

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Dandaragan 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 Dandaragan 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

Third

day of

December, 2018



Chief Executive Officer
Brent Bailey

SHIRE OF DANDARAGAN
STATEMENT OF COMPREHENSIVE INCOME by Nature or Type
for the year ended 30 June 2018

	Note	Actual 2017/2018 \$	Budget 2017/2018 \$	Actual 2016/2017 \$
Revenue				
Rates	19	6,082,363	6,084,507	5,902,205
Operating grants and subsidies	2(a)	1,845,158	1,040,917	2,755,587
Contributions, reimbursements & donations	2(a)	310,973	250,702	308,377
Fees and charges	2(a)	2,359,091	2,120,008	2,030,968
Interest earnings	2(a)	126,910	109,000	153,158
Other revenue		110,719	87,599	103,316
		10,835,214	9,692,734	11,253,610
Expenses				
Employee costs		(3,998,726)	(3,967,246)	(3,620,644)
Materials and contracts		(2,685,835)	(2,810,189)	(2,588,755)
Utilities		(454,086)	(590,263)	(450,665)
Insurance		(397,002)	(380,061)	(400,501)
Other expenses		(646,537)	(744,145)	(699,615)
Depreciation	9(b)	(6,158,800)	(6,171,904)	(6,052,865)
		(14,340,985)	(14,663,807)	(13,813,045)
		(3,505,771)	(4,971,073)	(2,559,435)
Borrowing costs	2(b)	(25,197)	(27,115)	(35,089)
Non-operating grants & subsidies	2(a)	3,626,988	1,433,304	3,955,271
Profit on asset disposal	9(a)	40,186	317,452	33,184
(Loss) on asset disposal	9(a)	(5,345,187)	(128,111)	(67,042)
(Loss) on asset revaluation	8(b)	(1,529,888)	(0)	(0)
Net result		(6,738,868)	(3,375,544)	1,326,888
Other comprehensive income				
Items not reclassified subsequently to profit or loss				
Changes on revaluation of non-current assets	10	43,791,529	(0)	1,314,828
Total other comprehensive income		43,791,529	(0)	1,314,828
Total comprehensive income		37,052,661	(3,375,544)	2,641,716

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

SHIRE OF DANDARAGAN
STATEMENT OF COMPREHENSIVE INCOME by Program
for the year ended 30 June 2018

	Note	Actual 2017/2018	Budget 2017/2018	Actual 2016/2017
Revenue	2(a)	\$	\$	\$
Governance		11,515	31,175	38,448
General purpose funding		7,820,348	6,969,193	8,390,910
Law, order & public safety		514,245	479,105	495,435
Health		21,328	19,667	18,985
Education & welfare		(0)	(0)	(0)
Community amenities		1,363,970	1,205,857	1,216,814
Recreation and culture		478,043	321,519	473,500
Transport		149,072	234,335	251,995
Economic services		278,690	208,840	272,754
Other property and services		198,004	223,043	94,769
		10,835,214	9,692,734	11,253,610
Expenses excluding finance costs	2(b)			
Governance		(524,080)	(677,667)	(702,384)
General purpose funding		(212,674)	(243,529)	(154,751)
Law, order & public safety		(1,340,296)	(1,346,668)	(1,119,684)
Health		(349,480)	(378,880)	(340,253)
Education & welfare		(96,009)	(81,423)	(0)
Community amenities		(1,905,963)	(2,210,697)	(2,243,437)
Recreation and culture		(3,349,780)	(3,190,499)	(3,103,561)
Transport		(5,195,784)	(5,287,545)	(5,203,133)
Economic services		(669,222)	(734,787)	(637,855)
Other property and services		(697,696)	(512,112)	(307,986)
		(14,340,984)	(14,663,807)	(13,813,045)
		(3,505,770)	(4,971,073)	(2,559,435)
Finance costs	2(b)			
Governance		(16,806)	(18,106)	(26,530)
Recreation and culture		(8,075)	(8,641)	(7,852)
Other property and services		(316)	(368)	(708)
		(25,197)	(27,115)	(35,089)
Non- operating grants and subsidies	2(a)			
Law, order & public safety		(0)	(0)	149,737
Community amenities		(0)	(0)	765,614
Recreation and culture		50,000	(0)	729,144
Transport		3,576,988	1,433,304	2,310,776
		3,626,988	1,433,304	3,955,271
Profit / (loss) on asset disposal	9(a)			
Governance		(1,489)	803	(0)
Law, order & public safety		(0)	(0)	(16,565)
Community amenities		(5,315,357)	(0)	(0)
Recreation and culture		(4,673)	(0)	(0)
Transport		5,174	(102,352)	(1,798)
Economic services		(3,471)	(2,212)	(0)
Other property and services		14,816	293,102	(15,496)
		(5,305,001)	189,341	(33,859)
Fair value adjustments	8(b)			
(Loss) on asset revaluation		(1,529,888)	(0)	(0)
Net result		(6,738,868)	(3,375,544)	1,326,888
Other comprehensive income				
Items not reclassified subsequently to profit or loss				
Changes on revaluation of non-current assets	10	43,791,529	(0)	1,314,828
Total other comprehensive income		43,791,529	(0)	1,314,828
Total comprehensive income		37,052,661	(3,375,544)	2,641,716

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

SHIRE OF DANDARAGAN
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

Description	Note	2018	2017
CURRENT ASSETS			
Cash and cash equivalents	3	6,152,114	7,216,558
Trade and other receivables	5	1,236,001	986,066
Inventories	6	35,309	24,690
TOTAL CURRENT ASSETS		7,423,424	8,227,314
NON-CURRENT ASSETS			
Land	7	3,060,000	3,060,000
Buildings and improvements	7	30,370,919	31,016,300
Furniture and equipment	7	871,648	917,743
Plant and equipment	7	4,354,512	4,460,872
Infrastructure	8	249,071,943	210,715,353
Trade & other receivables	5	198,269	198,552
TOTAL NON-CURRENT ASSETS		287,927,292	250,368,820
TOTAL ASSETS		295,350,716	258,596,134
CURRENT LIABILITIES			
Trade and other payables	11	(296,962)	(520,683)
Provisions	13	(582,983)	(526,245)
Current portion of long term borrowings	12(a)	(118,788)	(108,362)
TOTAL CURRENT LIABILITIES		(998,733)	(1,155,289)
NON-CURRENT LIABILITIES			
Provisions	13	(36,525)	(76,862)
Long term borrowings	12(a)	(315,747)	(416,933)
TOTAL NON-CURRENT LIABILITIES		(352,272)	(493,795)
TOTAL LIABILITIES		(1,351,005)	(1,649,084)
TOTAL NET ASSETS		293,999,711	256,947,050
EQUITY			
Reserves - cash backed	4	5,386,753	4,945,538
Revaluation surplus	10	87,158,696	43,367,167
Retained earnings		201,454,262	208,634,345
TOTAL EQUITY		293,999,711	256,947,050

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

SHIRE OF DANDARAGAN
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Note	Retained Earnings	Reserves Cash Backed	Revaluation Surplus	Total Equity
		\$	\$	\$	\$
Balance as at 30 June 2016		205,656,113	6,596,882	42,052,339	254,305,335
Comprehensive Income					
Net result		1,326,888	0	0	1,326,888
Other comprehensive income	10	0	0	1,314,828	1,314,828
Total comprehensive income		1,326,888	0	1,314,828	2,641,716
Transfers from/(to) reserves		1,651,344	(1,651,344)	0	0
Balance as at 30 June 2017		208,634,345	4,945,538	43,367,167	256,947,050
Comprehensive Income					
Net result		(6,738,868)	0	0	(6,738,868)
Other comprehensive income	10	0	0	43,791,529	43,791,529
Total comprehensive income		(6,738,868)	0	43,791,529	37,052,661
Transfers from/(to) reserves		(441,214)	441,214	0	0
Balance as at 30 June 2018		201,454,262	5,386,753	87,158,696	293,999,711

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

SHIRE OF DANDARAGAN
STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Note	Actual 2017/2018	Budget 2017/2018	Actual 2016/2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		6,100,408	6,170,507	5,892,783
Operating grants, subsidies & contributions		2,156,131	1,291,619	3,063,963
Fees and charges		2,219,851	2,720,008	1,502,795
Interest earnings		126,910	109,000	153,158
Goods & services tax		442,908	0	857,849
Other revenue		110,719	87,599	103,316
		11,156,927	10,378,733	11,573,864
Payments				
Employee costs		(3,979,938)	(3,967,246)	(3,608,395)
Materials and contracts		(2,995,085)	(3,210,189)	(2,631,297)
Utilities		(454,086)	(590,263)	(450,665)
Insurance		(397,002)	(380,061)	(400,501)
Interest expenses		(27,363)	(27,115)	(37,248)
Goods & services tax		(530,593)	0	(795,476)
Other expenses		(646,537)	(744,145)	(699,615)
		(9,030,604)	(8,919,019)	(8,623,198)
Net cash provided by operating activities	14	2,126,323	1,459,714	2,950,666
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment		(1,518,518)	(2,036,295)	(1,367,060)
Payments for construction of infrastructure		(3,691,218)	(3,996,490)	(7,153,753)
Grants/contributions for assets		1,810,304	1,433,304	3,955,271
Proceeds from sale of assets		265,507	739,727	150,237
Net cash used in investing activities		(3,133,925)	(3,859,754)	(4,415,305)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(111,760)	(108,362)	(212,928)
Proceeds from self-supporting loans / cash advance		33,919	47,368	50,851
Proceeds from new loans		21,000	0	0
Net cash provided by (used in) financing activities		(56,842)	(60,994)	(162,077)
Net increase (decrease) in cash held		(1,064,444)	(2,461,034)	(1,626,715)
Cash at beginning of year		7,216,558	7,216,558	8,843,273
Cash at end of year	14	6,152,114	4,755,524	7,216,558

SHIRE OF DANDARAGAN
RATE SETTING STATEMENT
for the year ended 30 June 2018

Description	Note	Actual 2017/2018	Budget 2017/2018	Actual 2016/2017
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	20	2,234,848	2,789,561	1,675,172
Revenue from operating activities (excluding rates)				
Governance		11,515	31,978	38,448
General purpose funding		1,737,984	897,686	2,617,927
Law, order & public safety		514,245	479,105	495,435
Health		21,328	19,667	18,985
Education & welfare		0	0	0
Community amenities		1,363,970	1,205,857	1,216,814
Recreation and culture		478,043	321,519	473,500
Transport		154,246	236,948	285,178
Economic services		278,690	208,840	272,754
Other property and services		233,016	537,079	94,769
		4,793,037	3,938,679	5,513,810
Expenditure from operating activities				
Governance		(542,377)	(695,773)	(728,914)
General purpose funding		(212,674)	(243,529)	(154,751)
Law, order & public safety		(1,340,296)	(1,346,668)	(1,136,249)
Health		(349,480)	(378,880)	(340,253)
Education & welfare		(96,009)	(81,423)	0
Community amenities		(7,221,320)	(2,210,697)	(2,243,437)
Recreation and culture		(4,892,416)	(3,199,140)	(3,111,412)
Transport		(5,195,784)	(5,392,510)	(5,238,115)
Economic services		(672,693)	(736,999)	(637,855)
Other property and services		(718,209)	(533,415)	(324,189)
		(21,241,258)	(14,819,034)	(13,915,175)
Operating activities excluded				
(Profit)/loss on asset disposals	9(a)	5,305,001	(189,341)	33,859
Movement in employee provisions (non current)		(40,337)	0	(5,225)
Movement in deferred rates (non-current)		(33,636)	0	32,598
(Loss) on asset revaluation		1,529,888	0	0
Depreciation on assets	9(b)	6,158,800	6,171,904	6,052,865
Amount attributable to operating activities		(1,293,657)	(2,108,232)	(612,096)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		3,626,988	1,433,304	3,955,271
Proceeds from disposal of assets	9(a)	265,507	739,727	150,237
Purchase of land and buildings	7(b)	(465,429)	(822,295)	(327,912)
Purchase of furniture and equipment	7(b)	(123,733)	(160,000)	(55,270)
Purchase of plant and equipment	7(b)	(929,356)	(1,054,000)	(983,878)
Purchase of infrastructure assets - roads	8(b)	(3,357,744)	(3,636,017)	(4,287,456)
Purchase of infrastructure assets - parks & reserves	8(b)	(107,771)	(23,993)	(1,461,846)
Purchase of infrastructure assets - other	8(b)	(2,042,386)	(336,480)	(1,404,451)
Amount attributable to investing activities		(3,133,925)	(3,859,754)	(4,415,305)
FINANCING ACTIVITIES				
Proceeds from new borrowings	12(b)	21,000	0	0
Repayment of borrowings	12(a)	(111,760)	(108,362)	(212,928)
Payment of self supporting loan to community group	12(b)	(21,000)	0	0
Self-supporting loan principal income		50,767	47,368	46,699
Community group cash advance principal income		4,152	0	4,152
Transfer to reserves	4	(706,020)	(579,958)	(463,758)
Transfer from reserves	4	264,806	537,430	2,115,102
Amount attributable to financing activities		(498,055)	(103,522)	1,489,267
Budgeted deficiency before general rates		(4,925,637)	(6,071,507)	(3,538,134)
Estimated amount to be raised from general rates	19	6,082,363	6,071,507	5,772,982
Net current assets at end of financial year - surplus/(deficit)	20	1,156,726	0	2,234,848

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

SHIRE OF DANDARAGAN
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) and Australian Accounting interpretations, other authoritative pronouncements of Australian Accounting Standards Board, and 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.

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect 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.

TRUST FUND

All monies held in the Trust fund are excluded from the financial statements. A separate statement of those monies appears at Note 22 to these financial statements

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

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Significant revenue		
During the year the Shire received an advance grant from the Local Government Grants Commission. This amount forms part of the "Operating grants and subsidies" line within Statement of Comprehensive Income	853,824	851,605
Turquoise Way path extension received for no consideration This amount forms part of the "Non operating grants and subsidies" line within Statement of Comprehensive Income	1,816,684	0
	<u>2,670,508</u>	<u>851,605</u>
Fees and Charges		
Governance	1,934	151
General purpose funding	24,185	14,911
Law, order, public safety	325,996	304,255
Health	17,381	13,681
Education and welfare	0	0
Community amenities	1,326,640	1,180,929
Recreation and culture	339,679	243,585
Transport	25,034	17,481
Economic services	215,470	238,773
Other property and services	82,772	17,202
	<u>2,359,091</u>	<u>2,030,968</u>

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	9,581	38,296
General purpose funding	1,588,036	2,437,630
Law, order, public safety	175,102	181,659
Health	3,947	5,304
Education and welfare	0	0
Community amenities	19,909	20,245
Recreation and culture	138,364	114,044
Transport	124,039	234,513
Economic services	54,520	26,181
Other property and services	42,634	6,091
	<u>2,156,131</u>	<u>3,063,963</u>
Non-operating grants, subsidies and contributions		
Governance	0	0
General purpose funding	0	0
Law, order, public safety	0	149,737
Health	0	0
Education and welfare	0	0
Community amenities	0	765,614
Recreation and culture	50,000	729,144
Transport	3,576,988	2,310,776
Economic services	0	0
Other property and services	0	0
	<u>3,626,988</u>	<u>3,955,271</u>
Total grants, subsidies and contributions	<u>5,783,119</u>	<u>7,019,234</u>

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

Interest earnings

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Reserve funds	74,862	60,000	98,981
- Other funds	3,883	5,000	3,716
- Other interest revenue	48,165	44,000	50,461
	<u>126,910</u>	<u>109,000</u>	<u>153,158</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

	2018	2017
	\$	\$
Significant expense		
During the year the Shire incurred a book loss on disposal of the Jurien Bay Sewer to the Water Corporation for no consideration (Note 9a)	5,315,357	0
Auditors remuneration		
- Audit of financial report	9,360	13,940
- Other Services (Acquittals)	6,550	5,150
	15,910	19,090
- <i>Audit fee for Audit of annual financial report</i>	23,700	14,210
Interest expenses (finance costs)		
- Long term borrowings	25,197	35,089
Rental charges		
- Operating leases	51,771	86,563

SHIRE OF DANDARAGAN
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		765,361	2,271,019
Restricted		5,386,753	4,945,538
		6,152,114	7,216,558
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant Reserve		259,131	255,104
Building Renewal Reserve		1,055,763	1,028,467
Rubbish Reserve		437,166	363,429
Community Centre Reserve		397,291	385,210
Television Services Reserve		95,132	93,653
Information Technology Reserve Reserve		55,503	54,640
Caravan Park Reserve		385,665	379,672
Land Development Reserve		68,784	67,715
Parking Requirements (Lot 1154 Sandpiper Street) Reserve		11,102	10,930
Parks and Recreation Grounds Development (Seagate) Reserve		366,293	360,601
Sport and Recreation Reserve		289,429	235,708
Administration Office Extension Reserve		0	426
Landscaping Reserve		2,576	2,536
Aerodrome Reserve		96,930	73,330
Staff Attraction & Incentive Reserve		0	200,814
Public Open Space Renewal Reserve		418,705	417,120
Infrastructure Renewal Reserve		920,257	569,281
Public Open Space Construction Reserve		109,904	85,554
Building Construction Reserve		113,104	111,346
Leave Reserve		253,626	250,002
Turquoise Way Path Reserve		50,390	0
		5,386,753	4,945,538

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant Reserve	255,104	4,027		259,131	255,443	3,096	(30,333)	228,206	576,353	8,396	(329,645)	255,104
Building Renewal Reserve	1,028,467	50,862	(23,566)	1,055,763	1,029,833	18,996	(129,566)	919,263	862,589	165,878		1,028,467
Rubbish Reserve	363,429	73,737		437,166	363,912	4,410		368,322	357,962	5,467		363,429
Community Centre Reserve	385,210	12,081		397,291	385,722	10,674	(31,651)	364,745	373,498	11,712		385,210
Television Services Reserve	93,653	1,478		95,132	93,778	1,136		94,914	92,244	1,409		93,653
Information Technology Reserve Reserve	54,640	863		55,503	54,713	663	(54,640)	736	53,818	822		54,640
Caravan Park Reserve	379,672	5,994		385,665	380,176	4,607		384,783	398,522	6,056	(24,906)	379,672
Land Development Reserve	67,715	1,069		68,784	67,805	822	(50,000)	18,627	66,697	1,019		67,715
Parking Requirements (Lot 1154 Sandpiper Street) Reserve	10,930	173		11,102	10,944	133		11,077	10,765	164		10,930
Parks and Recreation Grounds Development (Seagate) Reserve	360,601	5,693		366,293	361,080	4,376		365,455	355,176	5,424		360,601
Sport and Recreation Reserve	235,708	53,721		289,429	236,021	52,860		288,881	182,854	52,854		235,708
Administration Office Extension Reserve	426	0	(426)	0	426	(0)	(426)	0	426	0		426
Landscaping Reserve	2,536	40		2,576	2,540	31		2,571	2,499	38		2,536
Jetty Reserve	0	0		0	0	0		0	276,558	3,838	(280,396)	0
Aerodrome Reserve	73,330	23,600		96,930	73,427	23,332		96,759	79,692	23,638	(30,000)	73,330
Staff Attraction & Incentive Reserve	200,814	0	(200,814)	0	200,814	2,437	(200,814)	2,437	197,822	2,992		200,814
Jurien Bay City Centre Enhancement Project Reserve (Supertowns)	0	0		0	0	0		0	494,397	5,708	(500,105)	0
Public Open Space Renewal Reserve	417,120	41,585	(40,000)	418,705	417,674	40,062	(40,000)	417,736	739,715	102,405	(425,000)	417,120
Infrastructure Renewal Reserve	569,281	350,977		920,257	570,036	6,900		576,936	1,056,110	16,171	(503,000)	569,281
Public Open Space Construction Reserve	85,554	24,351		109,904	85,667	1,038		86,706	84,279	1,275		85,554
Building Construction Reserve	111,346	1,758		113,104	111,494	1,351		112,845	109,687	1,659		111,346
Leave Reserve	250,002	3,623		253,626	250,334	3,034		253,368	203,419	46,584		250,002
Sewer Stage 1B Reserve	0	0		0	0	0		0	21,798	252	(22,050)	0
Economic Development Initiatives Reserve	0	0		0	0	400,000		400,000	0	0		0
Turquoise Way Path Reserve	0	50,390		50,390	0	0		0	0	0		0
	4,945,538	706,020	(264,806)	5,386,753	4,951,839	579,958	(537,430)	4,994,367	6,596,882	463,758	(2,115,102)	4,945,538

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.

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

4. RESERVES - CASH BACKED (continued)

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
Plant Reserve	ongoing	to be used in order to assist in the purchase of major items of plant.
Building Renewal Reserve	ongoing	to fund capital renewal of buildings and associated assets as guided by the Building Asset Management Plan.
Rubbish Reserve	ongoing	to be used to fund establishing, enhancing, rehabilitation or any other activities associated with new and existing landfill or waste site
Community Centre Reserve	ongoing	to be used to fund capital construction costs and major maintenance restoration / preservation costs to the community recreation centres located in the four towns.
Television Services Reserve	ongoing	to be used to fund the provision of new or improved television rebroadcasting facilities throughout the shire.
Information Technology Reserve Reserve	ongoing	to be used for purchase of hardware, software, licensing, contract labour and cloud transitioning costs related to information technology
Caravan Park Reserve	ongoing	to be used to fund improvements, other works and the promotion of caravan parks and their surrounds. To also fund planning, feasibility and establishment of new caravan parks.
Land Development Reserve	ongoing	for the purpose of funding land development in the townsites of Dandaragan and Badgingarra.
Parking Requirements (Lot 1154 Sandpiper Street) Reserve	ongoing	to fund future parking requirements in the Shire of Dandaragan in the vicinity of Lot 1154 Sandpiper Street, Jurien Bay as separately identified.
Parks and Recreation Grounds Development (Seagate) Reserve	ongoing	to fund the future purchase of land or development of parks and recreation grounds in the locality of Seagate Estates as separately identified or with Ministerial approval, for the improvement or development of parks and recreation.
Sport and Recreation Reserve	ongoing	to fund community sporting groups requests in accordance with the Shire of Dandaragan's Recreation Plan.
Administration Office Extension Reserve	closed	to fund investigation, design and capital costs of future office extensions.
Landscaping Reserve	ongoing	to fund future landscaping requirements in the Shire of Dandaragan in the vicinity of Lot 1154 Sandpiper Street, Jurien Bay as separately identified.
Jetty Reserve	closed	to fund design, feasibility and construction relating to the jetty project
Aerodrome Reserve	ongoing	to be used for renewal, major maintenance, expansion or relocation of the Shire of Dandaragan's airstrips and aerodromes
Staff Attraction & Incentive Reserve	closed	to be used to fund staff attraction and incentive programs and processes, such as, but not limited to additional superannuation contributions, bonuses, rental subsidies and utility subsidies
Jurien Bay City Centre Enhancement Project Reserve (Supertowns)	closed	to be used to fulfilling the requirements, outcomes and achievables identified in the Financial Assistance Agreement for the Supertowns Development Project Fund – Jurien Bay City Centre Enhancement Project
Public Open Space Renewal Reserve	ongoing	to fund capital renewal of public open space and associated assets as guided by the Public Open Space Asset Management Plan
Infrastructure Renewal Reserve	ongoing	to fund capital renewal of infrastructure and associated assets as guided by the Infrastructure Asset Management Plan.
Public Open Space Construction Reserve	ongoing	to fund capital construction and/or purchase of public open space and associated assets.
Building Construction Reserve	ongoing	to fund capital construction and/or purchase of infrastructure and other associated assets.
Leave Reserve	ongoing	to fund annual leave and long service leave entitlements.
Sewer Stage 1B Reserve	closed	to be used to fulfilling the requirements, outcomes and achievables identified in the Financial Assistance Agreement for the Sewer Stage 1B Project
Economic Development Initiatives Reserve	ongoing	to be used for the planning, development and implementation of economic development initiatives with the Shire of Dandaragan
Turquoise Way Path Reserve	ongoing	to be used for the renewal, major maintenance, improvements, promotion, inspection equipment / surveillance, extension or relocation of the Turquoise Way Path and associated infrastructure within the Turquoise Way Path corridor.

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

5. TRADE AND OTHER RECEIVABLES

Current

	2018 \$	2017 \$
Rates outstanding	235,042	286,721
Sundry debtors	750,912	675,046
GST receivable	186,673	24,298
Accrued income	63,375	0
	<u>1,236,001</u>	<u>986,066</u>

Non-current

Rates outstanding - pensioners	33,636	0
Loans receivable - clubs/institutions	164,633	198,552
	<u>198,269</u>	<u>198,552</u>

Information with respect to the impairment or otherwise of the current trade and other receivables (excluding GST receivable) is as follows:

Carrying Amount	Past due but not impaired				Impaired	
	Not past due and not impaired	31 - 60 days	61 - 90 days	More than 90 days		
2018						
Sundry debtors	750,912	658,630	48,676	1,222	42,384	-
Accrued income	63,375	63,375	-	-	-	-
Loans receivable - clubs/institutions	164,633	164,633	-	-	-	-
Carrying Amount	Not past due and not impaired	1 month - 1 year	2 years	More than 2 years	Impaired	
2018						
Rates outstanding	235,042	1,447	142,150	48,700	42,745	-
Rates outstanding - deferred pensioners	33,636	33,636	-	-	-	-
	<u>1,247,598</u>					<u>-</u>
Carrying Amount	Not past due and not impaired	31 - 60 days	61 - 90 days	More than 90 days	Impaired	
2017						
Sundry debtors	675,046	278,732	333,868	-	62,447	-
Loans receivable - clubs/institutions	198,552	198,552	-	-	-	-
Carrying Amount	Not past due and not impaired	1 month - 1 year	2 years	More than 2 years	Impaired	
2017						
Rates outstanding	286,721	1,004	157,927	73,906	53,885	-
	<u>1,160,320</u>					<u>-</u>

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

	2018	2017
	\$	\$
Current		
Fuel	35,309	24,690
	35,309	24,690

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.

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land at;		
- Independent valuation 2017	3,060,000	3,060,000
- Movement after valuation	0	0
	<u>3,060,000</u>	<u>3,060,000</u>
Buildings at;		
- Independent valuation 2017	54,843,800	54,843,800
- Movement after valuation	465,429	0
Less: accumulated depreciation	(24,938,310)	(23,827,500)
	<u>30,370,919</u>	<u>31,016,300</u>
Furniture and equipment at:		
- Independent valuation 2016	991,650	991,650
- Movement after valuation	179,003	55,270
Less: accumulated depreciation	(299,006)	(129,177)
	<u>871,648</u>	<u>917,743</u>
Plant and equipment at:		
- Independent valuation 2016	4,386,050	4,386,050
- Movement after valuation	1,375,039	815,683
Less: accumulated depreciation	(1,406,577)	(740,861)
	<u>4,354,512</u>	<u>4,460,872</u>
Total property, plant and equipment	<u>38,657,079</u>	<u>39,454,916</u>

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land Level 2	Land - vested in and under the control of Council Level 3	Total land	Buildings - non- specialised Level 2	Buildings - specialised - Level 3	Total buildings	Total land and buildings	Furniture and equipment Level 3	Plant and equipment Level 2	Plant and equipment Level 3	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	2,628,000	0	2,628,000	1,189,920	29,924,344	31,114,264	33,742,264	991,590	3,406,375	1,051,300	39,191,529
Additions	0	0	0	0	327,912	327,912	327,912	55,270	737,140	246,738	1,367,060
(Disposals)	0	0	0	0	0	0	0	0	(151,428)	(32,668)	(184,096)
Revaluation increments/ (decrements) transferred to revaluation surplus	395,000	37,000	432,000	28,192	854,636	882,828	1,314,828	0	0	0	1,314,828
Depreciation (expense)	0	0	0	(68,112)	(1,065,791)	(1,133,903)	(1,133,903)	(129,117)	(631,859)	(164,726)	(2,059,605)
Transfers	0	0	0	0	(174,800)	(174,800)	(174,800)	0	0	0	(174,800)
Balance at 30 June 2017	3,023,000	37,000	3,060,000	1,150,000	29,866,301	31,016,301	34,076,301	917,743	3,360,228	1,100,644	39,454,916
Additions	0	0	0	0	465,429	465,429	465,429	123,733	780,049	149,307	1,518,518
(Disposals)	0	0	0	0	0	0	0	0	(250,478)	0	(250,478)
Depreciation (expense)	0	0	0	(69,228)	(1,041,582)	(1,110,810)	(1,110,810)	(169,829)	(598,833)	(186,405)	(2,065,877)
Balance at 30 June 2018	3,023,000	37,000	3,060,000	1,080,772	29,290,148	30,370,919	33,430,919	871,648	3,290,966	1,063,546	38,657,079

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

7. 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 / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate
Land - vested in and under the control of Council	3	Leasehold interest based on Income Capitalisation Approach, applying Net Present Value (NPV) derived on potential leasehold rental income	Independent registered valuer	June 2017	Income Capitalisation Approach
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per square metre / market borrowing rate
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2017	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Purchase costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Independent valuation 2016	2	Market approach using recent observable market data for similar item	Independent registered valuer	June 2016	Market price per item
- Independent valuation 2016	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2016	Purchase costs and current condition (Level 3), 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.

There were no transfer between Level 1, 2 and 3 during the current and previous financial years

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

8 (a) INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Independent valuation 2018	292,413,706	0
- Independent valuation 2015	0	234,795,000
- Additions after valuation	0	8,648,227
Less: accumulated depreciation	<u>(69,466,448)</u>	<u>(62,162,167)</u>
	222,947,258	181,281,060
Infrastructure - Footpaths		
- Independent valuation 2018	10,671,224	0
- Independent valuation 2015	0	7,072,000
- Additions after valuation	0	510,916
Less: accumulated depreciation	<u>(2,361,275)</u>	<u>(2,287,368)</u>
	8,309,949	5,295,548
Infrastructure - Drainage		
- Independent valuation 2018	7,280,000	0
- Independent valuation 2015	0	6,870,000
- Additions after valuation	0	5,358,734
Less: accumulated depreciation	<u>(2,070,000)</u>	<u>(1,738,696)</u>
	5,210,000	10,490,038
Infrastructure - Parks and reserves		
- Independent valuation 2018	3,317,803	0
- Independent valuation 2015	0	2,878,183
- Additions after valuation	0	1,818,469
Less: accumulated depreciation	<u>(1,532,722)</u>	<u>(1,337,213)</u>
	1,785,081	3,359,439
Infrastructure - Other		
- Independent valuation 2018	17,756,295	0
- Independent valuation 2015	0	16,279,000
- Additions after valuation	0	597,779
Less: accumulated depreciation	<u>(6,936,639)</u>	<u>(6,587,510)</u>
	10,819,656	10,289,269
Total infrastructure	<u>249,071,943</u>	<u>210,715,353</u>

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

8. 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 -					Total Infrastructure
	Infrastructure - Roads Level 3	Infrastructure - Footpaths Level 3	Infrastructure - Drainage Level 3	Parks and reserves Level 3	Infrastructure - Other Level 3	
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	179,909,772	5,272,356	9,614,667	2,041,175	10,542,029	207,379,999
Additions	4,287,456	241,561	989,718	1,461,846	173,172	7,153,753
(Disposals)	0	0	0	0	0	0
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	0	0
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0
Impairment (losses)/reversals	0	0	0	0	0	0
Depreciation (expense)	(2,916,168)	(218,368)	(114,348)	(143,582)	(600,734)	(3,993,200)
Transfers	0	0	0	0	174,801	174,801
Balance at 30 June 2017	181,281,060	5,295,548	10,490,038	3,359,439	10,289,269	210,715,353
Additions	3,357,744	1,945,735	(43,377)	107,771	140,028	5,507,902
(Disposals)	0	0	(5,315,357)	(4,673)	0	(5,320,030)
Revaluation increments/ (decrements) transferred to revaluation surplus	41,279,713	1,298,129	193,044	0	1,020,643	43,791,529
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	(1,529,888)	0	(1,529,888)
Impairment (losses)/reversals	0	0	0	0	0	0
Depreciation (expense)	(2,971,259)	(229,463)	(114,348)	(147,569)	(630,284)	(4,092,923)
Transfers	0	0	0	0	0	0
Balance at 30 June 2018	222,947,258	8,309,949	5,210,000	1,785,081	10,819,656	249,071,943

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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

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

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

9. 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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under control

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

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

Land under roads

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

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

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

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

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

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

9. 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								
Governance								
Administration Vehicle (CEO)					44,907	45,000	93	0
Administration Vehicle (DCEO)	37,853	36,364	0	(1,489)	0			
Community amenities								
Administration Vehicle (EMDS)	0	0			40,199	40,909	710	0
Transport								
Tractor					12,716	10,000	0	(2,716)
6 Wheeler (water tanker)	89,826	95,000	5,174	0	99,913	60,000	0	(39,913)
Side Tipper & Dolly (second hand)	0	0			8,175	10,000	1,825	0
Grader	42,768	70,000	27,232	0	76,384	70,000	0	(6,384)
Mower	0	7,780	7,780	0	212	1,000	788	0
Utility	9,859	5,909	0	(3,950)	9,800	4,000	0	(5,800)
Utility	7,400	5,000	0	(2,400)	11,808	4,000	0	(7,808)
Pole Saw Loader Attachment	0	0			95,952	40,000	0	(55,952)
Economic services								
Administration Vehicle (MBS)	24,380	20,909	0	(3,471)	25,212	23,000	0	(2,212)
Other property and services								
Administration Vehicle (EMI)	38,392	24,545	0	(13,847)	39,144	31,818	0	(7,326)
Land and Buildings								
Other property and services								
Lot 96 Bashford Street, Jurien Bay					85,964	400,000	314,036	0
Infrastructure								
Community amenities								
Jurien Bay sewer infrastructure	5,315,357	0	0	(5,315,357)				
Recreation and culture								
Thirsty Point lookout	4,673	0	0	(4,673)				
	5,570,508	265,507	40,186	(5,345,187)	550,386	739,727	317,452	(128,111)

(b) Depreciation

	2018	2017
	\$	\$
Buildings	1,110,810	1,133,903
Plant & Equipment	785,238	796,585
Furniture & Equipment	169,829	129,177
Infrastructure - Roads	2,971,259	2,916,168
Infrastructure - Parks & Reserves	147,569	143,582
Infrastructure - Footpaths	229,463	218,368
Infrastructure - Drainage	114,348	114,348
Infrastructure - Other	630,284	600,734
	6,158,800	6,052,865

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings	25 - 50 years
Furniture and equipment	5 - 20 years
Plant and equipment	2 - 20 years
Infrastructure Roads	
Formation – All roads	Perpetual life
Pavement – Thin Surfaced Flexible Rural	100 years
Pavement – Thin Surfaced Flexible Urban	100 years
Pavement – Unsealed Rural	50 years
Pavement – Unsealed Urban	50 years
Surface – Asphalt	100 years
Surface – Brick	60 years
Surface – Chip seal	60 years
Surface – Concrete	100 years
Surface – Slurry Seal	100 years
Infrastructure - Footpaths	
Black Asphalt	36 years
Brick Paving	36 years
Concrete Slabs	36 years
Gravel	12 years
In situ Concrete	48 years
Red Asphalt	36 years
Sand	12 years
Timber	36 years
Unknown	48 years
Infrastructure - Drainage	60 years
Infrastructure - Other	5 - 80 years
Infrastructure - Parks and reserves	10 - 45 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.

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

10. REVALUATION SURPLUS

	2018				2017					
	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Furniture and equipment	677,046	0	0	0	677,046	677,046	0	0	0	677,046
Revaluation surplus - Plant and equipment	597,214	0	0	0	597,214	597,214	0	0	0	597,214
Revaluation surplus - Land	2,315,204	0	0	0	2,315,204	1,883,204	432,000	0	432,000	2,315,204
Revaluation surplus - Buildings	14,555,197	0	0	0	14,555,197	13,672,369	882,828	0	882,828	14,555,197
Revaluation surplus - Infrastructure roads	10,476,118	41,279,713	0	41,279,713	51,755,831	10,476,118	0	0	0	10,476,118
Revaluation surplus - Infrastructure drainage	3,690,258	193,044	0	193,044	3,883,302	3,690,258	0	0	0	3,690,258
Revaluation surplus - Infrastructure footpaths	3,862,146	1,298,129	0	1,298,129	5,160,275	3,862,146	0	0	0	3,862,146
Revaluation surplus - Infrastructure other	7,193,984	1,020,643	0	1,020,643	8,214,627	7,193,984	0	0	0	7,193,984
	43,367,167	43,791,529	0	43,791,529	87,158,696	42,052,339	1,314,828	0	1,314,828	43,367,167

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

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

11. TRADE AND OTHER PAYABLES

Current

	2018	2017
	\$	\$
Sundry creditors	162,723	436,073
GST payable	74,986	296
Accrued interest on borrowings	8,402	10,568
Accrued expenses	10,157	35,439
Accrued salaries and wages	40,694	38,307
	<u>296,962</u>	<u>520,683</u>

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.

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New	Principal		Principal		Interest	
	1 July 2017		Repayments	Budget	30 June 2018	Budget	Repayments	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
Loan 127 - Jurien Bay Administration Centre	341,275		60,994	60,994	280,281	280,281	18,106	18,106
	341,275	0	60,994	60,994	280,281	280,281	18,106	18,106
Self Supporting Loans								
Recreation and culture								
Loan 114 - Cervantes Community Club	43,092	0	16,316	16,316	26,776	26,776	2,814	2,814
Loan 130 - Jurien Bowling Club	112,140	0	20,294	20,294	91,846	91,846	5,292	5,292
Loan 131 - Jurien Bowling Club	21,415	0	5,916	5,916	15,499	15,499	535	535
Loan 132 - Jurien Sport and Recreation Centre	0	21,000	3,398	0	17,602	0	248	0
Other property and services								
Loan 113 - Advance Dandaragan	7,373	0	4,842	4,842	2,531	2,531	368	368
	184,020	21,000	50,767	47,368	154,253	136,652	9,257	9,009
	525,295	21,000	111,760	108,362	434,535	416,933	27,363	27,115

Self supporting loans are financed by payments from third parties.
 All other loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	118,788	108,362
Non-current	315,747	416,933
	434,535	525,295

SHIRE OF DANDARAGAN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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12. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
Loan 132 - Jurien Sport and Recreation Centre	21,000	0	WA Treasury Corporation	Fixed rate loan	5	876	2.36%	(21,000)	0	0
	21,000	0				876		(21,000)	0	0

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
	\$	\$
Bank overdraft limit	350,000	350,000
Bank overdraft at balance date	0	0
Credit card limit	21,000	21,000
Credit card balance at balance date	(9,040)	(3,988)
Total amount of credit unused	380,040	374,988

Loan facilities

Loan facilities - current	118,788	108,362
Loan facilities - non-current	315,747	416,933
Total facilities in use at balance date	434,535	525,295

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.

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

13. PROVISIONS

	2018	2017
	\$	\$
Current		
Annual leave	293,013	330,591
Long service leave	289,969	195,654
Total current employee related provisions	582,982	526,245
Non-current		
Long service leave	36,525	76,862
Total non-current employee related provisions	36,525	76,862

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

	2018	2017
	\$	\$
Within 12 months of the end of the reporting period	293,013	330,591
More than 12 months after the end of the reporting period	0	0
	293,013	330,591

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

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

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

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

	2018	2017
	\$	\$
Within 12 months of the end of the reporting period	65,804	28,458
More than 12 months after the end of the reporting period	260,690	244,058
	326,494	272,516

The provision for long service leave are calculated at present value as the Shire does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

14. 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	6,152,114	4,755,525	7,216,558

**Reconciliation of Net Cash Provided By
 Operating Activities to Net Result**

Net result	(6,738,868)	(3,375,544)	1,326,888
Non-cash flows in Net result:			
Depreciation	6,158,800	6,171,904	6,052,865
(Profit)/loss on sale of asset	5,305,001	(189,341)	33,859
Fair value adjustments to fixed assets			
at fair value through profit or loss	0	0	0
Loss on revaluation of fixed assets	1,529,888	0	0
Reversal of loss on revaluation of fixed assets	0	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(283,571)	686,000	(444,886)
(Increase)/decrease in inventories	(10,619)	0	873
Increase/(decrease) in payables and provision	(207,319)	(400,000)	(63,661)
Grants contributions for			
the development of assets	(3,626,988)	(1,433,304)	(3,955,271)
Net cash from operating activities	2,126,323	1,459,715	2,950,666

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

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2018</u>	<u>2017</u>
	\$	\$
Governance	5,264,976	5,341,294
Law, order, public safety	1,665,162	1,795,882
Health	764,552	784,328
Community amenities	9,415,652	14,783,706
Recreation and culture	25,524,058	27,247,904
Transport	236,492,853	191,430,541
Economic services	777,504	786,079
Other property and services	15,445,960	16,426,401
	<u>295,350,716</u>	<u>258,596,134</u>

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

16. CAPITAL AND LEASING COMMITMENTS

	2018	2017
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	15,421
- plant & equipment purchases	118,646	0
Payable:		
- not later than one year	118,646	15,421

The capital expenditure project outstanding at the end of the current reporting period represents the purchase of a new tractor and Toyota Prado.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for

Payable:		
- not later than one year	57,357	57,357
- later than one year but not later than five years	99,910	157,267
- later than five years	0	0
	<u>157,267</u>	<u>214,624</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

SHIRE OF DANDARAGAN
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17. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President			
Councillor Meeting Fees	122,384	127,720	112,840
President Meeting Fees	24,500	24,720	24,720
President Allowance	11,893	12,000	12,000
Deputy President Allowance	2,973	3,000	3,000
Travelling Expenses	19,645	25,000	21,047
ICT Allowance	30,330	31,500	28,238
	<u>211,725</u>	<u>223,940</u>	<u>201,845</u>

Key Management Personnel (KMP) Compensation Disclosure

	2018 \$	2017 \$
The total remuneration for KMP of the Shire during the year are as follows:		
Short-term employee benefits	762,777	888,006
Post-employment benefits	99,032	108,119
Other long-term benefits	<u>39,706</u>	<u>82,418</u>
	901,515	1,078,543

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave benefits accruing during the year.

Transactions with related parties

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

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

	2018 \$	2017 \$
The following transactions occurred with related parties:		
Purchase of goods and services from KMP	300	350
Purchase of goods and services from close family member of KMP	4,020	15,640

Other Disclosure

Parties related to KMP's are employed by the Shire in a non-KMP role. The related parties are employed in accordance to normal terms and conditions afforded to all employees of the Shire.

Related Parties

The Shire's main related parties are as follows:

- i. *Key management personnel*
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.
- ii. *Entities controlled by KMP or close family member*
Entities controlled or jointly controlled by KMP or their close family members

SHIRE OF DANDARAGAN
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18. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Recreation and culture							
R4R Foreshore	281,733	0	(281,733)	0	0	0	0
Cervantes Community Centre - Cervantes Community Contribution	0	44,091	0	44,091	0	(44,091)	0
Cervantes Community Centre - Dept. Culture & Arts	0	333,803	0	333,803	0	(333,803)	0
R4R 2012/13 Individual Component	176,844	0	(149,264)	27,580	0	(27,580)	0
Transport							
Local Roads State Initiative	1,169,127	0	(1,169,127)	0	0	0	0
Total	1,627,705	377,894	(1,600,125)	405,474	0	(405,474)	0

Notes:

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

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

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

SHIRE OF DANDARAGAN
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19. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue 2018	Total Revenue 2017	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Differential general rate / general rate												
Gross rental valuations												
General	0.084300	1,536	25,405,004	2,112,092	13,345		2,125,437	2,942,037	2,112,092			2,112,092
Unimproved valuations												
General	0.007737	685	368,379,251	2,853,276	2,756	3,037	2,859,069	2,720,140	2,859,280			2,859,280
Sub-Total		2,221	393,784,255	4,965,369	16,101	3,037	4,984,506	5,662,177	4,971,372	0	0	4,971,372
Minimum payment												
Gross rental valuations												
General	916	1,262	8,155,420	1,169,732			1,169,732	121,730	1,169,732			1,169,732
Lesser General (Dandaragan & Badgingarra)	691	86	491,530	59,426			59,426	0	59,426			59,426
Vacant Residential							0	107,254				0
Unimproved valuations												
General	865	82	1,572,137	64,010			64,010	65,920	66,605			66,605
Lesser General (non-mining)	691	50	2,577,600	33,168			33,168	30,926	33,168			33,168
Sub-Total		1,480	12,796,687	1,326,336	0	0	1,326,336	325,830	1,328,931	0	0	1,328,931
		3,701	406,580,942	6,291,705	16,101	3,037	6,310,842	5,988,007	6,300,303	0	0	6,300,303
Discounts (refer note 19(b))							(229,752)	(216,299)				(230,000)
Total amount raised from general rate							6,081,090	5,771,708				6,070,303
Ex-gratia rates							1,273	1,275				1,204
Total per Rate Setting Statement							6,082,363	5,772,983				6,071,507
Specified area rates							0	115,872				0
Instalment administration fee							0	13,350				0
Total per Statement of Comprehensive Income by Nature or Type							6,082,363	5,902,205				6,071,507

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.

SHIRE OF DANDARAGAN
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19. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee	Discount	Discount	2018	2018	2017	Circumstances in which Discount is Granted
Discount Granted	%	\$	Actual	Budget	Actual	
General & minimum rates	5.00%		229,752	230,000	216,299	Current rates paid in full within 35 days of the date of issue noted on the rate notice.
			229,752	230,000	216,299	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	Discount	2018	2018	2017
		%	\$	Actual	Budget	Actual
Rate assessment	Write-off			3,372	3,372	3,176
Civic Centre hire charges	Waiver			1,591	0	6,220
Landing fees	Waiver			21,513	0	13,357
				26,476	3,372	22,753

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
Rate assessment	Central West Men's Shed applied for write-off	To allow for the establishment of a not for profit group	i. the tenure of the land being crown land would be otherwise exempt from rating had the Central West Men's Shed not taken up tenancy; ii. the Central West Men's Shed is a non for profit community group with limited income earning potential; and iii. the purpose of a Men's Shed aligns with the Shire of Dandaragan's strategic plan
Civic Centre hire charges	Fees waived for education providers to utilise rooms at the Civic Centre	To ensure the recently constructed Civic Centre achieves its purpose	Improved access to education facilities to improve education offering within the Shire was a key driver for the construction of the Civic Centre.
Landing Fees	1. waive 100% of the Jurien Bay Airstrip / Aerodrome Landing Fee for the first four landings each calendar month for each customer as individually identified by the "customerID" held by Avdata; 2. waive 100% of the Jurien Bay Airstrip / Aerodrome Landing Fee for landings undertaken by the Royal Flying Doctors Service and student pilots.	To not place barriers to the use of the Jurien Bay airstrip to casual and emergency service users	To encourage landing at the Jurien Bay airstrip

SHIRE OF DANDARAGAN
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 FOR THE YEAR ENDED 30TH JUNE 2018

19. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates Interest Rate
		Admin Charge	Interest Rate	Rate
		\$	%	%
Option One				
Single full payment	22-Sep-17	0	0.00%	10.00%
Option Two				
First instalment	22-Sep-17	0	0.00%	10.00%
Second instalment	22-Nov-17	6.67	5.00%	10.00%
Third instalment	22-Jan-18	6.67	5.00%	10.00%
Fourth instalment	22-Mar-18	6.66	5.00%	10.00%

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Interest on unpaid rates	28,914	27,000	32,819
Interest on instalment plan	17,269	16,000	15,660
Charges on instalment plan	13,540	13,000	13,350
	<u>59,723</u>	<u>56,000</u>	<u>61,829</u>

SHIRE OF DANDARAGAN
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20. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018	2017
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	765,361	2,271,019
Restricted	5,386,753	4,945,538
Receivables		
Rates outstanding	235,042	286,721
Sundry debtors	750,912	675,046
GST receivable	186,673	24,298
Accrued Income	63,375	0
Inventories		
Fuel	35,309	24,690
LESS: CURRENT LIABILITIES		
Trade and other payables		
Sundry creditors	(162,723)	(436,073)
Accrued interest on long term borrowings	(8,402)	(10,568)
Accrued salaries and wages	(40,694)	(38,307)
GST payable	(74,986)	(296)
Accrued expenses	(10,157)	(35,439)
Current portion of long term borrowings	(118,788)	(108,362)
Provisions		
Provision for annual leave	(293,013)	(330,591)
Provision for long service leave	(289,969)	(195,654)
Unadjusted net current assets	6,424,692	7,072,024
Adjustments		
Less: Reserves - restricted cash	(5,386,753)	(4,945,538)
Add: Current portion of long term borrowings	118,788	108,362
Adjusted net current assets - surplus/(deficit)	1,156,726	2,234,848

Difference

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

SHIRE OF DANDARAGAN
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21. FINANCIAL RISK MANAGEMENT

Financial instruments held by the Shire are cash and cash equivalents, restricted cash and cash equivalents, loans and receivables, payables, Western Australian Treasury Corporation (WATC) borrowings. The Shire has limited exposure to financial risks. The Shire's overall risk management program focuses on managing the risks identified below.

(a) Summary of risks and risk management

Credit risk

Credit risk arises when there is the possibility of the Shire's receivables defaulting on their contractual obligations resulting in financial loss to the Shire.

The Shire's major receivables comprise rates and annual charges and user charges and fees. 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.

Liquidity risk

Liquidity risk arises when the Shire is unable to meet its financial obligations as they fall due.

The Shire is exposed to liquidity risk through its trading in the normal course of business.

The Shire has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Shire's income or the value of its holdings of financial instruments. The Shire does not trade in foreign currency and is not materially exposed to other price risks [for example, equity securities or commodity prices changes].

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at Note 21(d), the Shire is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the WATC borrowings.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	6,152,114	7,216,558
Receivables*	1,247,597	1,160,320
	7,399,711	8,376,878
Financial liabilities		
Payables*	221,976	520,387
Borrowings	434,535	525,295
	656,511	1,045,682

* Amount excludes GST receivable / payable to ATO (statutory receivable / payable)

SHIRE OF DANDARAGAN
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21. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk and Interest Rate Exposure

The following table details the agency's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average effective interest rate	Interest rate exposure				Nominal amount	Maturity dates		
		Carrying Amount	Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 year	1-5 years	More than 5 years
	%	\$	\$	\$	\$	\$	\$	\$	
2018									
<u>Financial assets</u>									
Cash and cash equivalents (unrestricted)	1.00%	765,361	-	765,361	-	765,361	765,361	-	
Cash and cash equivalents (restricted)	1.50%	5,386,753	-	5,386,753	-	5,386,753	5,386,753	-	
Receivables		1,247,597	-	-	1,247,597	1,247,597	1,247,597	-	
		7,399,711	-	6,152,114	1,247,597	7,399,711	7,399,711	-	
<u>Financial liabilities</u>									
Payables		221,976	-	-	221,976	221,976	221,976	-	
WATC borrowings	5.29%	434,535	434,535	-	-	464,246	2,589	461,657	
		656,511	434,535	-	221,976	686,222	224,565	461,657	
2017									
<u>Financial assets</u>									
Cash and cash equivalents (unrestricted)	1.00%	2,271,019	-	2,271,019	-	2,271,019	2,271,019	-	
Cash and cash equivalents (restricted)	1.50%	4,945,538	-	4,945,538	-	4,945,538	4,945,538	-	
Receivables		1,160,320	-	-	1,160,320	1,160,320	1,160,320	-	
		8,376,878	-	7,216,558	1,160,320	8,376,878	8,376,878	-	
<u>Financial liabilities</u>									
Payables		520,387	-	-	520,387	520,387	520,387	-	
WATC borrowings	5.44%	525,295	525,295	-	-	570,828	-	570,828	
		1,045,682	525,295	-	520,387	1,091,215	520,387	570,828	

21. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Shire's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying Amount	-100 basis points		+100 basis points	
		Surplus	Equity	Surplus	Equity
	\$	\$	\$	\$	\$
2018					
<u>Financial assets</u>					
Cash and cash equivalents (unrestricted)	765,361	(7,654)	(7,654)	7,654	7,654
Cash and cash equivalents (restricted)	5,386,753	(53,868)	(53,868)	53,868	53,868
	6,152,114	(61,521)	(61,521)	61,521	61,521
2017					
<u>Financial assets</u>					
Cash and cash equivalents (unrestricted)	2,271,019	(22,710)	(22,710)	22,710	22,710
Cash and cash equivalents (restricted)	4,945,538	(49,455)	(49,455)	49,455	49,455
	7,216,558	(72,166)	(72,166)	72,166	72,166

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

22. TRUST FUND

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

Trust Fund	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Housing Relocation Bond	4,000			4,000
Housing Bonds	250	600	(600)	250
Seagate Estate	37,300			37,300
Fire Fighting Facility	5,000			5,000
Other Development Bonds	19,000			19,000
Dust Bond	11,049			11,049
Burial Plots	3,126	6,123	(5,340)	3,909
Footpath Deposits	2,600			2,600
Nomination Deposits	0	480	(480)	0
Sale Lot 28 Harris St for cap exp rec dand	9,500			9,500
Development Assessment Panel Fee	0	196		196
Scheme Amendment Deposit	1,000			1,000
KidsSport	2,829		(2,829)	0
Central Coast Strategy	13,540			13,540
DOLA Sub-Divisions Cervantes	41,401			41,401
Jurien Bay Heights - Stage 2	15,900			15,900
Seagate Estate Footpath	20,814			20,814
Cash in Lieu - Landscaping	2,000			2,000
Cash in Lieu POS - Landcorp	162,500			162,500
RehabBond (Sand Pit Holdings Lot 290 Canover)	5,000			5,000
Retention Wormall Civil PL STowns	148,050		(148,050)	0
Interest on Restricted Assets	59,550			59,550
	564,409	7,399	(157,299)	414,510

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

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

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

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability 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.

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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

SHIRE OF DANDARAGAN
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FOR THE YEAR ENDED 30TH JUNE 2018

24. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

SHIRE OF DANDARAGAN
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25. 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	Includes the activities of members of Council and the administrative support available to the Council for the provision of governance of the district. Other costs relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific local government services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services	Rates, general purpose government grants and interest revenue
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Provision of youth, aged and disability services.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource of the community.	Maintenance of public halls, civic centres, beaches, recreation centres and maintenance of parks, gardens and playgrounds. Operation of library and other cultural facilities.
TRANSPORT	To provide safe, effective and efficient transport services to the community	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and
ECONOMIC SERVICES	To help promote the local government and its economic wellbeing	Tourism and area promotion Provision of rural services including weed control, vermin control and standpipes. Building control.
OTHER PROPERTY AND SERVICES	To monitor and control operating accounts	Private works operation, plant repair and costs.

SHIRE OF DANDARAGAN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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26. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	4.90	5.22	3.50
Asset consumption ratio	0.72	0.71	0.77
Asset renewal funding ratio	0.91	0.94	0.93
Asset sustainability ratio	0.84	0.97	0.97
Debt service cover ratio	(30.53) ¹	13.95	8.60
Operating surplus ratio	(1.15) ²	(0.31)	(0.43)
Own source revenue coverage ratio	0.42 ³	0.61	0.64

The above ratios are calculated as follows:

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

Notes:

Three of the ratios was impacted by expenses associated with the disposal of the sewer to the Water Corporation for nil consideration and loss on revaluation of assets through P&L

	2018
	\$
Loss on disposal of sewer	5,315,357
Loss on revaluation of assets	1,529,888

If the events detailed above did not occur, the ratio would be as follows:

	2018
Debt service cover ratio	19.45 ¹
Operating surplus ratio	(0.39) ²
Own source revenue coverage ratio	0.63 ³

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of Dandaragan

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Shire of Dandaragan:

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicate significant adverse trend in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sports and Cultural Industries standard for the past three years. The financial ratios are reported in Note 26 of the financial report.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law was identified during the course of my audit:
 - a. Accounting journal entries were posted with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved with evidence of this review being retained.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 26 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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

DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
December 2018

NAME OF ENTITY: SHIRE OF DANDARAGAN
 PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
 FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. General Journals	✓		
2. Asset Management Plan and Long Term Financial Plan		✓	
3. Long Service Leave Assumptions			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

NAME OF ENTITY: SHIRE OF DANDARAGAN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. General Journals

Finding

We found there was no evidence of the review of journal entries processed during the year by someone independent of the general journal preparation process. In addition, the supporting documentation for the general journals is not separately maintained.

Rating: Significant

Implication

The absence of a formal review of general journals by someone independent of the preparation process may allow for erroneous or fraudulent adjustments to be processed undetected.

Recommendation

We recommend that management revise its processes to ensure general journals are *independently reviewed and documentation supporting the journal and its review is retained*. It is important that the reviewer signs and dates the general journal page or approves electronically to ensure that there is sufficient evidence of the review.

Management Comment

Noted. This was brought to our attention during the on-site visit. We are investigating the best way to implement this change as a matter of urgency, whether that be within Dynamics NAV or a traditional manual system.

Responsible Person:

Completion Date:

NAME OF ENTITY: SHIRE OF DANDARAGAN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Asset Management Plan and Long Term Financial Plan

Finding

We noted that current Asset Management Plan was prepared in 2013. This document was scheduled for review in 2017 and this has not yet been completed. Also, the Shire does not currently maintain a Long term Financial Plan covering ten year period. For the purposes of the 2018 audit, we were provided with the documentation prepared by the management for the remaining years covering ten year period.

Rating: Moderate

Implication

Asset Management Plan and Long term Financial Plan are integral part of the Shire's strategic planning process which addresses the operating and capital requirements of the Shire over the next ten years. Absence of up-to-date asset budget plans may impact the Shire's long term strategic planning process and may result in misstatement of asset renewal funding ratio in the financial report.

Recommendation

We recommend the Asset Management Plan and the Long Term Financial Plan are prepared, reviewed and updated annually to ensure 10 year projections are available to calculate the asset renewal funding ratio.

Management Comment

We are aware of the current state of our AMP's and are treating their review and update as a priority. While there is no current LTFP this is primarily because of the current quality of the AMP's. However, the methodologies used in the formation of a LTFP are currently used in calculating the financial position and performance of the Shire as currently presented within the Corporate Business Plan, therefore, we are not entirely lacking the information that would normally be contained within this document. The recently appointed CEO is currently undertaking a major review of the entire suite of Integrated Planning and Reporting documentation suite. The priority is the production of a new Strategic Community Plan, following this, focus will shift to the AMP and subsequent LTFP and CBP.

Responsible Person:

Completion Date:

NAME OF ENTITY: SHIRE OF DANDARAGAN
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Long Services Leave Assumptions

Finding

We noted that on-costs such as workcover insurance, inflation, probabilities of staff turnover, discount rates are applied in long service leave calculations, but the Shire did not maintain supporting information to justify some of the assumptions used.

Rating: Minor

Implication

Lack of supporting information makes it difficult to ascertain if the assumptions applied are accurate and in accordance with the Australian Accounting Standards which may result in misstatement in the financial statements.

Recommendation

Whilst the impact is not likely to be material from our assessment, we recommend the supporting information for the assumptions to be maintained based on the Shire's historical and other observable market data.

Management Comment

While this is noted as minor on the report, in my opinion it is bordering on insignificant. Nevertheless, I will undertake to put a methodology behind the on-cost % in future.

Responsible Person:

Completion Date: