



SHIRE OF PEPPERMINT GROVE

ATTACHMENTS

**Special Council Meeting
22 January 2019**

TABLE OF CONTENTS

SUBJECT HEADING	PAGE
8.1.1 Development – Revised Approved Plan – Heritage Management - Lot 91 (488-490) Stirling Highway, Peppermint Grove.....	3
8.6.1 Finance & Audit Report 30 June 2018	9
8.5.1 Draft 2017/18 Annual Report.....	65



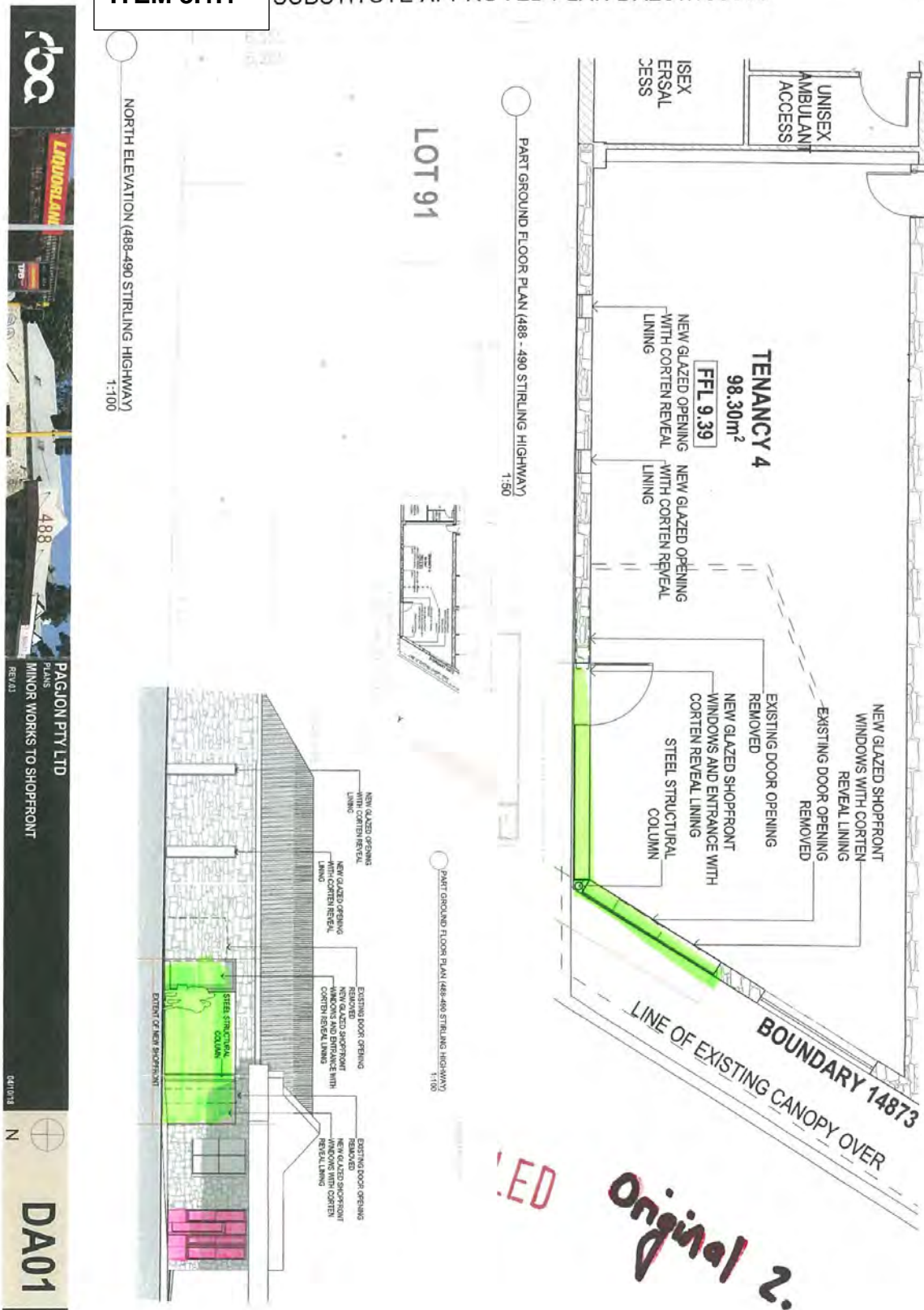
Special Council Meeting

8.1.1 Development – Revised Approved Plan – Heritage Management - Lot 91 (488-490) Stirling Highway, Peppermint Grove

ITEM 8.1.1 - LOCATION PLAN



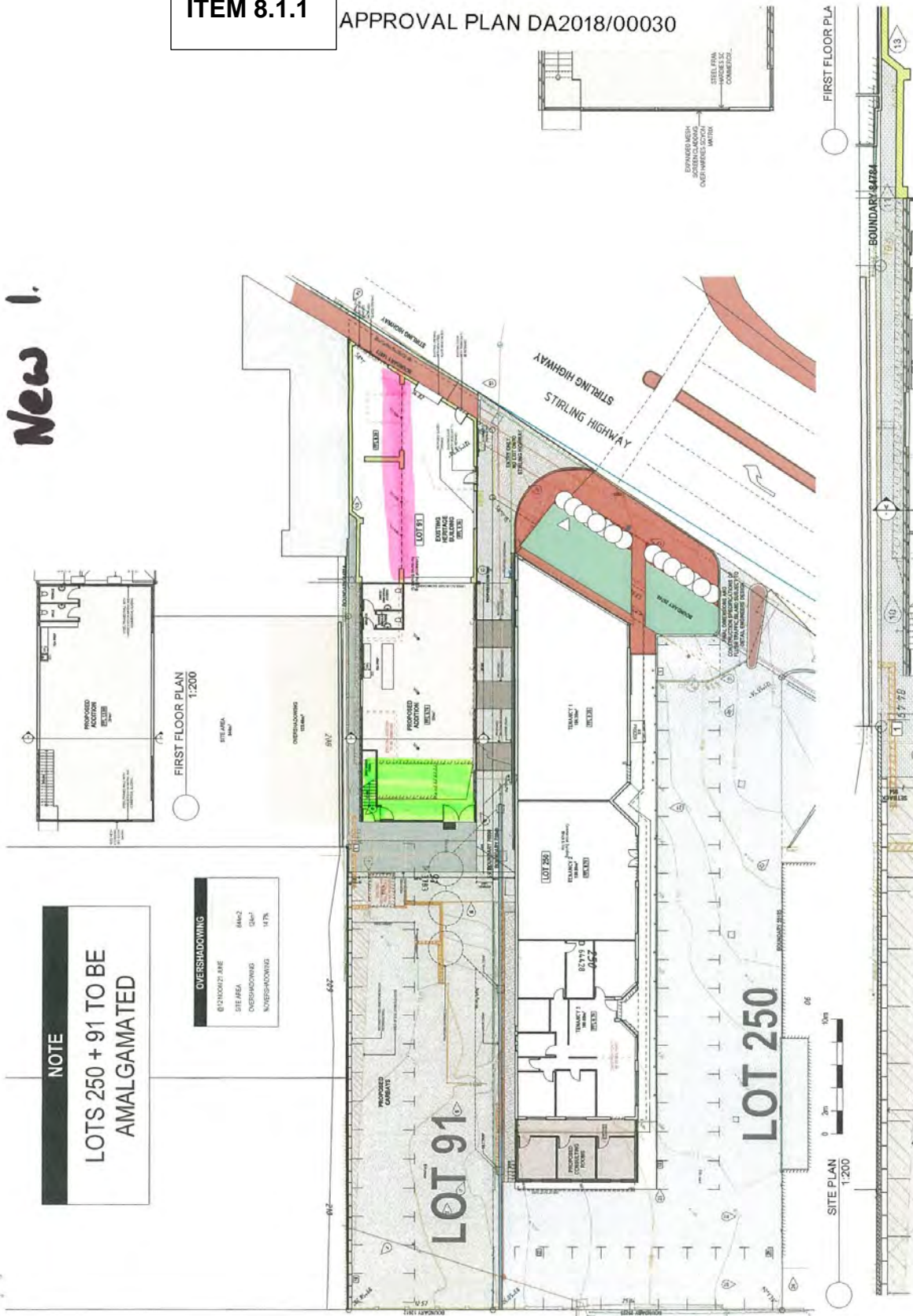
ITEM 8.1.1 SUBSTITUTE APPROVED PLAN DA2017/00008



ITEM 8.1.1

APPROVAL PLAN DA2018/00030

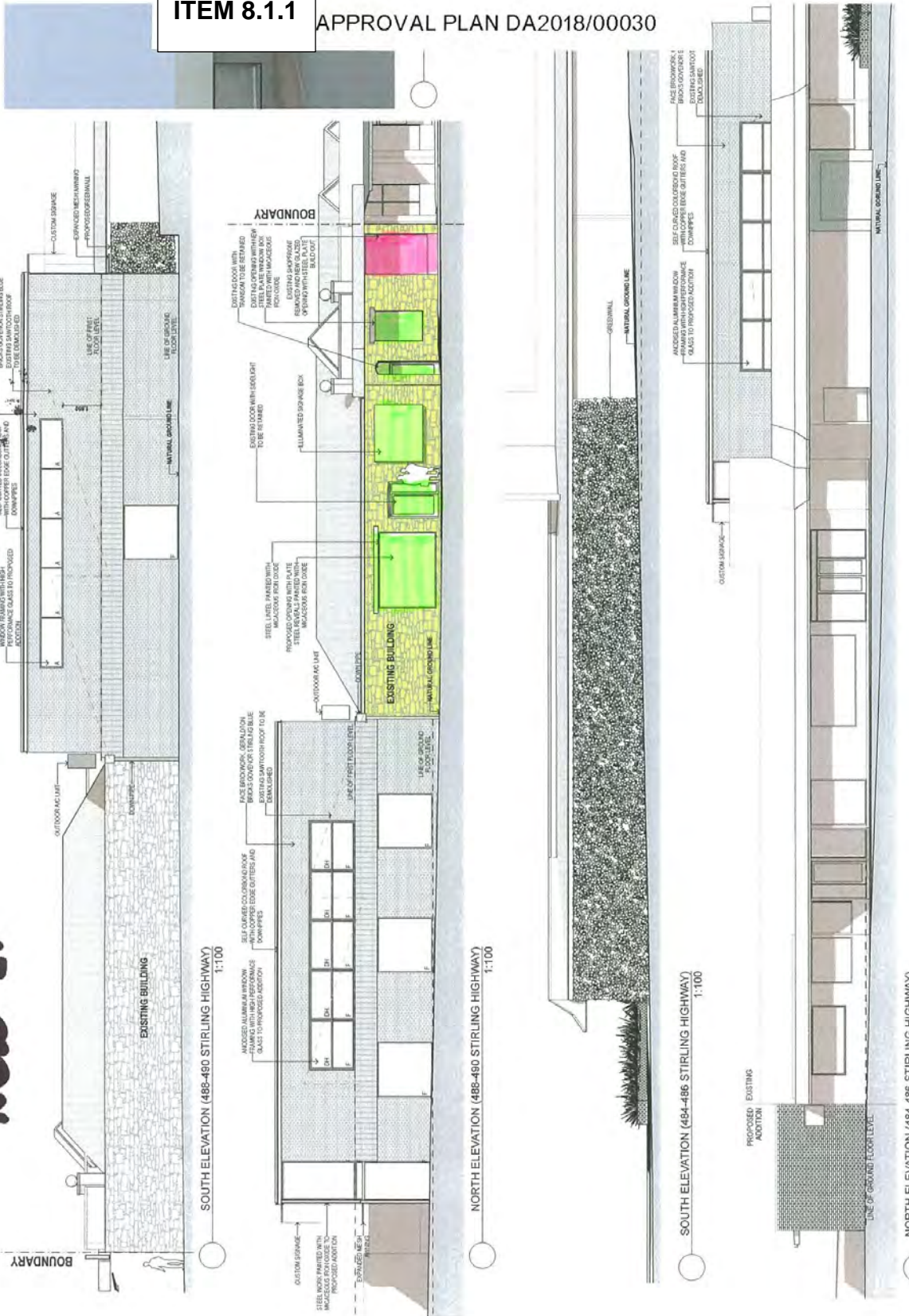
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ITEM 8.1.1

APPROVAL PLAN DA2018/00030

New 2.





Ordinary Council Meeting

8.6.1 Finance & Audit Report 30 June 2018

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	33
Statement of Comprehensive Income by Nature or Type	34
Statement of Comprehensive Income by Program	35
Statement of Financial Position	36
Statement of Changes in Equity	37
Statement of Cash Flows	38
Rate Setting Statement	39
Notes to and Forming Part of the Financial Report	40 - 84
Independent Audit Report	85 - 87

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

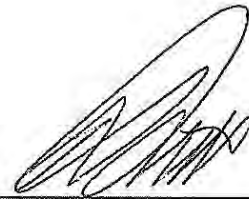
**SHIRE OF PEPPERMINT GROVE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

**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)	(138,956)	(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		<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 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		908	0	0
Community amenities		93,861	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	87,312
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		1,639,292	1,435,364
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		22,258,405	19,622,205
TOTAL ASSETS		23,897,697	21,057,569
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		393,987	431,336
NON-CURRENT LIABILITIES			
Long term borrowings	9	786,353	814,053
Provisions	10	32,045	26,157
TOTAL NON-CURRENT LIABILITIES		818,398	840,210
TOTAL LIABILITIES		1,212,385	1,271,546
NET ASSETS		22,685,314	19,786,023
EQUITY			
Retained surplus		9,899,218	9,894,186
Reserves - cash backed	11	1,212,006	852,376
Revaluation surplus	12	11,774,090	9,039,462
TOTAL EQUITY		22,685,314	19,786,024

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	82,790	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)		177,536	261,470	458,850
		<u>177,536</u>	<u>261,470</u>	<u>458,850</u>
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	18,463
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>
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>
Operating activities excluded from budget				
(Profit) on disposal of assets	20	(278)	0	(1,530)
Loss on disposal of assets	20	2,300	0	131,457
Movement in Lease Rent Receivable	4	(31,559)	0	0
Movement in JV Shared Assets (WMRC)		47,078	0	5,792
Movement in employee benefit provisions (non-current)		5,888	0	5,331
Depreciation and amortisation on assets	2(a)	442,382	136,956	408,341
Amount attributable to operating activities		<u>(2,465,127)</u>	<u>(2,429,388)</u>	<u>(2,167,988)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		108,088	85,599	113,827
Proceeds from disposal of assets	20	90,132	0	155,099
Purchase of property, plant and equipment	6(b)	(124,913)	(43,500)	(321,572)
Purchase and construction of infrastructure	7(b)	(326,715)	(414,687)	(297,448)
Amount attributable to investing activities		<u>(253,408)</u>	<u>(372,588)</u>	<u>(350,094)</u>
FINANCING ACTIVITIES				
Repayment of debentures	21(a)	(25,884)	(25,884)	(24,186)
Transfers to reserves (restricted assets)	11	(433,035)	(340,790)	(654,587)
Transfers from reserves (restricted assets)	11	73,405	51,560	294,135
Amount attributable to financing activities		<u>(385,514)</u>	<u>(315,114)</u>	<u>(384,638)</u>
Surplus(deficiency) before general rates		<u>(3,104,048)</u>	<u>(3,117,090)</u>	<u>(2,902,720)</u>
Total amount raised from general rates	22	<u>3,165,049</u>	<u>3,149,311</u>	<u>3,080,256</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	23	<u>61,001</u>	<u>32,221</u>	<u>177,536</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 19 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads

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

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

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

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

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

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)

(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.

(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.

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**

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

Land under control

In accordance with Local Government (Financial Management) Regulation 18(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.

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(n) 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 5.

(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.
(iii) AASB 16 Leases	February 2016	1 January 2019	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. 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>487,735</u>	<u>549,574</u>
	2018	2017
	Actual	Budget
	\$	\$
Interest earnings		
- Reserve funds	21,752	20,790
- Other funds	35,823	25,000
Other interest revenue (refer note 27)	36,500	17,000
	<u>94,076</u>	<u>62,790</u>
	<u>581,811</u>	<u>612,364</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 ambience 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 Collesloe, 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	115,901	64,558	(125,022)	55,437	0	(49,256)	6,181

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		<u>1,218,187</u>	<u>907,813</u>
		<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	11	144,513	170,577
Plant Reserve	11	20,000	0
Infrastructure/Building Reserve	11	550,537	377,871
Information Technology	11	23,066	22,473
Road Reserve	11	375,364	268,277
Library Infrastructure Reserve	11	10,669	10,394
Arts & Culture Reserve	11	2,857	2,784
Legal Costs Reserve	11	85,000	0
Unspent grants	2(c)	<u>6,181</u>	<u>55,437</u>
		<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		<u>0</u>	<u>(769)</u>
		<u>99,590</u>	<u>119,568</u>
Non-current			
Lease receivable - Freshwaters Cafe		<u>31,559</u>	<u>0</u>
		<u>31,559</u>	<u>0</u>
Information with respect to 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	(80,392)	0
	<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	(3,212)	0
	<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	(28,875)	(12,468)
	<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	18,160	0	0	0	0	(80,392)	0	5,742,476
Total buildings	5,803,708	18,160	0	0	0	0	(80,392)	0	5,742,476
Total land and buildings	6,618,708	18,160	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>8,956,616</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	9,856,616	135,648	0	1,555,019	0	0	(187,118)	0	10,360,165
Infrastructure - Footpaths	1,833,945	46,593	0	242,087	0	0	(56,314)	0	2,066,321
Infrastructure - Drainage	760,435	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) and Estimated Remaining Lives (Level 3)
Infrastructure - Footpaths	Level 3	Independent Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure - Drainage	Level 3	Independent Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure - Parks & Ovals	Level 3	Management Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure - Other	Level 3	Management Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) 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	27,701	25,884
	<u>27,701</u>	<u>25,884</u>
Non-current		
Secured by floating charge		
Debentures	786,353	814,053
	<u>786,353</u>	<u>814,053</u>

Additional detail on borrowings is provided in Note 21.

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

11. RESERVES - CASH BACKED

	Actual 2018 Opening Balance	Actual 2018 Transfer to	Actual 2018 Closing Balance	Budget 2018 Opening Balance	Budget 2018 Transfer to	Budget 2018 Closing Balance	Actual 2017 Opening Balance	Actual 2017 Transfer to	Actual 2017 Transfer (from)	Actual 2017 Closing Balance
Leave Reserve	\$ 170,577	\$ 10,780	\$ 144,512	\$ 169,018	\$ 3,750	\$ 172,768	\$ 36,336	\$ 134,241	\$ 0	\$ 170,577
Plant Reserve	0	20,000	20,000	0	20,000	20,000	0	0	0	0
Infrastructure/Building Reserve	377,871	205,225	550,536	379,431	209,450	537,321	27,137	350,734	0	377,871
Information Technology	22,473	594	23,067	22,472	560	(51,560)	37,326	703	(15,556)	22,473
Road Reserve	268,277	107,088	375,365	268,277	106,700	374,977	105,424	162,853	0	268,277
Library Infrastructure Reserve	10,394	275	10,669	10,394	260	10,654	109,411	2,321	(101,338)	10,394
Arts & Culture Reserve	2,784	74	2,858	2,784	70	2,854	17,342	442	(15,000)	2,784
Legal Costs Reserve	0	85,000	85,000	0	0	0	2,145	58	(2,203)	0
Library Staff Leave Reserve	0	0	0	0	0	0	155,803	3,235	(160,038)	0
Public Open Space Reserve	0	0	0	0	0	0	491,924	654,587	(294,135)	852,376
	852,376	433,035	1,212,007	852,376	340,790	(51,560)	1,141,606			

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 replacement 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			2018			2018			2017			2017		
	Opening	Revaluation		Revaluation			Revaluation			Opening	Revaluation		Revaluation		
	Balance	Increment		(Decrement)			(Decrement)			Balance	Increment		(Decrement)		
	\$	\$		\$	\$		\$	\$		\$	\$		\$	\$	
Revaluation surplus - Land	814,800	0	0	0	0	0	0	0	0	6,964,800	0	0	(6,150,000)	(5,150,000)	814,800
Revaluation surplus - Land - under the control of Council	0	831,190	0	0	831,190	831,190	0	0	831,190	0	0	0	0	0	0
Revaluation surplus - Buildings - specialised	(1,090,708)	0	0	0	0	(1,090,708)	0	0	1,035,940	0	0	(2,126,848)	(2,126,848)	(1,090,708)	0
Revaluation surplus - Furniture and equipment	(89,907)	0	0	0	0	(89,907)	0	0	0	0	0	(89,907)	(89,907)	(89,907)	0
Revaluation surplus - Plant and equipment	(26,937)	0	0	0	0	(26,937)	0	0	(26,937)	0	0	0	0	(26,937)	0
Revaluation surplus - Infrastructure - Roads	8,213,301	1,555,019	0	0	1,555,019	9,768,320	0	0	8,213,301	0	0	0	0	8,213,301	0
Revaluation surplus - Infrastructure - Footpaths	1,698,184	242,097	0	0	242,097	1,940,281	0	0	1,698,184	0	0	0	0	1,698,184	0
Revaluation surplus - Infrastructure - Drainage	447,810	0	0	(29,282)	(29,282)	418,528	0	0	447,810	0	0	0	0	447,810	0
Revaluation surplus - Infrastructure - Parks & Reserves	(929,833)	80,872	0	0	80,872	(848,961)	0	0	(929,833)	0	0	0	0	(929,833)	0
Revaluation surplus - Infrastructure - Other	2,751	225,216	0	0	225,216	227,967	0	0	2,751	0	0	0	0	2,751	0
	9,039,461	2,934,394	(29,282)	(29,282)	2,905,112	11,944,573	17,406,016	(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 MASC 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 Budget \$	2017 \$
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	168,576	407,096	17,854
Non-cash flows in Net result:			
Depreciation	438,468	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	(108,088)	(85,599)	(113,827)
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	7,906	9,623
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	786,353	814,053
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.

15. CAPITAL AND LEASING COMMITMENTS	2018	2017
	\$	\$
(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	0.73	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

19. TRUST FUNDS

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

	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>

20. 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

21. 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	814,054	814,053	63,146	63,376
	839,937	0	25,884	25,884	814,054	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

22. 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
							3,165,048				3,149,311

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

23. NET CURRENT ASSETS

Composition of net current assets

	2018	2018	2017
	(30 June 2018	(1 July 2017	(30 June 2017
	Carried	Brought	Carried
	Forward)	Forward)	Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	61,000	177,536	177,536
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	1,245,305	1,004,028	1,004,028
Adjustments			
Less: Reserves - restricted cash	(1,212,006)	(852,376)	(852,376)
Add: Secured by floating charge	27,701	25,884	25,884
Adjusted net current assets - surplus/(deficit)	61,000	177,536	177,536

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

24. SPECIFIED AREA RATE - 2017/18 FINANCIAL YEAR

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

25. SERVICE CHARGES - 2017/18 FINANCIAL YEAR

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

26. 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.

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

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
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%	
Interest on unpaid rates				
Interest on instalment plan		Revenue	Budgeted Revenue	
Charges on instalment plan		\$	\$	
		22,600	4,000	
		13,900	13,000	
		4,500	4,000	
		41,000	21,000	

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

	2018	2017
	\$	\$
28. FEES & CHARGES		
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	89,674
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.

29. GRANT REVENUE

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

	2018	2017
	\$	\$
By Nature or Type:		
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	85,088	58,317
	<u>108,088</u>	<u>113,827</u>
	<u>1,518,532</u>	<u>1,535,249</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	23	23
--	----	----

31. ELECTED MEMBERS REMUNERATION

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

	2018	2018 Budget	2017
	\$	\$	\$
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	-
	<u>814,865</u>	<u>685,307</u>

Short-term employee benefits

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

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

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

35. 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

35. 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 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

35. 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	1,375,100	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.

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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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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.

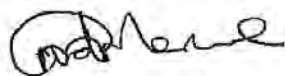
Reporting on Other Legal and Regulatory Requirements

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



Special Council Meeting

8.5.1 Draft 2017/18 Annual Report



Shire of
Peppermint Grove

ANNUAL REPORT

2017 -2018





Contents

INTRODUCTION TO THE SHIRE	3
SHIRE PRESIDENT'S MESSAGE	5
CHIEF EXECUTIVE OFFICER'S MESSAGE	7
COUNCILLORS AND STAFF AS AT JUNE 2018	8
ORGANISATIONAL STRUCTURE	10
STRATEGIC PLAN 2013 - 2023	11
STATUTORY REPORTING REQUIREMENTS	15
DEVELOPMENT SERVICES	19
INFRASTRUCTURE SERVICES	21
LIBRARY AND COMMUNITY CENTRE SERVICES	25
COMMUNITY DEVELOPMENT	28
FINANCIAL REPORT 2017-2018	32
AUDITOR'S REPORT	87



Introduction to the Shire of Peppermint Grove

With a rich history dating back to 1832 and the early settlement of the Swan River Colony, the Shire of Peppermint Grove is known for its beauty and heritage boasting large character homes, a stunning river foreshore, beautiful gardens and shady streets lined with peppermint trees. Many generations of families have lived in Peppermint Grove and there is a strong sense of community often not found in metropolitan communities.

With an area of only 1.36 square kilometres, the Shire prides itself on providing a personalised service to its 1,636 residents who reside in a predominantly residential community. Considered to be a highly desirable suburb, Peppermint Grove has an above average socio economic profile. Much Shire activity relates to the development or redevelopment of large residences.

The maintenance of the suburb's amenity, particularly its trees, foreshore and reserves, are a high priority for residents.

The Shire of Peppermint Grove is guided by the following Vision

"To remain a Shire valued for its ambience and independence"

In supporting the community's aspirations, the Shire of Peppermint Grove is guided by the following Mission

"To guide the Shire's future developments and provide a range of personalised services to residents in order that our unique community and its environment is maintained, enhanced and protected"



The Shire of Peppermint Grove's Key Result Areas are:



Some interesting statistics about the Shire include:

Distance from Perth:	13 kms
Area:	1.36 sq kms
Length of sealed roads:	10.6 kms
Length of unsealed roads:	Nil
Population:	1,636
Number of Electors:	1,131
Number of Dwellings:	608
Total Rates Levied:	\$3.18million
Total Revenue:	\$5.40million
Number of Employees:	23

Apart from the peppermint tree lined streets and pristine Freshwater Bay, some attractions in the Shire include:

- Freshwater Bay recreational jetty
- Freshwater Bay foreshore beach reserve
- Keane's Point parkland and barbeque facilities
- Manners Hill Park Reserve
- Australia Day Festivities
- Presbyterian Ladies College
- The Grove Library
- The Grove Precinct Community Centre
- Halloween Festivities
- St Mary Star of the Sea Church
- Cottesloe Central Shopping Centre
- Freshwater Bay boating jetty
- Royal Freshwater Bay Yacht Club
- Keane's Point children's play equipment
- Manners Hill Pavilion
- Peppermint Grove Tennis Club
- Cottesloe Primary School
- Freshwaters Café/Chapter 1 Café (Library)
- Peppermint Grove Heritage Trail
- Carols by Candlelight
- St Columba's Church
- Whadjuk Trails Network





A Message from the Shire President

It is my pleasure to present the Annual Report for the Shire of Peppermint Grove for the 2017-2018 financial year.

I am pleased to report that we have, once again, achieved a small operating surplus for the year and a clean bill of health from the Shire's auditors. The full set of the Shire's financials are included in this report.

During the year the Shire participated in the Catalyse Community Scorecard survey. This is a survey of residents of many of the metropolitan local governments and large regional centres. In total 28 local governments are surveyed. The survey seeks feedback on 39 categories of services, facilities and governance for each local government. I am pleased to advise that the Shire's overall performance index score - a combined measure of the Shire of Peppermint Grove as a "place to live" and as a "governing organisation" - is 85 out of 100. The Shire is the leading local government in the survey group and set the industry standard. We were top in 27 out of the 39 surveyed areas. This result reflects the commitment by councillors and staff to ensuring that services are delivered to residents at a consistently high level. A full copy of the survey results is available on the Shire's web page.

Following the introduction of Local Planning Scheme 4 the Council commenced a review of the Shire's Heritage List. Heritage and the preservation of significant buildings in the Shire has been identified by the community as an important part of the amenity and character of the Shire. Councillors are mindful of the importance of obtaining expert heritage advice when making decisions on heritage matters.

Last year I reported on the progress being made on the redevelopment of the Wearne site in Cottesloe. This site is owned jointly by the Shire and the Towns of Claremont, Cottesloe and Mosman Park with Curtin Heritage Living leasing the site and providing age care facilities there. Council has endorsed the Master Plan for Wearne which will see additional residential care and independent living units developed on the site. The Wearne redevelopment and the Shire's continuing financial



commitment to SHINE Community Services reinforces Council's support for the delivery of high quality aged care services to the community of Peppermint Grove.

Freshwaters café opened in October 2017 and the café complements our beautiful foreshore area. The Shire is continuing to ensure that the foreshore and Manners Hill Park are maintained to a very high standard which can be enjoyed by residents and visitors alike. My congratulations to our infrastructure team for continuing the excellent work that they are carrying out in our public areas.

I would like to take this opportunity to thank all the Shire's staff for their hard work during the year. My thanks to John Merrick who retired in June after six years as Chief Executive Officer for the Shire. I thank John for his guidance and professionalism during his time with the Shire. I am delighted to welcome Don Burnett to Peppermint Grove as our new CEO. Don was previously the CEO at Subiaco and comes to us with a wealth of knowledge and experience in local government.

I would also like to thank Deputy Shire President, Charles Hohnen, and Councillors Karen Farley, Scott Fleay (resigned August 2018) Dawne Horrex, Peter Macintosh and Greg Peters for the support that they have always given to me and for their continued commitment to the wellbeing of the Shire and its residents.

Rachel Thomas
SHIRE PRESIDENT



A Message from the Chief Executive Officer

I am pleased to present the annual report incorporating the financial statements for 2017/18. Also included in this report is the Auditors Report, which has given the Shire a clean bill of health for its financial reporting and management. We achieved a small surplus along with an increase in the reserve fund balances.

The Shire has a very small workforce of 23 full time equivalent staff, of which 11 work in the Grove Library. It is testament to all staff at the Shire that we can deliver a high standard of facilities and customer services levels which such a small workforce.

One of the most important facilities available to the community is the Grove Library. The Grove is jointly funded by the Shire and the Towns of Cottesloe and Mosman Park. Loans for children and adult books increased during the year, with 527 Peppermint Grove residents members of the library. Part of the Grove complex is the community centre. The major user of this facility is the WestCoast Community Centre, with 275 seminars, talks, demonstrations, games and excursions presented during the year, with a total of 8,267 attendances in 2017 -2018. I congratulate the organising committee for the WestCoast Community Centre for being so proactive in meeting community education and recreation needs.

In June 2018 John Merrick, the Shire's CEO for 6 years retired, and I congratulate him on the good work he, and the Shire's Corporate Services Manager, Paul Rawlings, have done over the past years in bringing the Shire onto such a sound financial footing. I would also like to thank the Shire President and Councillors for their support, strong leadership and the professional way they conduct themselves.

Don Burnett
CHIEF EXECUTIVE OFFICER



Councillors and Staff At 30th June 2018



PRESIDENT:
COUNCILLOR R (RACHEL) THOMAS



DEPUTY PRESIDENT:
COUNCILLOR C (CHARLES) HOHNEN



CR K (KAREN) FARLEY



CR (SCOTT) FLEAY (Res Aug 2018)



CR D (DAWNE) HORREX



CR G (GREG) PETERS



CR P (PETER) MACINTOSH



PRINCIPAL STAFF MEMBERS:

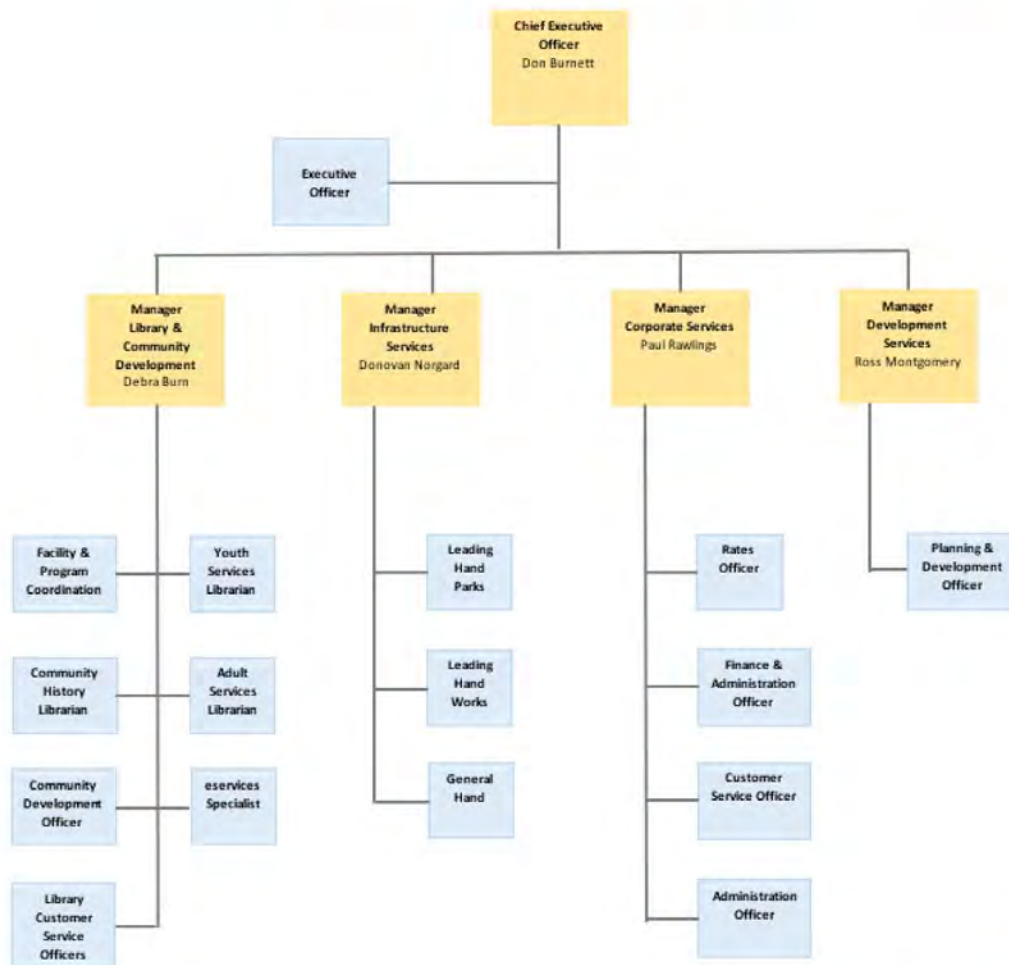
CHIEF EXECUTIVE OFFICER	-	DON BURNETT
MANAGER DEVELOPMENT SERVICES	-	ROSS MONTGOMERY
MANAGER CORPORATE SERVICES	-	PAUL RAWLINGS
MANAGER LIBRARY AND COMMUNITY DEVELOPMENT	-	DEBRA BURN
MANAGER INFRASTRUCTURE	-	DONOVAN NORGARD

DRAFT





Organisational Structure





Strategic Community Plan 2013-2023

Community Vision

The Shire of Peppermint Grove Community Strategic Plan 2013 – 2023 was developed with community consultation and input, with the community's vision for the Shire **"To remain a Shire valued for its ambiance and independence"**. The task of Council and the administration is to deliver on the community aspiration and has adopted the following mission statement to achieve this objective **"To guide the Shire's future developments and provide a range of personalised services to residents in order that our unique community and its environment is maintained, enhanced and protected"**.





Corporate Plan

The Corporate Business Plan 2014/15 – 2018/19 outlines the Shire's key priorities and actions for this 4-year period. The plan is informed by the Community Strategic Plan and aims to integrate the community's aspirations into the Shire's operations. The Community Strategic Plan and the Corporate Business Plan form part of the WA Governments Integrated Planning and Reporting Framework. The Shire will be reviewing the Community Strategic Plan and the Corporate Business plan during 2019.

Key Result Areas

The Shire has been progressively implementing the actions within the six key result areas of its Community Strategic Plan and Corporate Business Plan. The annual report outlines the progress made in the last year to deliver on the objectives and strategies in these plans. The report will reflect the six key result areas that support and reflect the community's vision for the Shire of Peppermint Grove;

- Community Development – "Building a Sense of Community"
- Infrastructure – "Protecting our Assets"
- Governance – "Strengthening Shire Leadership"
- Organisational Capacity – "Meeting Community Expectations"
- Built Environment – "Preserving our Heritage"
- Natural Environment - "Preservation and Sustainability"

Information in this annual report is for the period 1 July 2017 to June 2018.

Community Development – "Building a Sense of Community"

The objectives of the key result area are to strengthen community cohesiveness and participation, strengthen the cultural and historical significance of the shire and ensure access to services as needs change within the community

Highlights

- Several community events, including the Australia Day Citizenship and Awards ceremony and Halloween where well supported by the community. The Grove Library continued to provide a significant number of diverse events on a regular basis
- The PEP Talk newsletter was revamped
- Library membership grew during the year
- The Shire continues to partner with Shine in the provision of aged services to community members
- Community satisfaction survey indicated a very high level of satisfaction with residents for Shire services with a score of 95 out of 100 for a place to live



Infrastructure – “Protecting our Assets”

To upgrade and maintain the Shire’s infrastructure and investigate improvements which will facilitate sustainable ongoing management

Highlights

- Further works schedule for river foreshore protection underway.
- Continued emphasis on maintaining foreshore and Manners Hill Park to a high standard
- Tree maintenance program to maintain and replace street and park trees.

Governance – “Strengthening Shire Leadership”

Ensure that all Shire resources are managed effectively and to provide leadership for Council activities on behalf of the community.

Highlights

- Strong working relationship with Western Suburbs Regional Councils for group projects and West Metropolitan Regional Council for waste management.
- The Shire is able to maintain a skilled workforce ensuring corporate knowledge retained through a stable workforce with turnover less than the industry average

Organisational Capacity – “Meeting Community Expectations”

Ensure that the Shire is an employer of choice and that the Shire is compliant with all the requirements of all relevant statutes and legislation.

Highlights

- Staff are provided with appropriate training to ensure a high level of service is provided to the community
- In the community satisfaction survey the Shire was the highest rated local government surveyed in WA, and the industry leader in 27 categories.
- The Shire has received a clean bill of health from its audit report

Built Environment – “Preserving our Heritage”

To increase the capacity for the Shire to ensure that the built environment reflects the aspirations of the community and retains its unique history, heritage and character.

- A review of the heritage listed properties is well advanced
- Proactive engagement on development applications to conserve heritage and encourage a useful future for buildings and places



Natural Environment – “Preservation and Sustainability”

To protect and enhance Peppermint Groves natural environment and biodiversity.

- Planning for further foreshore preservation works underway
- Review of reticulation systems for the Shire’s reticulated areas to ensure water efficient practices in place.
- Continued community education through the WMRC on recycling and waste minimisation





Statutory Reports

Recordkeeping Plan

The Shire has an ongoing commitment to recordkeeping in accordance with the *State Records Act 2000* and *Records Management Standard AS ISO 15489* through corporate systems and management/disposal processes.

The current five-year recordkeeping plan (RKP) was approved by the State Records Commission (SRC) on 17 March 2017. Whilst only required within five years of such approval, the Shire has already commenced a review of both the RKP and associated procedures and processes with the aim of implementing the SRC's digital transformation plan (*Born Digital: Managing Government Information and Data*) within a two-year timeframe. This review will include digital-only records being produced by the Shire's enterprise resource planning system (ERP) - CouncilFirst - as well as Office 365-produced records and digitised copies of physical documents. Given both CouncilFirst and Office 365 are delivered as software-as-a-service products on Microsoft's *Azure Cloud* the benefits of moving all records to such a platform are obvious.

Stage one of the project (currently underway) is to create a logical and simple-to-use business records classification structure, migrate records from legacy systems and undertake training for Council members, staff and contractors. Completion of this stage is expected by 30 June 2019.

Stage two (ERP integration) and stage three (digitisation of existing hard-copy records) will be completed by December 2020 as resources permit.

New employees were informed of their recordkeeping responsibilities as part of their induction. In addition, they were given one-on-one training on using the current recordkeeping system (HP Records) as well as assistance in understanding the new SharePoint-based system, along with existing staff.

National Competition Policy

The application of national competition policy (NCP) is guided by the *Clause 7 Statement* which requires annual reporting of the implementation, application and effects of NCP principles as well as structural reform of public monopolies.



Competitive Neutrality

Competitive neutrality principles apply to any significant business activities conducted by, or under the control of, a local government that generate an income of \$200,000 or more in a financial year.

In the 2017/18 financial year the Shire did not undertake any business activities that met this threshold.

Structural Reform of Public Monopolies

The Shire of Peppermint Grove is not classified as a natural monopoly nor does it conduct any business activities that could be classified as public monopolies.

Legislative Review

Council has made the following local laws:

- Local Government Property (Gazetted 18 September 2001);
- Dogs (Gazetted 18 September 2001);
- TV Masts and Antennae (Gazetted 27 May 1960);
- Fencing (Gazetted 18 September 2001);
- Emission and Reflection of Light (Gazetted 18 September 2001);
- Parking and Parking Facilities (Gazetted 18 September 2001);
- Activities on Thoroughfares and Trading in Thoroughfares and Public Places (Gazetted 18 September 2001).

All local laws have been reviewed for NCP compliance and all amendments to existing, and all future local laws, are monitored to ensure no anti-competitive practices are included.

Disability Access and Inclusion

In pursuit of its ongoing commitment to developing an even more friendly and welcoming community and in response to its legal obligation under the *State Disability Service Act 1993* (DSA), the Shire has reviewed its Disability Access and Inclusion Plan. The review process, including the hand-delivering of over 600 surveys to every dwelling in the shire, was completed in 2017 and the new Access and Inclusion Plan (Disability) 2017-2022 was endorsed by Council in October 2017. An Access and Inclusion Reference Group, made up of interested residents, business owners, the local police and staff has been formed.

Achievements around access and inclusion for all during 2017-2018 include:

- Two new ACROD parking bays have been built next to the new café on the foreshore.
- New disabled toilets in the new café are accessible to everyone; these replace the old toilet block on the foreshore.
- Dietary and assistance requirements are available at shire events with separate queuing, assistance and an Auslan interpreter being available for people with disability at the Shire's Australia Day event.



- The Grove library increases the e-collection, large print books and home delivery service for those residents requiring this service.
- The Grove library services include computer and tablet training and help for those requiring assistance.
- A new walking path linking The Esplanade to Lilla Street was built across the Keane street roundabout, through Manners Hill Park enabling people in wheelchairs or those with prams or walkers to walk along the foreshore to the new café Freshwaters and on to Mosman Park.
- Bench seats, with a back and arms, suitable for nursing mothers and the frail/elderly are scattered throughout Manners Hill Park.

The Shire is committed to facilitating the inclusion of people with disabilities through the improvement of access and inclusion to its services and facilities. Implementation of the DAIP across all areas of council is an ongoing process. The seven outcomes of the DAIP are:

1. People with disability have the same opportunities as other people to access the services of, and any events organised by the Shire.
2. People with disability have the same opportunities as other people to access the buildings and other facilities of the Shire.
3. People with disability receive information from the Shire in a format that will enable them to access the information as readily as other people are able to access it.
4. People with disability receive the same level and quality of service from the staff of the Shire as other people receive from the staff of the Shire.
5. People with disability have the same opportunities as other people to make complaints to the Shire.
6. People with disability have the same opportunities as other people to participate in public consultation by the Shire.
7. People with disability have the same opportunities as other people to obtain and maintain employment with the Shire.

Freedom of Information

The *Freedom of Information Act 1992* allows the public the right to apply for access to information held by the Shire.

The *Act* requires the review and adoption of a Freedom of Information Statement, a copy of which is available on the Shire's website.

During 2017/18, three applications were received and all were dealt with within the required 45-day response period.



Register of Complaints

Minor breaches of the rules of conduct or a local law of the Shire by a Council member must be recorded in a register noting the outcome of the investigation of the complaint and the action subsequently taken.

No complaints regarding such breaches were received by the Shire's Complaints Officer during 2017/18.

Equal Employment Opportunity Management Plan

The Shire has prepared an equal employment opportunity management plan for the period 2015 – 2020 in accordance with *Part IX of the Equal Opportunity Act 1984*, a copy of which is available on the Shire's website.

This plan assists the Shire in building a workforce and supporting a workplace culture that reflects the diversity of the local community.

Employee Remuneration

In accordance with *Regulation 19B of the Local Government (Administration) Regulations 1996* the Shire is required to disclose the number of employees with an annual cash salary of \$100,000 or more within bands of \$10,000.

The number of employees with an annual salary entitlement that falls within each band for 2017/18 is as follows:

Salary Band	No. of Employees
\$100,000 to \$109,999	1
\$110,000 to \$119,999	2
\$120,000 to \$129,999	1
\$130,000 to \$139,999	0
\$140,000 to \$149,999	0
\$150,000 to \$159,999	0
\$160,000 to \$169,999	1



Development Services

This business activity area combines urban planning, building regulation and asset management, health and ranger services.

Services are provided to meet State and local laws and Shire schemes, standards and policies.

Background Comment



Our Shire is predominantly residential houses, with flats, shopping and commercial areas adjacent to Stirling Highway. Redevelopment of residences consisted of several complete demolition and rebuilds, and home extensions and renovation. Due to the size, scale and complexity of many of the homes, our development applications required the Council to exercise design discretion to request design enhancements to deliver better community outcomes. The total value of all approved works for the year 2017-18 is estimated to be almost \$10.4M ; considering our small area this is a significant re-investment by the community to keep our suburb and its buildings preserved and in good order.

The Shire engages additional technical support from the Town of Cottesloe (Health and Rangers) and City of Nedlands (Building) to deliver services to residents and

business.

The Grove Centre includes a library, community centre rooms, café, Shire administration and parking station. The building was completed in 2010 and features advanced (at the time, pioneering) building systems to generate renewable power, recycle water, and promote low-impact development.

In 2017-18 the Shire upgraded and maintained this building to ensure functionality is maintained.

Gardens are being refurbished to refresh plant stock, add facilities such as better lighting, solar smart-benches and install pedestrian and traffic safety improvements. Management of the facility involves monitoring and renewal of building systems to keep its amenity and freshness.



Urban Planning – *re-investing in our suburb and lifestyle*

Highlights:-

- LPS 4 gazetted and Amendment 1 initiated (Recode and Map Amendment)
- Heritage Listing – update of the Shire Heritage Listing to meet Deemed Provisions requirements – continuing.
- Review of Local Planning Policies.
- Development Assessments – over 90% acceptance of Recommendation
- Subdivision Advice – more than 98% of the Shire recommendations adopted by WAPC;
- 30 Planning reports to the Council in the past year.

Building – *meeting national codes and local requirements*

Highlights:-

- Revision of Building Permit Assessment and guidance notes.
- Technical Service Support agreement (City of Nedlands and consultant services engaged to augment capability).
- 43 Permits issued.
- Pool Compliance – making owners aware of their legal and community responsibility to maintain effective swimming pool and spa safety with barrier fencing and child supervision. 283 pools located in the Shire. Many are due for compliance inspection reporting in 2019.

Health – *safety and health for residents and businesses*

Highlights:-

- 10 Food Premises Inspected and cleared;
- No premises required work orders.
- Health Department Food Recalls actioned
- First domestic greywater recycling system assessed and passed
- Community Health planning commenced.

Governance – *getting along together; respecting our beautiful suburb*

Highlights:-

- 299 parking infringements issued
- Investigation of reports of littering and follow up action
- 3 abandoned vehicles reported.
- Pets: 56 Cats & 213 Dogs are registered within the Shire; 1 attack incident recorded.



Infrastructure Services

The ongoing maintenance and renewal of the Shire's assets were a priority for the Infrastructure team in 2017/2018. Some key achievements include:

Freshwater Bay riverwall repairs

The Shire continued work on a joint project with the Department of Biodiversity, Conservation and Attractions (DBCA) to repair failing sections of riverwall in Freshwater Bay.





The Esplanade (Leake St to Irvine St) road resurfacing project

The Shire resurfaced a section of The Esplanade as well as the Irvine St roundabout in early 2018. This included kerb replacement, drainage improvements, linemarking and signage renewal.



Street Trees

The Shire's tree maintenance and replacement program continued throughout 2017/2018 resulting in many new Peppermint and Tuart trees being planted on street verges and in parks throughout the area. This ongoing process will ensure that Peppermint Grove's beautiful streetscapes will continue to be enjoyed for many years to come.





Freshwater Bay beach renourishment

With approval from the Department of Biodiversity, Conservation and Attractions, the Shire backfilled eroded beach areas of Freshwater Bay with clean river sand.



Reticulation controller replacement

A new, state of the art 'two-wire' reticulation control system was fitted to the Leake Street Foreshore bore allowing for remote programming and monitoring of the park's irrigation system.

Drainage

Work continued on cleaning and maintaining the Shire's stormwater drainage system. New grates and pits are being installed on an ongoing basis with a focus on laneways.





Footpath maintenance

The footpath maintenance and replacement program continued, with many cracked or uneven sections replaced.



Right of way upgrades

All the unpaved Right of Ways in the Shire are being systematically tidied and re-sheeted with recycled road profilings.





Library and Community Centre

The Shire of Peppermint Grove and the Town of Cottesloe have provided a joint library service since 1966, with the Town of Mosman Park joining in 1975. The Grove Library also cooperates with other library services in the Western Suburbs to give library members access to a wider range of books and on-line services.

The current building, opened in 2010, incorporates the Grove Library and the Community Learning Centre. Also on site is WA Health's Child and Adolescent Community Health Centre which services the Western Suburbs.

Fast Grove Library Facts (totals for the year 2017-2018):

- 14,327 attendances at Library events
- 23,061 attendances at Community Centre activities
- 527 Peppermint Grove library members
- 20% increase in loans of children's books
- 10% increase in loans of adult books
- 211,267 loans of physical items (books, magazines, talking books, DVDs)
- 1,829 Child Health attendances
- 1,040 students attended Children's Book Week sessions



Grove Library

The Grove Library is a valued community destination for students looking for a place to study, families with young children who attend the popular storytimes and school holiday activities, and anyone looking for something to read, entertain or inform.

Some highlights in library services in 2017-2018 have been:

- High satisfaction rating in Peppermint Grove community survey
- Growing book loans, as well as increasing use of eresources such as ebooks, emagazines and streaming movies
- Ongoing technology help for seniors in conjunction with students from PLC and volunteers
- 8th Cappuccino Concerts – classical music concerts in the Library every Sunday in July
- Large range of author talks, book groups, and art exhibitions for adults
- Four-times weekly storytime sessions for babies and children, as well as visits by the Children's Librarian to nearly every school, kindergarten and playgroup in the Shire throughout the year
- New library management software was successfully implemented in conjunction with the other libraries in the Western Suburbs Library Group
- Halloween was a signature event for families again in 2017-2018





Community History Library

The Grove's Community History Library collects and curates the history of the suburbs of Mosman Park, Cottesloe and Peppermint Grove, with an emphasis on digital preservation and dissemination. The Community History Librarian responds to queries from members of the public about any aspect of local history, which may include information about a specific place, person or building. The Community History Librarian also advises and assists local residents to preserve their own records and historical documents, and during the year undertook 76 in-depth research requests.



The historic photograph collection, containing several hundred images depicting the people and places of Peppermint Grove, was extended with several unique acquisitions and is also available for viewing online.

Oral history recordings were uploaded to the library catalogue and are now available for listening on-line. The Peppermint Grove

Heritage Tour, available as an online app, has been downloaded 5,019 times.

Grove Community Centre

The Grove Community Learning Centre is jointly provided by the Shire and the Towns of Cottesloe and Mosman Park. The Centre hosted a number of not-for-profit community organisations which offered a range of educational and recreational activities for the enjoyment of local residents, including:

- WestCoast Community Centre – 275 seminars, talks, demonstrations, games and excursions with a total of 8,267 attendances in 2017-2018
- Men's and Women's Probus Clubs – monthly meetings
- University of the Third Age – bi-monthly meetings

In addition, a broad range of volunteer groups used the Centre as a meeting and activity base throughout the year. The Facilities Coordinator encouraged and supported individuals, community organisations and private providers to offer activities which are of interest to the local community, thus ensuring the maximum social dividend for the Shire's investment in the Centre.



Community Development

The aim of Council's Community Development area is to bring people together to identify and respond to problems and opportunities; to participate with other local governments and organisations to deliver community programs and to generally improve the quality of life of Peppermint Grove residents. In 2017-2018, Community Development activities conducted by Council supported community events including Halloween, Seniors' Week Morning Tea, Halloween, Carols by Candlelight, Australia Day, Anzac Day, Carols by Candlelight and Men's Health. Community safety initiatives were held for seniors while The Grove's Halloween event was held for families. The Shire's Access and Inclusion Plan was reviewed; improvements made for people with disabilities; health and fitness programs were run for youth and seniors.

Community Events

The Shire's annual Carols by Candlelight was scheduled to be held at Manners Hill Park on 17 December 2017. During the lead up to the 2017 event, the Bureau of Meteorology was reporting wet, severe and dangerous weather conditions and so for the safety of all, the event was unfortunately cancelled. The Shire President, staff and members of the volunteer Carols by Candlelight Committee later met with representatives of Balga Early Learning Centre, the main beneficiary of the funds raised at this event, to hear of the ongoing community work that this unique Salvation Army service undertakes. The Shire and the Committee are looking forward to a successful, rain-free Carols by Candlelight event in December 2018.





The 2017 Combined Councils' Australia Day event was held at the Town of Mosman Park and was supported by Lotterywest. Over 400 people attended the event which included a citizenship ceremony welcoming over 60 new citizens to the community, an Affirmation Ceremony and a free community barbecue breakfast. Special guest and Australian Ambassador, Fadzi Whande gave the Australia Day Address. The Shire awarded Mr John Cunningham OAM as Citizen of the Year, Ms Angel Chen as Youth Citizen of the Year and the Mosman Bay Sea Scouts were given the Award for Active Citizenship.

Health and Fitness

In 2017-2018, the Shire of Peppermint Grove and the Town of Mosman Park continued their partnership program with the Heart Foundation to provide support for walking groups within our local communities. The program has been very successful with three registered Walk Organisers each hosting weekly walks. A well-attended breakfast was provided for the Heart Foundation Walking Groups at the Pavilion in Manners Hill Park in April 2018.

Sportslink is an inclusive program that teaches basic sports skills and confidence to children with disabilities from seven to twelve years of age. Qualified coaches and student volunteers work with participants to have fun and develop friendships while providing a positive opportunity for children with disabilities to engage in physical activity with a view to making a transition on to other community sporting groups. Initially funded by the Department of Sport and Recreation, this sustainable program is now run by staff and students from Presbyterian Ladies' College.

Seniors



A Seniors' First Aid workshop, presented by St John Ambulance Australia, was held at the Alf Adams Pavilion in Mosman Park for those seniors who were keen to refresh their first aid knowledge or learn basic first aid to gain a better understanding of skills required for common injuries and illnesses that can occur in everyday life. A second workshop, encouraging the confident use of defibrillators was held for clubs. St John Ambulance provided information, advice and hands-on demonstrations including the recovery position, CPR, defibrillator use and common heart conditions.

The annual Seniors' Week Morning Tea was held in collaboration with the Towns of Mosman Park and Cottesloe and the Mosman Park Bowling Club in November 2017 and supported by COTA, Lotterywest and the Department of Local Government and Communities. The high-tea style event included entertainment from the Mosman Park Primary School and 7th Heaven Vintage performer, Cathy Mueller. Seniors were also able to enjoy an information display, door prizes provided by local businesses, show-bags for all attendees and a magnificent view of the Swan River. Internet technology assistance was provided regularly during the school terms by the students from Presbyterian Ladies' College in the library and intergenerational internet classes for seniors were conducted throughout the year in partnership with St Hilda's Anglican School for Girls and other neighbouring councils. These continue to be very popular programmes.



During Men's Health Week, the Shire worked with the Towns of Mosman Park and Cottesloe and the Mosman Park Community Men's Shed to hold a men's health day, with organisations presenting on a variety of topics pertinent to men and their well-being. Presenters came from Alzheimers WA, Diabetes WA, Guide Dogs and VisAbility WA. Physiotherapist, Jo Milios, presented on effective ways to manage men's health associated with prostate problems and Dean Dyer presented on men's mental health.

Youth

Decorating cup-cakes in the community centre filled in wet afternoons during school holidays for the young people of Peppermint Grove. Each participant was given 4 cup cakes which they could decorate any way they wished from a choice of many colours. This has become a very popular holiday activity for boys and girls of all ages.

Presbyterian Ladies' College art students designed and produced the Shire's banner entry in the Banners in the Terrace Competition that was on display during July and August 2017. This annual exhibition of banners along St Georges and Adelaide Terrace features designs from communities and regions throughout Western Australia. The students designed a banner that they thought best represented the Shire of Peppermint Grove whilst incorporating the College.

Community Safety

The Shire continued to maintain and enhance a strong working relationship with Cottesloe Police and the Central Metropolitan Crime Prevention Unit. The Community Development Officer attended regular meetings with the Western Suburbs' Community Safety Coordinators' Networking Group to ensure a proactive and integrated approach to community safety.

Several community safety initiatives were held in the library during 2017-2018 with safety displays provided by RoadWise on Child Car Restraints, Distracted Drivers and Vehicle Safety.

Sponsored by Neighbourhood Watch and in partnership with The Grove library, Towns of Cottesloe, Mosman Park, Claremont, Cambridge and Cities of Subiaco and Nedlands, a very successful Halloween HotSpot Safety Project promoted Halloween as a fun, safe, creative event for youth and families for the seven communities. The event was used as a means to promote the Neighbourhood Watch program and ensured that children could visit neighbours to "trick or treat" in a safe way. The Grove library offered a meeting place for families to enjoy an afternoon of spooky stories, a magic show, scary costume competitions, SciTech demonstrations and tours through the Spooky Maze. A sausage sizzle was provided by the Mosman Bay Sea Scouts.

Business Beat is an initiative of the Shire of Peppermint Grove and the WA Police. The program supports the Shire's Community Safety and Crime Prevention Strategy and aims to contribute to raising awareness on protecting businesses against theft and other crimes. The Business Beat kit is a free resource designed to help businesses protect their property, profits and staff from crime.

A major strategy for community safety is based on the simple fact that neighbours who know one another are more likely to "look out" for each other and take note of activities around their



neighbourhood. Street parties are a great way for neighbours to keep in touch with each other and meet new neighbours. Both Keane Street and Irvine Street held street parties prior to Christmas.

Unemployment and difficult times have increased the number of homeless people throughout Perth's suburbs and together with The Salvation Army in Floreat and Western Suburbs councils, Peppermint Grove has been working on ways to support and assist people who are sleeping rough on the streets. The Salvation Army has been working with Community Development Officers, rangers and other outdoor staff throughout the western suburbs to advise on ways to stay safe when dealing with homeless people and how to help them explore options of more appropriate places to stay.

Volunteers

Since February 2016, a Volunteer Resource Centre has been located in the "Pod" in the library each Monday, providing the community with a free, informative service about volunteering and will assist residents in finding a suitable volunteer role.

Sustainability

The Shire remains supportive of the work done by the WMRC including the Earth Carers courses that are run out of The Grove each year. A Recycling Station is located in The Grove library for residents and library members to place their batteries, globes and printer cartridges in for recycling.

Access and Inclusion

The Shire celebrated International Day of People with Disability in December 2017 when Story Time at The Grove Library included an Auslan interpreter from the WA Deaf Society who accompanied the children's storyteller. This was followed by a special craft activity session.





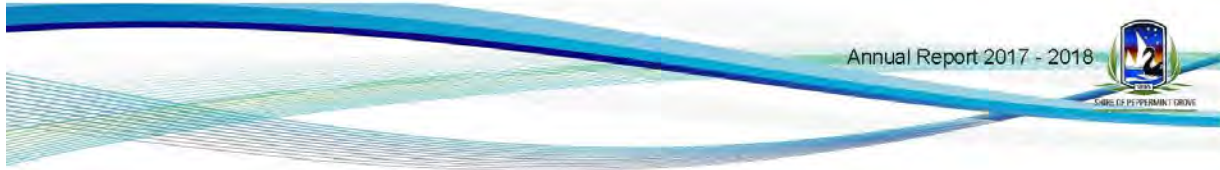
SHIRE OF PEPPERMINT GROVE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

TABLE OF CONTENTS

Statement by Chief Executive Officer	33
Statement of Comprehensive Income by Nature or Type	34
Statement of Comprehensive Income by Program	35
Statement of Financial Position	36
Statement of Changes in Equity	37
Statement of Cash Flows	38
Rate Setting Statement	39
Notes to and Forming Part of the Financial Report	40 - 84
Independent Audit Report	85 - 87

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		<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 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	18,463
Health		18,463	17,000	7,060
Education and welfare		909	0	0
Community amenities		93,861	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>
		<u>105,674</u>	<u>321,497</u>	<u>39,746</u>
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		1,639,292	1,435,364
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		22,258,405	19,622,205
TOTAL ASSETS		23,897,697	21,057,569
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		393,987	431,336
NON-CURRENT LIABILITIES			
Long term borrowings	9	786,353	814,053
Provisions	10	32,045	26,157
TOTAL NON-CURRENT LIABILITIES		818,398	840,210
TOTAL LIABILITIES		1,212,385	1,271,546
NET ASSETS		22,685,314	19,786,023
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		22,685,314	19,786,024

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		17,954	0	0	17,954
Changes on revaluation of assets	12	0	0	(8,366,555)	(8,366,555)
Total comprehensive income		17,954	0	(8,366,555)	(8,348,601)
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>(4,814,123)</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)		177,536	261,470	458,850
		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
		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)
		(4,922,166)	(4,543,480)	(5,085,215)
Operating activities excluded from budget				
(Profit) on disposal of assets	20	(278)	0	(1,530)
Loss on disposal of assets	20	2,300	0	131,457
Movement in Lease Rent Receivable	4	(31,559)	0	0
Movement in JV Shared Assets (WMRC)		47,078	0	5,792
Movement in employee benefit provisions (non-current)		5,888	0	5,331
Depreciation and amortisation on assets	2(a)	442,382	136,956	408,341
Amount attributable to operating activities		(2,465,127)	(2,429,388)	(2,167,988)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		108,088	85,599	113,827
Proceeds from disposal of assets	20	90,132	0	155,099
Purchase of property, plant and equipment	6(b)	(124,913)	(43,500)	(321,572)
Purchase and construction of infrastructure	7(b)	(326,715)	(414,687)	(297,448)
Amount attributable to investing activities		(253,408)	(372,588)	(350,094)
FINANCING ACTIVITIES				
Repayment of debentures	21(a)	(25,884)	(25,884)	(24,186)
Transfers to reserves (restricted assets)	11	(433,035)	(340,790)	(654,587)
Transfers from reserves (restricted assets)	11	73,405	51,560	294,135
Amount attributable to financing activities		(385,514)	(315,114)	(384,638)
Surplus(deficiency) before general rates		(3,104,048)	(3,117,090)	(2,902,720)
Total amount raised from general rates	22	3,165,049	3,149,311	3,080,256
Net current assets at June 30 c/fwd - surplus/(deficit)	23	61,001	32,221	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

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 19 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads

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

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

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

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

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



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)

(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.

(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.



**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)

(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.

(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.



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

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(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.



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)

(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(n) 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 5.

(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. 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 on 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.
(iii) AASB 16 Leases	February 2016	1 January 2019	

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 / Completed	Applicable (i)	Impact
(iv) AASB 1058 Income of Not-For-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	These standards are likely to have a significant impact on the income recognition for NFPs. Key areas for consideration are: - 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. 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.

Notes:

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

(vi) 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	8,326	
- 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	28,288	12,468	
Infrastructure - Roads	187,118	148,949	
Infrastructure - Footpaths	56,314	56,069	
Infrastructure - Drainage	15,607	7,088	
Infrastructure - Parks & Ovals	68,805	39,867	
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>	
	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	21,752	20,790	11,330
- Other funds	35,823	25,000	28,753
Other interest revenue (refer note 27)	36,500	17,000	31,975
	<u>94,076</u>	<u>62,790</u>	<u>72,058</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 ambience 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 ⁽⁴⁾ 30/06/17 \$	Received ⁽²⁾ 2017/18 \$	Expended ⁽³⁾ 2017/18 \$	Closing Balance 30/06/18 \$
Governance							
Metropolitan Youth Scholarship	0	9,043	(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	(8,000)	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	115,901	64,558	(125,022)	55,437	0	(49,256)	6,181

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	11	144,513	170,577
Plant Reserve	11	20,000	0
Infrastructure/Building Reserve	11	550,537	377,871
Information Technology	11	23,066	22,473
Road Reserve	11	375,364	268,277
Library Infrastructure Reserve	11	10,669	10,394
Arts & Culture Reserve	11	2,857	2,784
Legal Costs Reserve	11	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		0	0
		<u>13,139</u>	<u>12,412</u>
Sundry debtors		<u>13,139</u>	<u>12,412</u>
Includes:			
Past due and not impaired		13,139	12,412
Impaired		0	0



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	21,902	68,980
(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	185,700	232,778



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	(80,302)	0
	<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	(3,212)	0
	<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	(28,875)	(12,468)
	<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 Profit or Loss to \$	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	219,031	105,753	(90,132)	0	0	0	(26,265)	0	204,393
Total property, plant and equipment	6,861,425	124,913	(90,132)	831,190	0	0	(111,890)	0	7,813,483



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 technique 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>8,856,818</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	774,812
- Management valuation 2018 - level 3	715,547	0
Infrastructure - Drainage - Less: accumulated depreciation	0	(14,176)
	<u>715,547</u>	<u>760,438</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.

Annual Report 2017 - 2018



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 Incremental (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	8,850,816	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	1,351,804	68,718	0	(89,612)	0	0	(88,305)	0	962,005
Infrastructure - Other	26,201	75,758	0	225,218	0	0	(3,148)	0	323,025
Total Infrastructure	12,528,002	326,715	0	1,903,433	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) and Estimated Remaining Lives (Level 3)
Infrastructure - Footpaths	Level 3	Independent Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure - Drainage	Level 3	Independent Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure - Parks & Ovals	Level 3	Management Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) and Estimated Remaining Lives (Level 3)
Infrastructure - Other	Level 3	Management Valuation	Fair Value	June 2018	Current Replacement Cost/Condition Assessment (Level 2) 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	147,879	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	27,701	25,884
	<u>27,701</u>	<u>25,884</u>
Non-current		
Secured by floating charge		
Debentures	786,353	814,053
	<u>786,353</u>	<u>814,053</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2017			
Current provisions	102,158	87,474	189,630
Non-current provisions	0	26,157	26,157
	<u>102,158</u>	<u>113,631</u>	<u>215,789</u>
Additional provision	<u>7,832</u>	<u>(2,595)</u>	<u>5,037</u>
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

11. RESERVES - CASH BACKED

	Actual 2018 Opening Balance	Actual 2018 Transfer to	Actual 2018 Closing (from)	Actual 2018 Closing Balance	Budget 2018 Opening Balance	Budget 2018 Transfer to	Budget 2018 Closing (from)	Budget 2018 Closing Balance	Actual 2017 Opening Balance	Actual 2017 Transfer to	Actual 2017 Closing (from)	Actual 2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	170,577	10,780	(36,945)	144,512	169,016	3,750	0	172,768	96,336	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	(36,590)	550,506	379,431	209,459	(51,560)	537,321	27,137	350,734	0	377,871
Information Technology	22,473	594	0	23,067	22,472	569	0	23,042	37,328	703	(15,556)	22,473
Road Reserve	268,277	107,088	0	375,365	265,277	105,700	0	371,977	105,424	162,953	0	268,277
Library Infrastructure Reserve	10,394	275	0	10,669	10,394	260	0	10,654	106,411	2,321	(101,336)	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	156,823	3,235	(160,038)	0
	852,376	433,036	(73,405)	1,212,007	862,376	340,760	(51,560)	1,141,636	497,824	854,587	(294,133)	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	Ongoing	To fund future staff annual and long service leave entitlements
Plant Reserve	Ongoing	To fund replacement and upgrading of Council's vehicles and plant
Infrastructure/Building Reserve	Ongoing	To fund replacement and upgrading of Council's recreational infrastructure and municipal buildings
Information Technology	Ongoing	To fund replacement and upgrading of Council's information and technology assets
Road Reserve	Ongoing	To fund renewal and expansion of Council's roads and drainage systems
Library Infrastructure Reserve	Ongoing	To fund the State's portion of capital items at the Grove Library and/or Community Centre
Arts & Culture Reserve	Ongoing	To enable the purchase of items of public art
Legal Costs Reserve	Ongoing	To provide for future general legal expenses including building and planning actions.



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

12. REVALUATION SURPLUS

	2018			2018			2017			2017		
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance	Revaluation Increment	Revaluation (Decrement)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land	814,000	0	0	0	814,000	8,864,800	0	0	0	8,864,800	0	0
Revaluation surplus - Land - under the control of Council	0	831,190	0	0	831,190	1,055,640	0	0	0	1,055,640	0	0
Revaluation surplus - Buildings - specialised	(1,090,703)	0	0	0	(1,090,703)	0	0	0	0	0	0	0
Revaluation surplus - Furniture and equipment	(69,507)	0	0	0	(69,507)	(26,937)	0	0	0	(26,937)	0	0
Revaluation surplus - Plant and equipment	(25,937)	0	0	0	(25,937)	0	0	0	0	0	0	0
Revaluation surplus - Infrastructure - Roads	8,213,301	1,565,018	0	1,565,018	9,778,320	9,213,301	0	0	0	9,213,301	0	0
Revaluation surplus - Infrastructure - Footpaths	1,698,184	242,007	0	242,007	1,940,191	1,698,184	0	0	0	1,698,184	0	0
Revaluation surplus - Infrastructure - Drainage	447,810	0	(25,262)	0	422,548	447,810	0	0	0	447,810	0	0
Revaluation surplus - Infrastructure - Parks & Reserves	(629,833)	80,872	0	80,872	(548,961)	(629,833)	0	0	0	(629,833)	0	0
Revaluation surplus - Infrastructure - Other	2,751	225,216	0	225,216	227,967	2,751	0	0	0	2,751	0	0
	9,039,491	2,924,384	(25,262)	2,905,112	11,944,573	17,008,016	0	0	0	17,008,016	0	0

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 MASB 116 A/c 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 Budget \$	2017 \$
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	168,576	407,096	17,854
Non-cash flows in Net result:			
Depreciation	438,488	136,956	405,342
(Profit)/Loss on sale of asset	2,022	0	129,828
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)	26,041
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>415,863</u>	<u>519,536</u>

(c) Undrawn Borrowing Facilities

	2018 \$	2017 \$
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>7,908</u>	<u>9,623</u>
Total amount of credit unused	<u>222,908</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.

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	2,362,965	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	0.73	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

19. TRUST FUNDS

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

	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>

20. 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

21. 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	814,054	814,053	63,146	63,376
	839,937	0	25,884	25,884	814,054	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.

Annual Report 2017 - 2018



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

22. 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	33,796,280	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
							3,165,048				3,149,311



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

23. NET CURRENT ASSETS

Composition of net current assets

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	61,000	177,536	177,536
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	1,245,305	1,004,028	1,004,028
Adjustments			
Less: Reserves - restricted cash	(1,212,006)	(852,376)	(852,376)
Add: Secured by floating charge	27,701	25,884	25,884
Adjusted net current assets - surplus/(deficit)	61,000	177,536	177,536

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.

Annual Report 2017 - 2018



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

24. SPECIFIED AREA RATE - 2017/18 FINANCIAL YEAR

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

25. SERVICE CHARGES - 2017/18 FINANCIAL YEAR

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

**26. 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.

27. 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%		
					Budgeted Revenue
					Revenue
					\$
					22,600
					13,900
					4,500
					41,000
					4,000
					13,000
					4,000
					21,000

Interest on unpaid rates
Interest on instalment plan
Charges on instalment plan

Annual Report 2017 - 2018



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

28. FEES & CHARGES	2018 \$	2017 \$
Governance	5,460	0
General purpose funding	8,500	8,485
Law, order, public safety	5,415	12,983
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.

29. 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	1,343,081	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>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

23	23
----	----

31. ELECTED MEMBERS REMUNERATION

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

	2018 \$	2018 Budget \$	2017 \$
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	-
	<u>814,865</u>	<u>685,307</u>

Short-term employee benefits

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

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

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**

35. 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**

35. 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**

35. 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:

	2018					2017				
	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					
	260,907	333,600	959,100	1,563,607	991,561					
Payables	215,822	0	0	215,822	215,822					
Borrowings	83,400	333,600	1,042,500	1,459,500	839,937					
	299,222	333,600	1,042,500	1,675,322	1,055,759					



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

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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:

- 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
- 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.

Let us help you find the answers you need. We're here to help you find the answers you need.

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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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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.

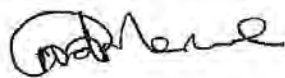
Reporting on Other Legal and Regulatory Requirements

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

