>								
Toyota Hilux	30,859	31,136	278	0	0	0	0	0
Ford Ranger	40,211	39,091	-	(1,120)	0	0	0	0
	<u>92,155</u>	<u>90,132</u>	<u>278</u>	<u>(2,300)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2017 \$	New Loans \$	Principal Repayments		Principal 30 June 2018		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation and culture Library/Community Centre	839,937	0	25,884	25,884	814,053	814,053	63,146	63,376
	839,937	0	25,884	25,884	814,053	814,053	63,146	63,376

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2017/18

The Shire did not take up any new debentures during the year ended 30 June 2018.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2018.

(d) Overdraft

Council established an overdraft facility of \$200,000 in 2010 to assist with short-term liquidity requirements.

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

23 RATING INFORMATION - 2017/18 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General Rate											
Residential	7.6500	577	33,796,260	2,574,101	22,528	0	2,596,629	2,585,415	5,000	0	2,590,415
Commercial	7.6500	21	5,903,927	461,173	0	0	461,173	451,650	0	0	451,650
Clubs	7.6500	2	530,800	40,606	0	0	40,606	40,606	0	0	40,606
Sub-Total		600	40,230,987	3,075,880	22,528	0	3,098,408	3,077,671	5,000	0	3,082,671
Minimum payment											
Residential	1,360	34	493,740	46,240	0	0	46,240	46,240	0	0	46,240
Commercial	1,360	15	160,550	20,400	0	0	20,400	20,400	0	0	20,400
Sub-Total		49	654,290	66,640	0	0	66,640	66,640	0	0	66,640
Total amount raised from general rate		649	40,885,277	3,142,520	22,528	0	3,165,048	3,144,311	5,000	0	3,149,311
							<u>3,165,048</u>				<u>3,149,311</u>

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

24. NET CURRENT ASSETS

Composition of net current assets

	2018	2018	2017
	(30 June 2018 Carried Forward) \$	(1 July 2017 Brought Forward) \$	(30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	<u>60,999</u>	<u>177,536</u>	<u>177,536</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	321,515	407,983	407,983
Restricted	1,218,187	907,813	907,813
Receivables			
Rates outstanding	84,077	99,333	99,333
Sundry debtors	13,139	12,412	12,412
GST receivable	338	8,592	8,592
Payroll deduction in advance	2,036	0	0
Rebates	0	(769)	(769)
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(147,679)	(190,376)	(190,376)
Building Levies	(864)	0	0
Accrued salaries and wages	(26,649)	(24,824)	(24,824)
ATO liabilities	(370)	(622)	(622)
Pensioner Rebates	(1,945)	0	0
Current portion of long term borrowings			
Secured by floating charge	(27,701)	(25,884)	(25,884)
Provisions			
Provision for annual leave	(109,788)	(102,156)	(102,156)
Provision for long service leave	(78,991)	(87,474)	(87,474)
Unadjusted net current assets	<u>1,245,305</u>	<u>1,004,028</u>	<u>1,004,028</u>
Adjustments			
Less: Reserves - restricted cash	(1,212,007)	(852,376)	(852,376)
Add: Secured by floating charge	27,701	25,884	25,884
Adjusted net current assets - surplus/(deficit)	<u>60,999</u>	<u>177,536</u>	<u>177,536</u>

Difference

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

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

25. SPECIFIED AREA RATE - 2017/18 FINANCIAL YEAR

No specified area rates were imposed by the Shire during the year ended 2018.

26. SERVICE CHARGES - 2017/18 FINANCIAL YEAR

No service charges were imposed by the Shire during the year ended 2018.

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2017/18 FINANCIAL YEAR**

No discounts, incentives, concessions or write-offs were granted during the year ended 30 June 2018.

28. INTEREST CHARGES AND INSTALMENTS - 2017/18 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	18 August 17			11.00%
Option Two				
First Instalment	18 August 17	\$0	5.00%	
Second Instalment	18 October 17	\$10	5.00%	
Third Instalment	18 December 17	\$10	5.00%	
Fourth Instalment	19 February 18	\$10	5.00%	
			Revenue	Budgeted
Interest on unpaid rates			\$	Revenue
Interest on instalment plan			22,600	\$ 4,000
Charges on instalment plan			13,900	13,000
			4,500	4,000
			<u>41,000</u>	<u>21,000</u>

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

29. FEES & CHARGES	2018	2017
	\$	\$
Governance	5,460	0
General purpose funding	8,500	8,485
Law, order, public safety	5,415	12,963
Health	8,552	7,060
Community amenities	93,661	108,028
Recreation and culture	63,532	69,674
Transport	12,110	9,219
Economic services	20,952	67,312
Other property and services	44,360	0
	<u>262,542</u>	<u>282,741</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance		17,799
General purpose funding	50,497	80,481
Law, order, public safety	0	3,500
Health	9,911	0
Education and welfare	909	0
Recreation and culture	1,343,061	1,311,673
Transport	6,066	7,969
	<u>1,410,444</u>	<u>1,421,422</u>
Non-operating grants, subsidies and contributions		
Recreation and culture	13,000	55,510
Transport	95,088	58,317
	<u>108,088</u>	<u>113,827</u>
	<u>1,518,532</u>	<u>1,535,249</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

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

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

	2018	2018	2017
	\$	Budget	\$
Meeting Fees	52,500	52,500	52,500
President's allowance	10,750	10,750	10,750
	<u>63,250</u>	<u>63,250</u>	<u>63,250</u>

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

32. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2018	2017
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	649,633	569,331
Post-employment benefits	102,202	47,019
Other long-term benefits	49,671	68,957
Termination benefits	13,359	-
	814,865	685,307

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 31.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the equity method

The Shire has a one-fifth interest in a waste transfer facility. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 5

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

32. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Associated companies/individuals:		
Sale of goods and services	1,330,830	1,382,703
Purchase of goods and services	1,416,410	1,467,295
Joint venture entities:		
Distributions received from joint venture entities	(47,078)	(5,792)
Amounts outstanding from related parties:		
Trade and other receivables	0	0
Loans to associated entities	0	0
Loans to key management personnel	0	0
Amounts payable to related parties:		
Trade and other payables	0	0
Loans from associated entities	0	0

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2017/2018 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2017/2018 financial year.

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

36. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	1,539,702	1,315,796	1,539,702	1,315,796
Receivables	131,149	119,568	131,149	119,568
	<u>1,670,851</u>	<u>1,435,364</u>	<u>1,670,851</u>	<u>1,435,364</u>
Financial liabilities				
Payables	177,507	215,822	177,507	215,822
Borrowings	814,054	839,937	814,054	839,937
	<u>991,561</u>	<u>1,055,759</u>	<u>991,561</u>	<u>1,055,759</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.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire'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 the Shire.

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

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	15,397	13,158
- Statement of Comprehensive Income	15,397	13,158

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 2018**

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2018	2017
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	4%	0%
- Overdue	96%	100%

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
 Borrowings

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

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

	<u>2018</u>	<u>2017</u>			
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	177,507	0	0	177,507	177,507
Borrowings	83,400	333,600	959,100	1,376,100	814,054
	<u>260,907</u>	<u>333,600</u>	<u>959,100</u>	<u>1,553,607</u>	<u>991,561</u>
Payables	215,822	0	0	215,822	215,822
Borrowings	83,400	333,600	1,042,500	1,459,500	839,937
	<u>299,222</u>	<u>333,600</u>	<u>1,042,500</u>	<u>1,675,322</u>	<u>1,055,759</u>

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

35. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (continued)**

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year ended 30 June 2018								
Borrowings								
Fixed rate								
Debentures	27,701	29,645	31,726	33,953	36,336	654,693	814,053	6.90%
Weighted average Effective interest rate						6.90%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Debentures	25,884	27,701	29,645	31,726	33,953	691,030	839,938	6.90%
Weighted average Effective interest rate						6.90%		

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

36. RATIO INFORMATION

	2018	2017	2016
Asset consumption ratio	1.00	0.99	0.98
Asset renewal funding ratio	0.76	0.81	0.80

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	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHIRE OF PEPPERMINT GROVE**

Report on the Financial Report

Opinion

We have audited the financial report of the Shire of Peppermint Grove, which comprises the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

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

- a) giving a true and fair view of the Shire's financial position as at 30 June 2018 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).

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Shire in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

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

Other Information

Management is responsible for the other information. The other information comprises the information in the Shire's annual report for the year ended 30 June 2018 but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Shire's Responsibility for the Financial Report

The Shire's 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 Shire 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 Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Page 53 of the financial report, which describes certain ratio information relating to the financial report. Management's calculation of certain of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not express an opinion on the ratio with these assumptions.

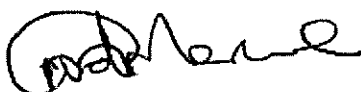
Reporting on Other Legal and Regulatory Requirements

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) Apart from the asset sustainability ratio that does not meet the minimum benchmark, 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
Director

Perth

Date: 20 December 2018

Single Year Analysis

Financial Health Indicator Calculator

Input Raw Ratios

	Ratio Names	Raw Ratios
1	Current	1.69
2	Asset Consumption	1.00
3	Asset Renewal	0.76
4	Asset Sustainability	0.72
5	Debt Service Coverage	6.31
6	Operating Surplus	0.02
7	Own Source Revenue	0.73

Standardised Scores (0 to 10)

	Ratio Names	Standardised Ratios
1	Current	10.00
2	Asset Consumption	10.00
3	Asset Renewal	7.09
4	Asset Sustainability	-
5	Debt Service Coverage	10.00
6	Operating Surplus	7.21
7	Own Source Revenue	8.98

Financial Health Indicator

82

