



Shire of Mukinbudin

Audit Committee Meeting

AGENDA

TUESDAY 18 DECEMBER 2018

Notice of Meeting

Councillors

Please note that the meeting of the Audit Committee of Council will be held in the Council Chambers, Mukinbudin on 18 December 2018 commencing at 11.00am.

Dirk Sellenger
CHIEF EXECUTIVE OFFICER

12 December 2018

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Mukinbudin for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Mukinbudin disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Mukinbudin during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Mukinbudin. The Shire of Mukinbudin warns that anyone who has any application lodged with the Shire of Mukinbudin must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Mukinbudin in respect of the application.

ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST

Council is committed to a code of conduct and all decisions are based on an honest assessment of the issue, ethical decision-making and personal integrity. Councillors and staff adhere to the statutory requirements to declare financial, proximity and impartiality interests and once declared follow the legislation as required.

7.1B. Delegation of some powers and duties to audit committees

- (1) Despite section 5.16, the only powers and duties that a local government may delegate* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

** Absolute majority required.*

- (2) A delegation to an audit committee is not subject to section 5.17.

[Section 7.1B inserted by No. 49 of 2004 s. 5.]

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

[Section 7.1C inserted by No. 49 of 2004 s. 5.]

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 - 8.2 Nil
- 9 Confidential Items – Meeting to be closed to the Public in accordance with the provisions of the Local Government Act 1995 Section 5.32 (2)**
 - 10.1 Nil
- 10 Closure of Meeting**

Agenda of the Audit Committee Meeting held in Council Chambers, Maddock Street, Mukinbudin on 18 December 2018.

1. Declaration of Opening

1.1 The Shire President to declare the Meeting open at AM

2. Public Question Time

2.1 Response to previous questions taken on notice.

Nil

2.2 Declaration of public question time opened

The Shire president will declare public question time open.

2.3 Declaration of public question time closed

The Shire President will declare public question time closed.

3. Record of attendance, apologies and approved leave of absence

3.1 Present:
Councillor

3.2 Apologies:

3.3 On leave of absence:

3.4 Staff:

3.5 Visitors:

3.6 Gallery:

3.7 Applications for leave of absence:

4. Petitions, deputations and presentations

4.1 Petitions

Nil

4.2 Deputations

Nil

4.3 Presentations

Nil

5. Announcements by the Presiding person without discussion

5.1 Nil

6. Confirmation of the Minutes of previous meetings

6.1 Confirmation of Minutes for the Audit Committee Meeting of Council held on the 20 March 2018. (Please refer to minutes submitted as a separate attachment item 6.1)

Recommendation

That the Minutes of the Audit Committee Meeting of Council held on 20 March 2018 be accepted as a true and correct record of proceedings.

Council Decision Number –

Voting Requirements – Simple Majority

Moved: Cr C Ventris

Seconded: Cr C Junk

That the Minutes of the Audit Committee Meeting of Council held on the 20 March 2018, be accepted as a true and correct record of proceedings.

Carried /

7. Matters for which the meeting may be closed

7.1 Nil

8. Reports of Committees and Officers

8.1 Meeting with the Auditor - Not Available

The Shire Auditor Mr Greg Godwin will be attending the meeting by telephone at approx. 9.35am to discuss with Council the Audit report and Management letter. Councillors are encouraged to discuss the Shire audit results with Mr Godwin and ask questions regarding the Shire and its Audit.

The *Local Government Act 1995* section 7.12A 'Duties of Local Government with respect to audits' subsection (2) states:

- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

8.2.3 2017/18 Annual Financial Reports and Independent Audit Report and Management Letter 30 June 2018	
Location:	Mukinbudin
File Ref:	ADM
Applicant:	Dirk Sellenger – Chief Executive Officer
Date:	12 December 2018
Disclosure of Interest:	Nil
Responsible Officer	Edward Nind – Finance Manager
Author:	Dirk Sellenger - Chief Executive Officer
Voting Requirements	Absolute Majority
Documents Attached	2017/18 Annual Report, Moore Stephens Management Report for the Year Ended 30 June 2018, Moore Stephens Independent Auditors Report.
Documents Tabled	N/A

Summary

To consider and accept the Shire of Mukinbudin Annual Report (Incorporating the Annual Financial Report) for the year ending 30 June 2018.

Background Information

The Local Government Act 1995 requires Council to prepare and accept an Annual Report for each financial year by 31 December after that financial year.

The Shire of Mukinbudin Auditor Mr Greg Godwin, from Moore Stephens has completed his final audit for the year ended 30 June 2018.

A copy of the Department of Local Government and Communities Operational Guideline Number 09 – ‘Audit in Local Government’ revised September 2013 is also attached for information.

(See extract from Operational Guidelines No 9 below on roles and responsibilities)

“Role and Responsibilities

8 The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

9 The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

10 A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister.

This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.

11 While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is

desirable for an internal auditor to have a direct line of communication to the Audit Committee.

The Audit Committee needs to form an opinion of the local government's internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

Please note that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council."

Meeting with the Auditor once per year

15 The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term "local government" in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.

16 It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or audit committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved and the matters discussed. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members are present.

17 The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between auditor and committee is to occur should be addressed in the agreement of appointment.

18 Advice from the auditor may address issues such as –

- (i) an assessment of accounting procedures;
- (ii) an assessment of internal controls;
- (iii) an assessment of risk;
- (iv) compliance with the Act and associated regulations;
- (v) compliance with Council policies;
- (vi) performance assessments on the efficiency and effectiveness of operations;
- (vii) processes of the internal audit;
- (viii) outcomes of the external audit prior to issue of management and audit reports; and
- (ix) changes to accounting standards and legislation and the impact on the local government.

Officer Comment

The Annual Report, prepared in accordance with the requirements of the Local Government Act, is enclosed with the agenda papers for Councillors' perusal, consideration and acceptance.

Council's Auditors, Moore Stephens, have completed an audit of Council's financial records and have forwarded an audit report to the Shire President as well as a management letter.

The audit report is included in the annual report with no matter, in the opinion of the auditors, to indicate poor management practices of the Shire and no other matters indicating non-compliance with Part 6 of the Local Government Act 1995, Local Government (Financial Management) Regulations 1996.

However in the Financial Report and/or Management Report the Shire of Mukinbudin is identified as having a significant adverse trend in the:

- Operating Result as evidenced by the Operating Surplus Ratio which has been below the DLGSCI standard for the past 3 years.
- Asset Renewal Funding Ratio which has been below the DLGSCI standard for the past 3 years.

The Operating Result changes from a Net Deficit of \$77,527 at 30 June 2017 to a Net Deficit of \$1,395,662 at 30 June 2018 largely due to the expense of giving away the Mukinbudin Fire Truck (\$270,000) and the Prepayment of 17/18 grants in 16/17 (\$872,554) effectively reducing the deficit in 16/17 and increasing the deficit in 17/18.

The although being below standard the Asset Renewal Funding Ratio has improved from 0.42 at 30 June 2017 to 0.48 30 June 2018.

Once the Annual Report has been accepted, Council is required to give local public notice of the availability of the Annual Report as soon as practicable.

Strategic & Social Implications N/A

Consultation N/A

Statutory Environment

Local Government Act 1995, sections 5.53 provides that the Annual Report is to contain the following:

- A report from the Shire President
- A report from the Chief Executive Officer
- An overview of the plan for the future of the district made in accordance with Section 5.56, including major initiatives that are proposed to commence or continue in the next financial year
- The financial report for the financial year
- Such information as may be prescribed in relation to the payments made to employees
- The auditor's report for the financial year
- A matter on which a report must be made under section 29(2) of the Disability Services Act 1993
- Details of entries made under section 5.121 during the financial year in the register of complaints, including –
 - The number of complaints recorded in the register of complaints; and
 - How the recorded complaints were dealt with; and
 - Any other details that the regulations may require;
 - And
- Such other information as may be prescribed.

The Local Government Act 1995 Section 7.2 provides:

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by each local government.

The Local Government Act 1995 Section 7.12A provides:

- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to –
- (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to –
- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
 - (b) forward a copy of that report to the Minister,
By the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

Policy Implications

N/A

Financial Implications

As identified in the Officer Comments.

OFFICER RECOMMENDATION

Council Decision Number -

Moved: Cr

Seconded: Cr

That Council

1. endorse the Audit Findings Report from Moore Stephens for the year ending 30 June 2018 noting that no further reporting to Council is required in relation to the findings in the report

2. receives the 2017/18 Annual Report complete with the 2017/18 Annual Financial Statements for the period ending 30 June 2018

3. submits the Annual Report for the year ending 30 June 2018 to the Executive Director of the Department of Local Government and Communities within 30 days of his receipt of the auditor's report, as required by Local Government (Financial Management) Regulation 51(2)

and

4. advertises and holds its Annual Electors Meeting in the Council Chambers on Wednesday 7th February 2019 at 5.00pm

Carried

/

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

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COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

Principal place of business:
15 Maddock Street
Mukinbudin WA 6479

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

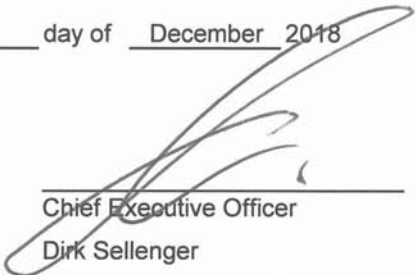
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LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Mukinbudin 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 Mukinbudin 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 10th day of December 2018



Chief Executive Officer
Dirk Sellenger

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
Revenue				
Rates	24	1,119,901	1,120,024	1,048,004
Operating grants, subsidies and contributions	2(a)	1,781,790	865,099	2,641,841
Fees and charges	2(a)	468,140	452,082	459,846
Interest earnings	2(a)	41,497	29,254	26,515
Other revenue	2(a)	125,865	84,115	112,246
		3,537,193	2,550,574	4,288,452
Expenses				
Employee costs		(1,190,863)	(1,155,084)	(1,080,201)
Materials and contracts		(1,045,484)	(960,073)	(820,187)
Utility charges		(216,312)	(197,323)	(202,817)
Depreciation on non-current assets	10(b)	(1,792,666)	(2,077,960)	(2,053,305)
Interest expenses	2(b)	(28,790)	(35,539)	(38,569)
Insurance expenses		(103,517)	(102,182)	(113,237)
Other expenditure		(484,658)	(172,528)	(54,054)
		(4,862,290)	(4,700,689)	(4,362,370)
		(1,325,097)	(2,150,115)	(73,918)
Non-operating grants, subsidies and contributions	2(a)	852,992	852,644	929,215
Equity Share of Investments	4	52,551	0	0
Profit on asset disposals	10(a)	8,015	15,664	2,371
(Loss) on asset disposals	10(a)	(131,131)	0	(5,980)
Net result		(542,670)	(1,281,807)	851,688
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(1,129,077)	0	631,933
Total other comprehensive income		(1,129,077)	0	631,933
Total comprehensive income		(1,671,747)	(1,281,807)	1,483,621

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

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

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	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
Revenue				
	2(a)			
Governance		1,248	3,200	4,076
General purpose funding		2,815,406	1,916,345	3,569,456
Law, order, public safety		18,771	30,850	28,803
Health		5,924	6,500	6,426
Education and welfare		19,597	11,410	6,664
Housing		161,017	143,030	142,619
Community amenities		98,541	74,910	81,128
Recreation and culture		64,335	51,712	57,353
Transport		90,605	92,267	145,225
Economic services		147,839	158,570	184,426
Other property and services		113,910	61,780	62,276
		<u>3,537,193</u>	<u>2,550,574</u>	<u>4,288,452</u>
Expenses				
	2(b)			
Governance		(359,028)	(364,004)	(329,530)
General purpose funding		(84,960)	(79,006)	(60,045)
Law, order, public safety		(389,616)	(137,480)	(124,099)
Health		(127,057)	(112,610)	(137,447)
Education and welfare		(171,635)	(194,077)	(97,917)
Housing		(295,982)	(338,937)	(231,727)
Community amenities		(226,126)	(222,280)	(141,625)
Recreation and culture		(839,189)	(967,387)	(934,010)
Transport		(1,980,898)	(1,931,342)	(1,803,858)
Economic services		(280,759)	(320,373)	(455,394)
Other property and services		(81,410)	2,346	(8,149)
		<u>(4,836,660)</u>	<u>(4,665,150)</u>	<u>(4,323,801)</u>
Finance Costs				
	2(b)			
Education and welfare		(1,327)	(1,651)	(1,786)
Recreation and culture		0	(4,028)	(4,358)
Economic services		(6,088)	(6,898)	(7,454)
Other property and services		(18,215)	(22,962)	(24,971)
		<u>(25,630)</u>	<u>(35,539)</u>	<u>(38,569)</u>
		<u>(1,325,097)</u>	<u>(2,150,115)</u>	<u>(73,918)</u>
Non-operating grants, subsidies and contributions	2(a)	852,992	852,644	929,215
Equity Share of Investments	4	52,551	0	0
Profit on disposal of assets	10(a)	8,015	15,664	2,371
(Loss) on disposal of assets	10(a)	(131,131)	0	(5,980)
		<u>782,427</u>	<u>868,308</u>	<u>925,606</u>
		(542,670)	(1,281,807)	851,688
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(1,129,077)	0	631,933
Total other comprehensive income		(1,129,077)	0	631,933
Total comprehensive income		(1,671,747)	(1,281,807)	1,483,621

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

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

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	1,977,244	2,033,510
Trade and other receivables	6	109,107	103,250
Inventories	7	657	0
TOTAL CURRENT ASSETS		2,087,008	2,136,760
NON-CURRENT ASSETS			
Other receivables	6	0	889
Inventories	7	625,325	624,614
Investments	4	52,551	0
Property, plant and equipment	8(a)	12,031,641	12,614,357
Infrastructure	9(a)	54,511,564	55,774,932
TOTAL NON-CURRENT ASSETS		67,221,081	69,014,792
TOTAL ASSETS		69,308,089	71,151,552
CURRENT LIABILITIES			
Trade and other payables	12	212,100	241,671
Current portion of long term borrowings	13	161,891	154,776
Provisions	14	98,075	92,721
TOTAL CURRENT LIABILITIES		472,066	489,168
NON-CURRENT LIABILITIES			
Long term borrowings	13	457,289	619,179
Provisions	14	12,266	4,990
TOTAL NON-CURRENT LIABILITIES		469,555	624,169
TOTAL LIABILITIES		941,621	1,113,337
NET ASSETS		68,366,468	70,038,215
EQUITY			
Retained surplus		43,455,693	44,503,658
Reserves - cash backed	5	1,090,403	585,108
Revaluation surplus	11	23,820,372	24,949,449
TOTAL EQUITY		68,366,468	70,038,215

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

**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		43,852,654	384,424	24,317,516	68,554,594
Comprehensive income					
Net result		851,688	0	0	851,688
Changes on revaluation of assets	11	0	0	631,933	631,933
Total comprehensive income		851,688	0	631,933	1,483,621
Transfers from/(to) reserves		(200,684)	200,684	0	0
Balance as at 30 June 2017		44,503,658	585,108	24,949,449	70,038,215
Comprehensive income					
Net result		(542,670)	0	0	(542,670)
Changes on revaluation of assets	11	0	0	(1,129,077)	(1,129,077)
Total comprehensive income		(542,670)	0	(1,129,077)	(1,671,747)
Transfers from/(to) reserves		(505,295)	505,295	0	0
Balance as at 30 June 2018		43,455,693	1,090,403	23,820,372	68,366,468

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,110,470	1,095,824	1,034,124
Operating grants, subsidies and contributions		1,781,790	862,099	2,606,118
Fees and charges		488,509	452,082	459,846
Interest earnings		41,497	29,254	26,515
Goods and services tax		(2,985)	195,000	183,534
Other revenue		125,865	84,115	112,246
		3,545,146	2,718,374	4,422,383
Payments				
Employee costs		(1,184,924)	(1,155,084)	(1,169,245)
Materials and contracts		(1,147,220)	(1,005,073)	(671,449)
Utility charges		(151,622)	(197,323)	(202,817)
Interest expenses		(28,201)	(34,039)	(40,412)
Insurance expenses		(103,517)	(102,182)	(113,237)
Goods and services tax		0	(200,000)	(192,670)
Other expenditure		(484,658)	(172,528)	(54,054)
		(3,100,142)	(2,866,229)	(2,443,884)
Net cash provided by (used in) operating activities	15	445,004	(147,855)	1,978,499
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(174,908)	(316,563)	(146,190)
Payments for construction of infrastructure		(1,338,867)	(1,416,611)	(1,259,500)
Payments for Capital Works in Progress		(711)	0	0
Non-operating grants, subsidies and contributions		852,992	852,644	929,215
Proceeds from sale of fixed assets		315,000	36,364	19,546
Net cash provided by (used in) investment activities		(346,494)	(844,166)	(456,929)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(154,776)	(154,776)	(148,000)
Net cash provided by (used in) financing activities		(154,776)	(154,776)	(148,000)
Net increase (decrease) in cash held		(56,266)	(1,146,797)	1,373,570
Cash at beginning of year		2,033,510	2,032,604	659,940
Cash and cash equivalents at the end of the year	15	1,977,244	885,807	2,033,510

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
		1,350,854	1,226,588	113,218
		1,350,854	1,226,588	113,218
Revenue from operating activities (excluding rates)				
Governance		1,248	3,200	4,076
General purpose funding		1,710,484	813,425	2,543,015
Law, order, public safety		18,771	30,850	28,803
Health		5,924	6,500	6,426
Education and welfare		19,597	11,410	6,664
Housing		161,017	143,030	142,619
Community amenities		98,541	74,910	81,128
Recreation and culture		64,335	51,712	57,353
Transport		98,620	107,931	147,596
Economic services		147,839	158,570	184,426
Other property and services		113,910	61,780	62,276
		2,440,286	1,463,318	3,264,382
Expenditure from operating activities				
Governance		(359,028)	(364,004)	(329,530)
General purpose funding		(84,960)	(79,006)	(60,045)
Law, order, public safety		(493,968)	(137,480)	(124,099)
Health		(147,057)	(112,610)	(137,781)
Education and welfare		(172,962)	(195,728)	(99,703)
Housing		(295,982)	(338,937)	(231,727)
Community amenities		(226,126)	(222,280)	(141,625)
Recreation and culture		(839,189)	(971,415)	(939,118)
Transport		(1,987,676)	(1,931,342)	(1,808,754)
Economic services		(286,847)	(327,271)	(462,848)
Other property and services		(99,625)	(20,616)	(33,120)
		(4,993,420)	(4,700,689)	(4,368,350)
Operating activities excluded				
(Profit) on disposal of assets	10(a)	(8,015)	(15,664)	(2,371)
Loss on disposal of assets	10(a)	131,131	0	5,980
Movement in current Employee benefits cash backed		(35,573)	0	81,197
Movement in deferred pensioner rates (non-current)		889	0	(889)
Movement in employee benefit provisions (non-current)		7,276	0	(16,446)
Depreciation and amortisation on assets	10(b)	1,792,666	2,077,960	2,053,305
Amount attributable to operating activities		686,094	51,513	1,130,026
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		852,992	852,644	929,215
Proceeds from disposal of assets	10(a)	315,000	36,364	19,546
Capital Works in Progress	7	(657)	0	0
Purchase of property, plant and equipment	8(b)	(174,908)	(316,563)	(146,190)
Purchase and construction of infrastructure	9(b)	(1,338,867)	(1,416,611)	(1,259,500)
Amount attributable to investing activities		(346,440)	(844,166)	(456,929)
FINANCING ACTIVITIES				
Repayment of long term borrowings	13	(154,776)	(154,776)	(148,000)
Transfers to reserves (restricted assets)	5	(516,585)	(165,840)	(251,149)
Transfers from reserves (restricted assets)	5	11,290	10,349	50,465
Amount attributable to financing activities		(660,071)	(310,267)	(348,684)
Surplus(deficiency) before general rates		(320,417)	(1,102,920)	324,413
Total amount raised from general rates	24	1,104,922	1,102,920	1,026,441
Net current assets at June 30 c/fwd - surplus/(deficit)	25	784,505	0	1,350,854

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

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Other revenue

Reimbursements and recoveries	62,088	79,576
Other	63,777	32,670

Fees and Charges

Governance	0	2,868
General purpose funding	14,353	5,068
Law, order, public safety	2,328	2,809
Education and welfare	3,457	0
Housing	151,765	129,477
Community amenities	78,541	80,146
Recreation and culture	47,756	48,333
Transport	637	682
Economic services	139,175	181,047
Other property and services	30,128	9,416
	468,140	459,846

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

Grant Revenue

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

Operating grants, subsidies and contributions

Governance	112	546
General purpose funding	1,639,345	2,488,829
Law, order, public safety	11,969	21,907
Health	5,306	6,426
Education and welfare	9,279	2,000
Community amenities	20,000	0
Recreation and culture	7,135	0
Transport	70,567	120,015
Economic services	667	1,102
Other property and services	17,410	1,016
	1,781,790	2,641,841

Non-operating grants, subsidies and contributions

Health	13,636	0
Recreation and culture	59,872	46,905
Transport	779,484	882,310
	852,992	929,215

Total grants, subsidies and contributions

2,634,782 3,571,056

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

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

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations.

Interest earnings

- Reserve funds	15,659	9,600	8,619
- Other funds	18,443	15,200	13,245
Other interest revenue (refer note 23(e))	7,395	4,454	4,651
	41,497	29,254	26,515

2018 Actual	2018 Budget	2017 Actual
\$	\$	\$
15,659	9,600	8,619
18,443	15,200	13,245
7,395	4,454	4,651
41,497	29,254	26,515

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audits
- Other Services

Interest expenses (finance costs)

Long term borrowings (refer Note 13(a))

Rental charges

- Operating leases

	2018	2017
	\$	\$
	24,340	20,310
	6,845	2,400
	31,185	22,710
	28,790	38,569
	28,790	38,569
	14,329	17,010
	14,329	17,010

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2018	2017
		\$	\$
Unrestricted Reserve Fund Bank		886,841	1,257,840
		1,090,403	775,670
		1,977,244	2,033,510
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	5	136,441	133,594
Plant Reserve	5	454,855	314,250
Building & Residential Land Reserve	5	170,197	53,240
Senior Housing Reserve	5	20,079	19,660
Residential Land Reserve	5	0	10,350
Swimming Pool Reserve	5	74,619	53,088
Unspent Grants Reserve	5	203,613	926
Roadworks Reserve	5	30,599	0
Unspent grants - see above - deposited in reserve	5	0	190,562
		1,090,403	775,670

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

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

4. INVESTMENTS

Equity Contributions in Other Unlisted Entities

Local Government House Trust

At the beginning of the year	0	0
Initial Recognition of Fair Value 2018	52,551	0
At the end of the year	52,551	0

2018	2017
\$	\$
0	0
52,551	0
52,551	0

The Shire of Mukinbudin, along with other Local Government Authorities, is a beneficiary of the Local Government House Unit Trust. The Shire of Mukinbudin for the first time has capitalised the price paid for its 3 units in the Trust. As set out in the Trust Deed, units in the Trust can only be issued to Local Authorities recognised under the local Government Act and cannot be commercially traded.

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

(iii) Available-for-sale financial assets

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

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

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

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.

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.

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

5. RESERVES - CASH BACKED

	2018 Actual		2018 Actual		2018 Budget		2018 Budget		2017 Actual		2017 Actual	
	Opening Balance	Transfer to	Transfer (from)	Actual	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	133,594	2,847	0	136,441	133,595	2,192	0	135,787	52,397	81,197	0	133,594
Plant Reserve	314,250	140,605	0	454,855	314,250	53,106	0	367,356	195,256	118,994	0	314,250
Building & Residential Land Reserve	53,240	116,957	0	170,197	53,240	59,333	0	112,573	24,676	28,564	0	53,240
Senior Housing Reserve	19,660	419	0	20,079	19,660	323	0	19,983	37,439	686	(18,465)	19,660
Residential Land Reserve	10,350	0	(10,350)	0	10,349	0	(10,349)	0	10,118	232	0	10,350
Swimming Pool Reserve	53,088	21,531	0	74,619	53,088	20,871	0	73,959	32,348	20,740	0	53,088
Unspent Grants Reserve	926	203,627	(940)	203,613	926	15	0	941	32,190	736	(32,000)	926
Roadworks Reserve	0	30,599	0	30,599	0	30,000	0	30,000	0	0	0	0
	585,108	516,585	(11,290)	1,090,403	585,108	165,840	(10,349)	740,599	384,424	251,149	(50,465)	585,108

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	- to be used to fund annual and long service leave requirements.
Plant Reserve	Ongoing	- to be used for the renewal, upgrade or purchase of new or used mobile plant and vehicles.
Building & Residential Land Reserve	Ongoing	- to be used for the renewal, upgrade, replacement and new construction of new buildings and associated infrastructure, to assist finance of building loans, future expansion and land development, and proceeds from the sale of subdivision blocks.
Senior Housing Reserve	Ongoing	- to be used for the renewal, upgrade, replacement and new construction of additional Aged Units and their maintenance. The surplus/deficit after rent and maintenance has been carried out for the financial year is to be transferred into/from (if required) the reserve.
Residential Land Reserve	Closed	- to be used for the proceeds from the sale of subdivision blocks and associated expenditure.
Swimming Pool Reserve	Ongoing	- to be used for the renewal, upgrade, replacement and new construction for the Swimming Pool and associated infrastructure. All Volunteer Pool Levy income is to be transferred to this reserve.
Unspent Grants Reserve	Ongoing	- to be used for any grant funding that may not be expended in the current financial year.
Roadworks Reserve	Ongoing	- to be used for the renewal, upgrade, replacement and new construction of streets, roads, bridges, footpaths and storm water drainage.

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

7. INVENTORIES

Current

Stock On Hand - Fuel In Trailer MBL001

Non-current

Land held for resale - cost

Cost of acquisition

Development costs

Land held for resale - Net Realisable Value

Capital Works in Progress

	2018	2017
	\$	\$
	657	0
	657	0
	16,833	16,833
	63,781	63,781
	544,000	544,000
	711	0
	625,325	624,614

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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.

Land held for sale (Continued)

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.

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

8.(a) PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	741,666	781,666
- Independent valuation 2017 - level 3	181,000	181,000
	<u>922,666</u>	<u>962,666</u>
Land - vested in and under the control of Council at:		
- Management valuation 2017 - level 3	196,077	196,077
	<u>196,077</u>	<u>196,077</u>
Total land	1,118,743	1,158,743
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	1,958,404	1,958,404
- At Cost	11,661	0
Less: accumulated depreciation	(24,140)	0
	<u>1,945,925</u>	<u>1,958,404</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	7,677,985	7,677,985
- Management valuation 2017 - level 3	1,406	1,406
- At Cost	132,416	0
Less: accumulated depreciation	(78,615)	0
	<u>7,733,192</u>	<u>7,679,391</u>
Total buildings	9,679,117	9,637,795
Total land and buildings	10,797,860	10,796,538
Furniture and equipment at:		
- Management valuation 2016 - level 3	55,820	55,819
- Additions after valuation - cost	25,920	19,867
Less: accumulated depreciation	(14,546)	(7,048)
	<u>67,194</u>	<u>68,638</u>
Plant and equipment at:		
- Management valuation 2016 - level 2	976,853	993,217
- Management valuation 2016 - level 3	474,786	893,112
- Additions after valuation - cost	99,896	102,005
Less: accumulated depreciation	(384,948)	(239,153)
	<u>1,166,587</u>	<u>1,749,181</u>
Total property, plant and equipment	12,031,641	12,614,357

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	1,284,862	1,480,939	2,596,915	6,301,270	8,898,185	10,379,124	55,819	1,913,215	12,348,158
Additions	0	0	24,318	0	24,318	24,318	19,867	102,005	146,190
(Disposals)	0	0	0	0	0	0	0	(23,155)	(23,155)
Revaluation increments/ (decrements) transferred to revaluation surplus	(322,196)	0	(590,521)	1,544,650	954,129	631,933	0	0	631,933
Depreciation (expense)	0	0	(72,308)	(166,529)	(238,837)	(238,837)	(7,048)	(242,884)	(488,769)
Carrying amount at 30 June 2017	962,666	1,158,743	1,958,404	7,679,391	9,637,795	10,796,538	68,638	1,749,181	12,614,357
Additions	0	0	11,661	132,416	144,077	144,077	6,054	24,777	174,908
(Disposals)	(40,000)	0	0	0	0	(40,000)	0	(398,116)	(438,116)
Depreciation (expense)	0	0	(24,140)	(78,615)	(102,755)	(102,755)	(7,498)	(209,255)	(319,508)
Carrying amount at 30 June 2018	922,666	1,118,743	1,945,925	7,733,192	9,679,117	10,797,860	67,194	1,166,587	12,031,641

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

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

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

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

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

9.(a) INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Independent valuation 2017 - level 3	70,413,568	87,365,798
- Additions after valuation - cost	0	2,806,517
Less: accumulated depreciation	(21,301,398)	(38,516,293)
	<u>49,112,170</u>	<u>51,656,022</u>
Infrastructure - Footpaths		
- Independent valuation 2017 - level 3	1,598,837	1,131,624
Less: accumulated depreciation	(660,874)	(673,029)
	<u>937,963</u>	<u>458,595</u>
Infrastructure - Parks & Ovals		
- Independent valuation 2017 - level 3	1,334,827	1,358,000
- Additions after valuation - cost	0	5,900
Less: accumulated depreciation	(487,342)	(744,739)
	<u>847,485</u>	<u>619,161</u>
Infrastructure - Other		
- Independent valuation 2017 - level 3	5,187,000	5,187,000
- Additions after valuation - cost	(422,198)	133,648
Less: accumulated depreciation	(1,150,856)	(2,279,494)
	<u>3,613,946</u>	<u>3,041,154</u>
Total infrastructure	<u><u>54,511,564</u></u>	<u><u>55,774,932</u></u>

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

9. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Parks & Ovals	Infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2016	51,729,578	467,372	683,189	3,199,829	56,079,968
Additions	1,170,300	0	5,900	83,300	1,259,500
Depreciation (Expense)	(1,243,856)	(8,777)	(69,928)	(241,975)	(1,564,536)
Carrying amount at 30 June 2017	51,656,022	458,595	619,161	3,041,154	55,774,932
Additions	1,191,807	87,598	32,832	26,630	1,338,867
Revaluation increments/ (decrements) transferred to revaluation surplus	(2,461,477)	400,547	265,998	665,855	(1,129,077)
Depreciation (Expense)	(1,274,182)	(8,777)	(70,506)	(119,693)	(1,473,158)
Carrying amount at 30 June 2018	49,112,170	937,963	847,485	3,613,946	54,511,564

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

9. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

Land under control

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

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

Land under roads

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

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

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

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

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

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

10. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Law, order, public safety								
2012 Mukinbudin Fire Truck	374,352	270,000	0	(104,352)	0	0	0	0
Health								
Land Lots 66 & 67	40,000	20,000	0	(20,000)	0	0	0	0
Transport								
Komatsu Backhoe	0	0	0	0	4,500	15,000	10,500	0
Ford Ranger	16,227	21,364	5,137	0	16,200	21,364	5,164	0
Steel Water Tank	376	3,254	2,878	0	0	0	0	0
Bitument Spray Unit	4,782	200	0	(4,582)	0	0	0	0
Ride on Street Sweeper	2,379	182	0	(2,197)	0	0	0	0
	438,116	315,000	8,015	(131,131)	20,700	36,364	15,664	0

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	24,140	72,308
Buildings - specialised	78,615	166,529
Furniture and equipment	7,498	7,048
Plant and equipment	209,255	242,884
Infrastructure - Roads	1,274,182	1,243,856
Infrastructure - Footpaths	8,777	8,777
Infrastructure - Parks & Ovals	70,506	69,928
Infrastructure - Other	119,693	241,975
	1,792,666	2,053,305

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

10. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

- 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.

Depreciation rates

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	100 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	60 - 80 years
Formed roads (unsealed)	
formation	not depreciated
pavement	60 - 80 years
Kerbing	60 years
Footpaths - slab	40 - 70 years
Sewerage piping	100 years
Water supply piping and drainage systems	80 years

Depreciation (Continued)

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

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

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

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

11. REVALUATION SURPLUS

	2018			2018			2017			2017		
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Revaluation Movement on	2018 Total	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Revaluation Movement on	2017 Total	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	701,977	0	0	0	0	701,977	1,024,173	0	(322,196)	(322,196)	701,977	
Buildings - specialised	5,243,351	0	0	0	0	5,243,351	4,289,222	954,129	0	954,129	5,243,351	
Plant and equipment	403,380	0	0	0	0	403,380	403,380	0	0	0	403,380	
Infrastructure - Roads	16,257,472	0	(2,461,477)	(2,461,477)	(2,461,477)	13,795,995	16,257,472	0	0	0	16,257,472	
Infrastructure - Footpaths	24,204	400,547	0	400,547	400,547	424,751	24,204	0	0	0	24,204	
Infrastructure - Parks & Ovals	507,739	265,998	0	265,998	265,998	773,737	507,739	0	0	0	507,739	
Infrastructure - Other	1,811,326	665,855	0	665,855	665,855	2,477,181	1,811,326	0	0	0	1,811,326	
	24,949,449	1,332,400	(2,461,477)	(1,129,077)	(1,129,077)	23,820,372	24,317,516	954,129	(322,196)	631,933	24,949,449	

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

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

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
Accrued expenditure
ATO liabilities
FBT liability
Income received in advance

	2018	2017
	\$	\$
	53,212	163,094
	10,128	9,539
	10,143	10,581
	82,436	17,746
	20,724	25,737
	4,684	4,570
	30,773	10,404
	212,100	241,671

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

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

13. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Interest Rate	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
				Actual	Budget	Actual	Budget	Actual	Budget
	%	\$	\$	\$	\$	\$	\$	\$	\$
Education and welfare									
Loan 109 - CRC	6.55%	26,647	0	6,097	6,097	20,550	20,550	1,327	1,651
Recreation and culture									
Loan 108 - Bowling Club	6.55%	65,020	0	14,877	14,877	50,143	50,143	3,239	4,028
Economic services									
Loan 116 - Land Purchase	6.85%	21,346	0	10,350	10,350	10,996	10,996	1,134	1,315
Loan 119 - Mukinbudin Cafe	5.89%	97,182	0	7,634	7,634	89,548	89,548	4,874	5,583
Other property and services									
Loan 114 - Trailer 1TJP 062	6.85%	45,078	0	21,857	21,857	23,221	23,221	2,395	2,778
Loan 115 - Truck DAF MBL 250	5.58%	33,642	0	16,416	16,416	17,227	17,226	1,103	1,657
Loan 118 - Vibe Roller MBL 1677	5.79%	70,557	0	14,330	14,330	56,227	56,227	3,205	3,865
Loan 120 - Skid Steer MBL 1724	5.27%	49,972	0	6,209	6,209	43,763	43,763	2,101	2,525
Loan 121 - Grader MBL 95	3.48%	217,998	0	33,872	33,872	184,126	184,126	5,526	7,170
Loan 122 - Roller MBL 811	3.48%	118,616	0	18,430	18,430	100,186	100,186	3,007	3,900
Loan 123 - Tractor MBL 244	4.02%	27,897	0	4,704	4,704	23,193	23,193	878	1,067
		773,955	0	154,776	154,776	619,180	619,179	28,790	35,539

All Borrowings are from the Western Australian Treasury Corporation (WATC) and the interest rates include the WATC Loan Guarantee Fee of 0.7%.

Borrowings

	2018	2017
	\$	\$
Current	161,891	154,776
Non-current	457,289	619,179
	619,180	773,955

(b) New Borrowings - 2017/18

There were no new borrowings in 2017/18.

(c) Unspent Borrowings

There are no unspent borrowings as at 30 June 2018.

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
	\$	\$
Bank overdraft limit	250,000	250,000
Credit card limit	5,000	5,000
Credit card balance at balance date	(1,143)	(907)
Total amount of credit unused	253,857	254,093

Loan facilities

Loan facilities - current	161,891	154,776
Loan facilities - non-current	457,289	619,179
Total facilities in use at balance date	619,180	773,955

Unused loan facilities at balance date

NIL NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

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

14. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision
Amounts used

Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Current provisions	44,200	48,521	92,721
Non-current provisions	0	4,990	4,990
	<u>44,200</u>	<u>53,511</u>	<u>97,711</u>
Additional provision	90,025	(1,738)	88,287
Amounts used	(73,549)	(2,108)	(75,657)
	<u>60,676</u>	<u>49,665</u>	<u>110,341</u>
Comprises			
Current	60,676	37,399	98,075
Non-current	0	12,266	12,266
	<u>60,676</u>	<u>49,665</u>	<u>110,341</u>

Annual leave and current long service leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	Annual Leave	Long Service Leave	Total
	\$	\$	\$
Within 12 months of the end of the reporting period	50,311	13,513	63,824
More than 12 months after the end of the reporting period	10,365	36,152	46,517
	<u>60,676</u>	<u>49,665</u>	<u>110,341</u>

Current Provisions

Within 12 months of the end of the reporting period
More than 12 months after the end of the reporting period

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	1,977,244	885,807	2,033,510
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(542,670)	(1,281,807)	851,688
Non-cash flows in Net result:			
Depreciation	1,792,666	2,077,960	2,053,305
(Profit)/loss on sale of asset	123,116	(15,664)	3,609
Equity Share of Investments	(52,551)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(4,968)	(32,200)	(58,739)
(Increase)/decrease in inventories	(657)	0	0
Increase/(decrease) in payables	(29,571)	(43,500)	154,202
Increase/(decrease) in provisions	12,631	0	(96,351)
Non Operating Grants and Contributions for the development of assets	(852,992)	(852,644)	(929,215)
Net cash from operating activities	445,004	(147,855)	1,978,499

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

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	0	30,102
General purpose funding	978,925	0
Law, order, public safety	417,539	823,263
Education and welfare	941,038	900,000
Housing	2,357,545	2,101,635
Community amenities	100,796	96,759
Recreation and culture	8,705,494	8,020,882
Transport	50,572,361	54,190,161
Economic services	2,316,688	1,412,075
Other property and services	2,508,076	2,111,204
Unallocated	409,627	1,465,471
	69,308,089	71,151,552

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

17. CONTINGENT LIABILITIES

Council has no contingent liabilities as at 30 June 2018.

18. CAPITAL AND LEASING COMMITMENTS

	2018	2017
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	350,926	0
- plant & equipment purchases	0	24,777
Payable:		
- not later than one year	350,926	24,777

The capital expenditure project outstanding at the end of the current reporting period represents the purchase of a new house to be rented to the state government.

(b) Operating Lease Commitments

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

Payable:		
- not later than one year	15,272	10,997
- later than one year but not later than five years	23,324	5,276
	<u>38,596</u>	<u>16,273</u>

Computer and photocopier equipment leases.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

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

19. JOINT ARRANGEMENTS

Medical Services

The Shire of Mukinbudin is in a joint arrangement with the Shires of Mount Marshall, Nungarin, and Trayning to provide medical services. The Shire of Mukinbudin has a 30% interest in this service which provides a doctor in Mukinbudin 1 day per week.

In May 2017 the joint arrangement purchased a motor vehicle valued at \$54,287 from surplus funds. The vehicle is registered to the Shire of Trayning.

	2,018	2017
	\$	\$
Medical Services Financial Activity		
<u>Operating Expenses</u>		
Joint arrangement expenses incurred by the Shire of Mukinbudin	59,853	59,853
	<u>59,853</u>	<u>59,853</u>

No income was received.

Lot 27 (20) Maddock Street Aged Units 1 and 2

The Shire of Mukinbudin has participated in a joint arrangement with Department of Housing & Works for the construction of two 1 bedroom units on Lot 27 (20) Maddock Street, Mukinbudin. The two units have subsequently been converted to one 2 bedroom unit. The provision of this housing aims to provide accommodation for Seniors. The Shire of Mukinbudin has a 36.35% interest in the assets and liabilities of this joint arrangement. Council manages the operation of the joint arrangement under the auspices of Department of Housing & Works. All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council.

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

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

	2018	2017
	\$	\$
Financial Activity		
- Opening Balance	3,843	8,343
- Interest Earned	71	116
- Funds Utilised	0	(4,616)
- Closing Balance	<u>3,914</u>	<u>3,843</u>

Note: No funds were transferred to the Contingency Reserve in 2016/17 or 2017/18 as no net Aged Housing profit from operations eventuated.

The Shire's portion of this Joint arrangement is included in Property, Plant & Equipment as detailed below:

Non-current assets

Specialised buildings at:

- Independent valuation 2017 - level 3	39,985	39,985
Less: accumulated depreciation	(400)	0
	<u>39,585</u>	<u>39,985</u>

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

19. JOINT ARRANGEMENTS (continued)

Lot 28 (18) and Part Lot 29 (16) Maddock Street Aged Units 3,4,5 and 6

The Shire of Mukinbudin has participated in a joint arrangement with Department of Housing & Works for the construction of two 1 bedroom and two 2 bedroom units on Lot 28 (18) and Part Lot 29 (16) Maddock Street, Mukinbudin. The provision of this housing aims to provide accommodation for Seniors. The Shire of Mukinbudin has a 16.85% interest in the assets and liabilities of this joint arrangement. Council manages the operation of the joint arrangement under the auspices of Department of Housing & Works . All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council.

Council is required to set aside an amount of \$500 per Unit per annum from the net annual profit for the long term maintenance needs of the Joint arrangement Property.

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

	2018	2017
	\$	\$
Financial Activity		
- Opening Balance	3,869	12,805
- Interest Earned	181	296
- Funds Utilised	0	(9,232)
- Closing Balance	<u>4,050</u>	<u>3,869</u>

Note: No funds were transferred to the Contingency Reserve in 2016/17 or 2017/18 as no net Aged Housing profit from operations eventuated.

The Shire's portion of this Joint arrangement is included in Property, Plant & Equipment as detailed below:

Non - Current Assets		
Freehold land at:		
- Independent valuation 2017 - level 2	5,055	5,055
Non-Specialised buildings at:		
- Independent valuation 2017 - level 2	33,700	33,700
Specialised buildings at:		
- Independent valuation 2017 - level 3	29,488	29,488
Less: Accumulated Depreciation	<u>(840)</u>	<u>0</u>
	<u>67,403</u>	<u>68,243</u>

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

19. JOINT ARRANGEMENTS (continued)

Part Lot 29 (16) Maddock Street Aged Units 7 and 8

The Shire of Mukinbudin has participated in a joint arrangement with Department of Housing & Works for the construction of two 1 bedroom units on Part Lot 29 (16) Maddock Street, Mukinbudin. The provision of this housing aims to provide accommodation for Seniors. The Shire of Mukinbudin has a 18.07% interest in the assets and liabilities of this joint arrangement. Council manages the operation of the joint arrangement under the auspices of Department of Housing & Works . All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council.

Council is required to set aside an amount of \$500 per Unit per annum from the net profit for the long term maintenance needs of the Joint arrangement Property.

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

	2018	2017
	\$	\$
Financial Activity		
- Opening Balance	4,374	8,865
- Interest Earned	76	125
- Funds Utilised	0	(4,616)
- Closing Balance	<u>4,450</u>	<u>4,374</u>

Note: No funds were transferred to the Contingency Reserve in 2016/17 or 2017/18 as no net Aged Housing profit from operations eventuated.

The Shire's portion of this Joint arrangement is included in Property, Plant & Equipment as detailed below:

Non - Current Assets		
Freehold land at:		
- Independent valuation 2017 - level 2	1,807	1,807
Non-Specialised buildings at:		
- Independent valuation 2017 - level 2	28,009	28,009
Less: Accumulated Depreciation	<u>(367)</u>	<u>0</u>
	<u>29,449</u>	<u>29,816</u>

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

19. JOINT ARRANGEMENTS (continued)

Lot 25 (24) Maddock Street Aged Units 9 and 10

The Shire of Mukinbudin has participated in a joint arrangement with Department of Housing & Works for the construction of a two 2 bedroom units on Lot 25 (24) Maddock Street, Mukinbudin. The provision of this housing aims to provide accommodation for Seniors. The Shire of Mukinbudin has a 37.94% interest in the assets and liabilities of this joint arrangement. Council manages the operation of the joint arrangement under the auspices of Department of Housing & Works. All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council.

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

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

	2018	2017
	\$	\$
Financial Activity		
- Opening Balance	7,574	7,425
- Interest Earned	91	149
- Closing Balance	<u>7,665</u>	<u>7,574</u>

Note: No funds were transferred to the Contingency Reserve in 2016/17 or 2017/18 as no net Aged Housing profit from operations eventuated.

The Shire's portion of this Joint arrangement is included in Property, Plant & Equipment as detailed below:

Non - Current Assets

Freehold land at:		
- Independent valuation 2017 - level 2	7,588	7,588
Non-Specialised buildings at:		
- Independent valuation 2017 - level 3	79,674	79,674
Less: Accumulated Depreciation	(792)	0
	<u>86,470</u>	<u>87,262</u>

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

19. JOINT ARRANGEMENTS (continued)

Lot 64 (12) White St and Lot 69 (6) Lansdell St

The Shire of Mukinbudin has participated in a joint arrangement with Department of Housing & Works for the construction of two 3 bedroom 1 bathroom houses on Lot 64 (12) White Street and Lot 69 (6) Lansdell Street, Mukinbudin. The provision of this housing aims to provide accommodation for families. The Shire of Mukinbudin has a 22.52% interest in the assets and liabilities of this joint arrangement. Council manages the operation of the joint arrangement under the auspices of Department of Housing & Works . All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council.

Council is required to set aside an amount of \$500 per House per annum from the annual net profit for the long term maintenance needs of the Joint arrangement Property.

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

	2018	2017
	\$	\$
Financial Activity		

No financial activity has been reported in 2016/17 or 2017/18 as no funds are held in, or

The Shire's portion of this Joint arrangement is included in Property, Plant & Equipment as detailed below:

Non - Current Assets

Freehold land at:

- Independent valuation 2017 - level 2

9,458

9,458

Non-Specialised buildings at:

- Independent valuation 2017 - level 2

74,316

74,316

Less: Accumulated Depreciation

(977)

0

82,797

83,774

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

19. JOINT ARRANGEMENTS (continued)

Lot 8 (42) Cruickshank Road

The Shire of Mukinbudin has participated in a joint arrangement with Department of Housing & Works for the construction of two 1 bedroom and two 2 bedroom units on Lot 8 (42) Cruickshank Road, Mukinbudin. The provision of this housing aims to provide accommodation for Families & Singles. The Shire of Mukinbudin has a 19.03% interest in the assets and liabilities of this joint arrangement. Council manages the operation of the joint arrangement under the auspices of Department of Housing & Works . All revenue and expenses of the joint arrangement are recognised in the relevant financial statements of Council.

Council is required to set aside an amount of \$800 per House per annum from the annual net profit for the long term maintenance needs of the Joint arrangement Property.

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

	2018	2017
	\$	\$
Financial Activity		

No financial activity has been reported in 2016/17 or 2017/18 as no funds are held in, or

The Shire's portion of this Joint arrangement is included in Property, Plant & Equipment as detailed below:

Non - Current Assets

Freehold land at:		
- Independent valuation 2017 - level 2	4,758	4,758
Non-Specialised buildings at:		
- Independent valuation 2017 - level 2	74,217	74,217
Less: Accumulated Depreciation	(730)	0
	<u>78,245</u>	<u>78,975</u>

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

Separate joint arrangement entities providing joint arrangements with an interest to net assets are classified as a joint arrangement and accounted for whereby the investment is initially recognised at cost and description of the equity method of accounting. adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate.

Interests in joint arrangements (Continued)

Joint arrangement 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.

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

20. Investment in Associates

Council has no Investments in associates as at 30 June 2018.

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

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

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

21. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	31,799	31,977	31,977
Mayor/President's allowance	10,000	10,000	3,500
Deputy Mayor/President's allowance	2,500	2,500	875
Travelling expenses	4,270	5,800	4,972
Telecommunications allowance	4,500	4,500	4,500
	<u>53,069</u>	<u>54,777</u>	<u>45,824</u>

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:

	2018 \$	2017 \$
Short-term employee benefits	412,659	318,478
Post-employment benefits	49,743	41,044
Other long-term benefits	15,763	13,316
Termination benefits	0	109,587
	<u>478,165</u>	<u>482,425</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 above.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:

	2018 \$	2017 \$
Sale of goods and services to:		
- Close Family members and entities controlled or jointly controlled by the Key Management Personnel	5,402	0
- Entities subject to significant influence by the Shire	14,338	4,737
Purchase of goods and services from:		
- Close Family members and entities controlled or jointly controlled by the Key Management Personnel	141,048	144,380
- Entities subject to significant influence by the Shire	1,612	2,785

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

21. RELATED PARTY TRANSACTIONS (Continued)

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. Close Family members and entities controlled or jointly controlled by the Key Management Personnel*
A person or entity that over which a Key Management Personnel has control or significant influence. Significant influence may be gained by share ownership, statute or agreement.
- iii. 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.
- iv. Joint arrangement entities accounted for under the proportionate consolidation method*
The Shire has a one-third interest in an environmental health and building service. The interest in the joint arrangement entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint arrangement entities, refer to Note 19.

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

**22. MAJOR LAND TRANSACTIONS/
TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the financial years ending 30 June 2018 and 30 June 2017.

TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the financial years ending 30 June 2018 and 30 June 2017.

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

23. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance⁽¹⁾ 1/07/16	Received⁽²⁾ 2016/17	Expended⁽³⁾ 2016/17	Closing Balance⁽¹⁾ 30/06/17	Received⁽²⁾ 2017/18	Expended⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Education and welfare							
Seniors Project Grant	0	0	0	0	8,097	0	8,097
Community amenities							
Dep't of Primary Industries & Regional Development Grant A17199 to engage landholders to combat vegetation decline	0	0	0	0	20,000	(5,664)	14,336
Recreation and culture							
Community Pools Revitalisation	32,190	0	(32,190)	0	0	0	0
Transport							
Roads To Recovery Funding	0	562,318	(371,756)	190,562	486,844	(590,844)	86,562
MRWA Regional Roadgroup Grant	0	0	0	0	292,640	(288,022)	4,618
Total	32,190	562,318	(403,946)	190,562	807,581	(884,530)	113,613

Notes:

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

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

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

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

4. RATING INFORMATION

a) Rates

RATE TYPE

Differential general rate / general rate

	Rate in \$ 2018	Number of Properties 2018	Rateable Value 2018 \$	Rate Revenue 2018 \$	Interim Rates 2018 \$	Back Rates 2018 \$	Total Revenue 2018 \$	Budget Rate Revenue 2018 \$	Total Revenue 2017 \$
Gross rental valuations									
Residential	0.179532	169	1,089,348	195,576	0	0	195,576	195,573	189,105
Vacant	0.179532	0	0	0	0	0	0	0	(288)
Unimproved valuations									
Rural	0.021127	244	41,416,504	875,006	136	1,864	877,006	875,007	834,115
Mining	0.021127	0	0	0	0	0	0	0	389
Sub-Total		413	42,505,852	1,070,582	136	1,864	1,072,582	1,070,580	1,023,321
Minimum payment									
Gross rental valuations									
Residential	440	21	18,982	9,240	0	0	9,240	9,240	8,000
Vacant	440	5	1,831	2,200	0	0	2,200	2,200	2,000
Unimproved valuations									
Rural	550	31	329,996	17,050	0	0	17,050	17,050	15,000
Mining	550	7	23,970	3,850	0	0	3,850	3,850	2,000
Sub-Total		64	374,779	32,340	0	0	32,340	32,340	27,000
		477	42,880,631	1,102,922	136	1,864	1,104,922	1,102,920	1,050,321
Discounts, Incentives, Concessions, & Write-offs							0	0	(23,880)
Total amount raised from general rate							1,104,922	1,102,920	1,026,441
Ex-gratia rates							17,104	17,104	17,453
Movement in Excess Rates							(2,125)	0	4,110
Totals							1,119,901	1,120,024	1,048,004

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

24. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Shire of Mukinbudin did not impose any Specified Area Rates during the year ended 30 June 2018.

(c) Service Charges

The Shire of Mukinbudin did not impose any Regulation 24 Service Charges during the year ended 30 June 2018.

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

Rates Discounts

The Shire of Mukinbudin did not offer any Rates Discounts during the year ended 30 June 2018.

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type 2018	Discount 2018 %	Discount 2018 \$	Actual 2018 \$	Budget 2018 \$	Actual 2017
Sporting Complex Hire	Discount	35% to 100%	0	287	0	811
Memorial Hall Hire	Discount	35% to 100%	0	391	0	327
Gymnasium Membership	Discount	50%	0	0	0	709
Caravan Park Fees and Charges	Discount	10%	0	47	0	297
Community Bus Hire	Discount	31%	0	1,735	0	966
Plant Hire	Discount	10%	0	0	0	0
Animal Registration	Discount	50% to 75%	0	1,637	0	889
Swimming Pool Entry	Discount	50% to 66%	0	240	0	120
			0	2,460	0	3,110

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
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Sporting Complex Hire
Facility use by a local business, community group, for a private function or for a Wake and Funeral, Memorial and Church Services.

Nil

Support for the overall benefit of the community.

Memorial Hall Hire
Facility use by a local business, community group, for a private function, the Mukinbudin High School or for a Wake and Funeral, Memorial and Church Services.

Nil

Support for the overall benefit of the community.

Gymnasium Membership
Pensioner Discount

Nil

Support for the overall benefit of the community.

Caravan Park Fees and Charges
Pensioner or Caravan and Motorhome Club of Aust Ltd members

Nil

Support for the overall benefit of the community.

Community Bus Hire
Use by a Community Group

Nil

Support for the overall benefit of the community.

Plant Hire
When used land conservation work

Nil

Support for land conservation.

Animal Registration
Pensioner and Working Dog Discount

Nil

Support for the overall benefit of the community.

Swimming Pool Entry
Pensioner Discount

Nil

Support for the overall benefit of the community.

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

24. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan		Unpaid Rates Interest Rate %	2018 Actual	2018 Budget	2017 Actual
		Admin Charge \$	Instalment Plan Interest Rate %				
Option One							
Single full payment	22-Sep-17			11.00%			
Option Two							
First instalment	22-Sep-17	15	5.50%	11.00%			
Second instalment	24-Nov-17						
Third instalment	25-Jan-18						
Fourth instalment	29-Mar-18						
Interest on unpaid rates					5,093	2,454	2,910
Interest on instalment plan					2,302	2,000	1,654
Charges on instalment plan					2,610	3,315	1,740
Interest on unpaid ESL					153	80	87
					<u>10,158</u>	<u>7,849</u>	<u>6,391</u>

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

25. NET CURRENT ASSETS

Composition of net current assets

	30 June 2018 Carried Forward	1 July 2017 Brought Forward
	\$	\$
Surplus/(Deficit) 1 July brought forward	784,505	1,350,854
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	886,841	1,257,840
Reserve Fund Bank	1,090,403	775,670
Receivables		
Rates outstanding	39,532	29,213
Sundry debtors	26,750	15,100
GST receivable	25,973	22,988
Accrued Income	8,539	12,796
Prepayments	8,313	23,153
Inventories		
Stock On Hand - Fuel In Trailer MBL001	657	0
LESS: CURRENT LIABILITIES		
Trade and other payables		
Sundry creditors	(53,212)	(163,094)
Accrued interest on long term borrowings	(10,128)	(9,539)
Accrued salaries and wages	(10,143)	(10,581)
ATO liabilities	(20,724)	(25,737)
FBT liability	(4,684)	(4,570)
Income received in advance	(30,773)	(10,404)
Accrued expenditure	(82,436)	(17,746)
Current portion of long term borrowings	(161,891)	(154,776)
Provisions		
Provision for annual leave	(60,676)	(44,200)
Provision for long service leave	(37,399)	(48,521)
Unadjusted net current assets	1,614,942	1,647,592
Adjustments		
Less: Reserves - restricted cash	(1,090,403)	(585,108)
Add: Current portion of long term borrowings	161,891	154,776
Add: Component of Leave Liability not required to be funded	98,075	133,594
Adjusted net current assets - surplus/(deficit)	784,505	1,350,854

Difference

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

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

26. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	1,977,244	2,033,510	1,977,244	2,033,510
Receivables	109,107	104,139	109,107	104,139
	<u>2,086,351</u>	<u>2,137,649</u>	<u>2,086,351</u>	<u>2,137,649</u>
Financial liabilities				
Payables	212,100	241,671	212,100	241,671
Borrowings	619,180	773,955	647,065	814,278
	<u>831,280</u>	<u>1,015,626</u>	<u>859,165</u>	<u>1,055,949</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.

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

26. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	2018	2017
Impact of a 1% ⁽¹⁾ movement in interest rates on cash	\$	\$
- Equity	19,014	13,809
- Statement of Comprehensive Income	19,014	13,809

Notes:

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

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

26. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	80.12%	81.76%
- Overdue	19.88%	18.24%

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

26. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	212,100	0	0	212,100	212,100
Borrowings	186,168	501,079	59,081	746,328	619,180
	<u>398,268</u>	<u>501,079</u>	<u>59,081</u>	<u>958,428</u>	<u>831,280</u>
2017					
Payables	241,671	0	0	241,671	241,671
Borrowings	186,168	547,890	144,543	878,601	773,955
	<u>427,839</u>	<u>547,890</u>	<u>144,543</u>	<u>1,120,272</u>	<u>1,015,626</u>

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

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	51,444	0	70,693	56,227	440,816	0	619,180	4.08%
Weighted average Effective interest rate	5.725%	0.00%	5.85%	5.09%	3.476%	0.00%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	0	100,066	0	91,667	70,557	511,665	773,955	4.17%
Weighted average Effective interest rate		5.72%		5.85%	5.09%	3.44%		

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

27. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Department of Transport Licensing	0	496,760	(496,760)	0
Mukinbudin Indoor Cricket Club	11,345	0	0	11,345
Trust - Other	419	604	(690)	333
Sports Complex Key Bonds	910	50	(20)	940
Standpipe Key Bonds	350	150	(50)	450
Drive in Donation	500	0	(500)	0
Housing Tenancy Bonds	5,148	3,480	(3,880)	4,748
Gym Bonds	1,361	420	(80)	1,701
Soil Conservation	13,166	0	0	13,166
	<u>33,199</u>			<u>32,683</u>

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

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting 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 on 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 into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.

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.

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

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

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

Notes:

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

Adoption of New and Revised Accounting Stanc

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

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

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

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

29. SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

30. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Administration and operation of facilities and services to members of Council; other costs that relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to ensure a safer community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
HEALTH	To provide an operational framework for good community health.	Food quality and pest control, immunisation services, inspection of abattoir and operation of child health clinic.
EDUCATION AND WELFARE	To provide appropriate care to the aged and disabled.	Provision of Home and Community Care, maintenance to playgroup and
HOUSING	To provide adequate staff and community housing.	Maintenance of Staff and community housing, collection of various rents.
COMMUNITY AMENITIES	Provide services required by the Community.	Rubbish collection services, operation of tips, noise control, administration of the town planning scheme, maintenance of cemeteries, storm water drainage maintenance.
RECREATION AND CULTURE	To establish and manage efficiently infrastructure and resources which will	Maintenance of halls, the aquatic centre, recreation centres and various reserves;
TRANSPORT	To provide effective and efficient transport services to the Community.	Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets, depot maintenance and airstrip maintenance.
ECONOMIC SERVICES	To help promote the shire and improve its economic wellbeing.	The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and standpipes.
OTHER PROPERTY AND SERVICES	The provision of private works to the public and the maintenance of cost pools	Private Works Operations, plant repairs and operation costs.

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

31. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	2.67	3.83	0.90
Asset consumption ratio	0.62	0.53	0.52
Asset renewal funding ratio	0.48	0.42	0.43
Asset sustainability ratio	0.78	0.58	0.81
Debt service cover ratio	2.32	10.80	3.16
Operating surplus ratio	(0.77)	(0.05)	(0.09)
Own source revenue coverage ratio	0.36	0.38	0.39

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
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:

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

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	872,554	864,017	0
Amount of Financial Assistance Grant received in prior year relating to current year.	864,017	0	552,940

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

	2018	2017	2016
Current ratio	2.69	1.40	0.90
Debt service cover ratio	2.27	6.17	7.55
Operating surplus ratio	(0.77)	(0.57)	(0.43)

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF MUKINBUDIN

Opinion

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

In our opinion, the financial report of the Shire of Mukinbudin:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Preparation

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF THE SHIRE OF MUKINBUDIN
(CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF THE SHIRE OF MUKINBUDIN
(CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) In our opinion, the following matter indicates a significant adverse trend in the financial position of the Shire:
 - i) The Asset Renewal Funding Ratio and Operating Surplus Ratio have been below the DLGSCI standard for the past 3 years as reported in the financial report.
- b) All required information and explanations were obtained by us.
- c) All audit procedures were satisfactorily completed in conducting our audit.
- d) In my opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



GREGORY GODWIN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 10th day of December 2018.

10 December 2018

Cr Gary Shadbolt
The Shire President
Shire of Mukinbudin
PO Box 67
MUKINBUDIN WA 6479

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

Dear Cr Shadbolt

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

We advise that we have completed our audit procedures for the year ended 30 June 2018.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We noted no matters we wish to draw to your attention, except the following:

SIGNIFICANT ADVERSE TREND IN FINANCIAL POSITION

As highlighted in our audit report this year, the significant adverse trend in the financial position of the Shire reported last year has continued.

This trend is evidenced by:

- i. **A significant structural deficit in the operating result for the year ended 30 June 2018 as evidenced by the Operating Surplus Ratio being below DLGSCI standard for the past 3 years**

The Shire's operating result (ignoring non-operating grants, subsidies and contributions) for the year ended 30 June 2018 recorded a net deficit of \$1,395,662 (2017: \$77,527). We consider the Shire has a significant structural deficit in its operations evidenced by the Operating Surplus Ratio trending downwards in the last 3 years and being below the target level for all of the last 5 years.

- ii. **The Asset Renewal Funding Ratio has been below the DLGSCI standard for the past 3 years as reported in the financial report.**

The Asset Renewal Funding Ratio shows the effects of the continued decline in operating results indicating a 52% funding gap between planned and required capital expenditure per the Shire's Long Term Financial Plan with the ratio being below the target level for the past 4 years.

We take this opportunity to thank the Shire for their assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin
Partner
Moore Stephens

Encl.

11 Urgent Business without notice (with the approval of the President or meeting)

Nil

12. Closure of Meeting _____