



Annual Financial Report



For the year ended
30 June 2018

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

TABLE OF CONTENTS

	Page No.
Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4 - 5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Rate Setting Statement	9
Notes to and Forming Part of the Financial Report	10 - 64
Independent Audit Report	65 - 67

Note: The principal place of business of the Shire of Donnybrook Balingup is:
Corner Collins and Bentley Streets, Donnybrook WA 6239


SHIRE OF DONNYBROOK BALINGUP

FORM 1
LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

Statement by CEO

The attached financial report of the Shire of Donnybrook Balingup for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the position of the Shire of Donnybrook Balingup at 30 June 2018 and the results fo 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 7th day of December, 2018



Ben Rose
Chief Executive Officer

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

	NOTE	2018 \$	2018 Budget \$	2017 \$
Revenue				
Rates	23	4,562,806	4,555,822	4,306,828
Operating Grants, Subsidies and Contributions	29	4,639,183	3,463,343	5,531,211
Fees and Charges	28	2,770,434	3,288,132	2,671,080
Interest Earnings	2(a)	304,497	189,541	268,368
Other Revenue	2(a)	510,718	354,235	350,716
		<u>12,787,638</u>	<u>11,851,073</u>	<u>13,128,202</u>
Expenses				
Employee Costs		(6,041,873)	(5,965,309)	(5,549,320)
Materials and Contracts		(3,558,294)	(4,209,104)	(3,401,369)
Utility Charges		(409,070)	(383,907)	(392,118)
Depreciation on Non Current Assets	2(a)	(5,504,520)	(5,603,659)	(5,464,055)
Interest Expenses	2(a)	(13,504)	(15,176)	(35,474)
Insurance Expenses		(316,992)	(307,596)	(275,991)
Other Expenditure		(735,347)	(1,012,377)	(944,009)
		<u>(16,579,600)</u>	<u>(17,497,128)</u>	<u>(16,062,335)</u>
		(3,791,963)	(5,646,055)	(2,934,132)
Non-Operating Grants, Subsidies and Contributions	29	2,559,756	5,988,330	3,950,339
Profit on Asset Disposals	21	121,274	420,480	13,559
Loss on Asset Disposals	21	(500,372)	(42,000)	(79,891)
NET RESULT		(1,611,304)	720,755	949,875
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	3,022,340	0	10,858,723
Total Other Comprehensive Income		<u>3,022,340</u>	<u>0</u>	<u>10,858,723</u>
TOTAL COMPREHENSIVE INCOME		<u><u>1,411,036</u></u>	<u><u>720,755</u></u>	<u><u>11,808,597</u></u>

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

SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 \$	2018 Budget \$	2017 \$
Revenue				
Governance		47,504	22,927	8,641
General Purpose Funding		6,740,372	5,659,218	7,399,886
Law, Order, Public Safety		404,811	191,888	253,208
Health		141,716	168,673	145,015
Education and Welfare		3,536,292	3,872,323	3,505,588
Community Amenities		1,141,847	1,115,780	1,078,164
Recreation and Culture		250,162	314,321	244,524
Transport		212,006	241,533	276,000
Economic Services		180,988	163,910	160,482
Other Property and Services		136,987	102,500	59,531
		<u>12,792,686</u>	<u>11,853,073</u>	<u>13,131,039</u>
Expenses Excluding Finance Costs				
Governance		(858,447)	(1,157,534)	(804,658)
General Purpose Funding		(186,102)	(165,899)	(201,636)
Law, Order, Public Safety		(1,414,034)	(1,031,036)	(948,044)
Health		(226,229)	(241,409)	(174,652)
Education and Welfare		(4,003,912)	(4,002,758)	(3,658,855)
Community Amenities		(1,530,449)	(1,639,651)	(1,543,670)
Recreation & Culture		(3,004,486)	(3,176,867)	(2,801,637)
Transport		(4,789,181)	(5,071,231)	(5,324,132)
Economic Services		(406,110)	(895,067)	(493,775)
Other Property and Services		(152,195)	(102,500)	(78,640)
		<u>(16,571,145)</u>	<u>(17,483,952)</u>	<u>(16,029,701)</u>
Finance Costs				
General Purpose Funding		0	0	0
Health		(5,465)	(5,520)	(6,018)
Education and Welfare		0	0	(18,106)
Recreation and Culture		(2,369)	(2,412)	(1,751)
Economic Services		(5,670)	(7,244)	(9,596)
	2(a)	<u>(13,504)</u>	<u>(15,176)</u>	<u>(35,471)</u>
Non Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		782,701	1,606,592	1,110,702
Education and Welfare		0	895,000	33,133
Community Amenities		0	0	20,232
Recreation and Culture		200,000	257,010	144,784
Transport		1,577,055	3,229,728	2,641,488
	29	<u>2,559,756</u>	<u>5,988,330</u>	<u>3,950,339</u>

SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM (continued)
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 \$	2018 Budget \$	2017 \$
Profit/(Loss) on Disposal of Assets				
Law, Order, Public Safety		(143,655)	0	(32,432)
Health		(2,886)	0	0
Education and Welfare		8,000	8,000	0
Community Amenities		(17,218)	0	0
Recreation and Culture		(254,713)	0	(3,452)
Transport		(70,483)	(33,000)	(21,714)
Economic Services		101,857	403,480	(8,734)
	21	<u>(379,098)</u>	<u>378,480</u>	<u>(66,332)</u>
NET RESULT		<u>(1,611,304)</u>	<u>720,755</u>	<u>949,875</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	<u>3,022,340</u>	<u>0</u>	<u>10,858,723</u>
Total Other Comprehensive Income		<u>3,022,340</u>	<u>0</u>	<u>10,858,723</u>
TOTAL COMPREHENSIVE INCOME		<u>1,411,036</u>	<u>720,755</u>	<u>11,808,597</u>

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

**SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	2,089,564	1,930,631
Restricted Assets (Reserves)	3	6,392,343	5,981,652
Accounts Receivable (Rates Debtors)	5	378,602	338,600
Accounts Receivable (Other Debtors)	5	138,756	242,459
Accrued Income	5	158,722	67,004
Prepayments	5	5,778	0
Inventories (Land held for Resale)	6	151,676	158,910
Inventories (Stock on Hand)	6	63,960	22,266
Inventories (Work in Progress)	6	10,084	0
TOTAL CURRENT ASSETS		<u>9,389,486</u>	<u>8,741,522</u>
NON-CURRENT ASSETS			
Deferred Debtors (Self Support. Loans)	5	73,035	81,695
Pensioner Deferred Rates	5	158,875	134,115
Long Term Investments	4	86,867	25,000
Accrued Income	5	659,674	629,839
Land and Buildings	7	31,456,525	31,803,033
Infrastructure, Roads, Streets etc.	8	131,240,496	129,972,501
Plant / Mobile Equipment	7	5,879,999	5,777,394
Furniture and Equipment	7	161,647	203,455
TOTAL NON-CURRENT ASSETS		<u>169,717,117</u>	<u>168,627,032</u>
TOTAL ASSETS		<u>179,106,603</u>	<u>177,368,553</u>
CURRENT LIABILITIES			
Accounts Payable (Creditors)	9	560,345	412,275
Income prepaid in Advance	9	100,995	89,028
Accrued Expenses	9	284,072	161,504
Current Portion of Long Term Borrowings	10	30,795	71,645
Employee Provisions	11	796,570	505,014
TOTAL CURRENT LIABILITIES		<u>1,772,777</u>	<u>1,239,466</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	10	205,306	236,101
Bond Liability	10	187,229	187,229
Preston Village Lease Liability	10	4,022,000	4,022,000
Long Term Employee Provisions	11	107,417	282,919
TOTAL NON-CURRENT LIABILITIES		<u>4,521,952</u>	<u>4,728,249</u>
TOTAL LIABILITIES		<u>6,294,729</u>	<u>5,967,715</u>
NET ASSETS		<u>172,811,873</u>	<u>171,400,838</u>
EQUITY			
Retained Surplus		33,908,340	36,137,497
Reserves - Cash/Investment Backed	12	6,324,335	5,706,482
Revaluation Surplus	13	132,579,198	129,556,858
TOTAL EQUITY		<u>172,811,873</u>	<u>171,400,838</u>

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

**SHIRE OF DONNYBROOK BALINGUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/INVESTMENT BACKED \$	ASSET REVALUATION RESERVES \$	TOTAL EQUITY \$
Balance as at 1st July 2016		35,203,092	5,691,013	118,698,135	159,592,240
Comprehensive Income					
Net Result		949,875	0	0	949,875
Changes on Revaluation of Non Current Assets	13	0		10,858,723	10,858,723
Total Comprehensive Income		<u>949,875</u>	<u>0</u>	<u>10,858,723</u>	<u>11,808,597</u>
Transfer from/(to) Reserves	12	<u>(15,469)</u>	<u>15,469</u>	<u>0</u>	<u>0</u>
Balance as at 30 June 2017		36,137,497	5,706,482	129,556,858	171,400,838
Comprehensive Income					
Net Result		(1,611,304)	0	0	(1,611,304)
Changes on Revaluation of Non Current Assets	13	0	0	3,022,340	3,022,340
Total Comprehensive Income		<u>(1,611,304)</u>	<u>0</u>	<u>3,022,340</u>	<u>1,411,036</u>
Transfer from/(to) Reserves	12	<u>(617,853)</u>	<u>617,853</u>	<u>0</u>	<u>0</u>
Balance as at 30 June 2018		33,908,340	6,324,335	132,579,198	172,811,873

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

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

	NOTE	2018 \$	2018 Budget \$	2017 \$
Cash Flows From Operating Activities				
Receipts				
Rates		4,511,677	4,555,822	4,285,165
Grants and Subsidies Operating		4,494,351	3,410,363	5,428,843
Contributions, Reimbursements & Donations		78,397	52,980	48,798
Fees and Charges		2,810,835	3,298,364	2,618,497
Interest Earnings		306,838	194,844	263,065
Goods and Services Tax		1,163,819	1,300,000	1,238,293
Other Revenue		342,915	357,212	346,017
		<u>13,708,832</u>	<u>13,169,585</u>	<u>14,228,677</u>
Payments				
Employee Costs		(5,802,207)	(5,967,607)	(5,498,148)
Materials and Contracts		(3,405,109)	(4,397,755)	(3,299,773)
Utility Charges		(424,048)	(388,026)	(379,325)
Insurance Expenses		(316,643)	(307,596)	(275,991)
Interest Expenses		(15,176)	(15,176)	(38,292)
Goods and Services Tax		(1,123,086)	(1,300,000)	(1,282,350)
Other Expenditure		(734,889)	(1,027,861)	(961,863)
		<u>(11,821,158)</u>	<u>(13,404,021)</u>	<u>(11,735,741)</u>
Net Cash Provided by Operating Activities	14(b)	1,887,674	(234,436)	2,492,936
Cash Flows from Investing Activities				
Payments for Purchase of Land and Buildings		(864,110)	(2,318,012)	(590,933)
Payments for Purchase of Plant & Equipment		(1,386,801)	(2,269,838)	(1,313,499)
Payments for Construction of Infrastructure		(2,139,387)	(4,232,614)	(4,504,175)
Advances to Community Groups		0	0	(94,250)
Payments for repayment of fixed loans for Preston Retirement Village		(310,000)	(620,000)	(305,000)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		2,629,369	6,057,942	4,171,074
Proceeds from Sale of Land and Buildings		159,090.91	612,390	0
Proceeds from Sale of Land held for Resale		7,234.00	0	0
Proceeds from Sale of long term lease of Buildings		310,000	620,000	617,000
Proceeds from Sale of Plant & Equipment		339,772.64	122,000	116,732
Net Cash Used in Investing Activities		<u>(1,254,831)</u>	<u>(2,028,132)</u>	<u>(1,903,052)</u>
Cash Flows from Financing Activities				
Repayment of Debentures	22(a)	(71,645)	(71,645)	(587,076)
Proceeds from Self Supporting Loans	22(a)	8,427	8,427	4,128
Proceeds from New Debentures		0	900,000	94,250
Net Cash Provided By Financing Activities		<u>(63,218)</u>	<u>836,782</u>	<u>(488,698)</u>
Net Increase/ (Decrease) in Cash Held		569,624	(1,425,786)	101,186
Cash at Beginning of Year		7,912,282	7,912,282	7,811,096
Cash and Cash Equivalents at the End of Year	14(a)	<u>8,481,907</u>	<u>6,486,496</u>	<u>7,912,282</u>

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

**SHIRE OF DONNYBROOK/BALINGUP
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

NOTE	2018 \$	2018 Budget \$	2017 \$
Net currents assets at start of financial year			
Surplus/(deficit)	2,060,451	2,130,534	371,831
Revenue from operating activities (excluding rates)			
General Purpose Funding	2,177,567	1,103,396	3,093,059
Governance	47,504	22,927	8,641
Law, Order, Public Safety	404,811	191,888	255,503
Health	141,716	168,673	145,015
Education and Welfare	3,544,292	3,880,323	3,505,588
Community Amenities	1,141,847	1,115,780	1,078,164
Recreation and Culture	250,162	314,321	244,524
Transport	223,423	250,533	287,264
Economic Services	282,845	567,390	160,482
Other Property and Services	136,987	102,500	59,531
	<u>8,351,154</u>	<u>7,717,731</u>	<u>8,837,770</u>
Expenditure from operating activities			
General Purpose Funding	(186,102)	(165,899)	(201,636)
Governance	(858,447)	(1,157,534)	(804,658)
Law, Order, Public Safety	(1,557,689)	(1,031,036)	(982,772)
Health	(234,580)	(246,929)	(180,670)
Education and Welfare	(4,003,912)	(4,002,758)	(3,676,961)
Community Amenities	(1,547,668)	(1,639,651)	(1,543,670)
Recreation & Culture	(3,261,568)	(3,179,279)	(2,806,841)
Transport	(4,871,081)	(5,113,231)	(5,357,110)
Economic Services	(411,779)	(902,311)	(512,105)
Other Property and Services	(152,195)	(102,500)	(78,640)
	<u>(17,085,020)</u>	<u>(17,541,128)</u>	<u>(16,145,063)</u>
Operating activities excluded from budget			
(Profit)/Loss on Asset Disposals	21 379,098	(378,480)	66,332
Depreciation on Assets	2(a) 5,504,520	5,603,659	5,464,055
Movement in Employee Benefit Provisions	(61,867)	0	0
Movement in Non Current Assets	(29,835)	0	(89,253)
Movement in Non Current Assets (Emp LSL)	(175,502)	0	23,346
Movement in Leave Reserve Written Back	49,049	0	325
Movement in Pensioner Deferred Rates	(24,759)	0	(11,278)
Adjust Current Asset - Land Held For Resale	(7,234)	(158,910)	0
Amount attributable to operating activities	<u>5,633,469</u>	<u>5,066,269</u>	<u>5,453,527</u>
INVESTING ACTIVITIES			
Non Operating Grants & Contributions	29 2,559,756	5,988,330	3,950,339
Purchase Land and Buildings	7 (816,481)	(2,276,547)	(602,661)
Purchase Infrastructure Assets - Roads	8 (1,877,402)	(2,257,119)	(2,401,847)
Purchase Infrastructure Assets - Other	8 (271,746)	(1,975,495)	(214,827)
Purchase Plant and Equipment	7 (1,364,434)	(2,191,800)	(1,307,927)
Purchase Furniture and Equipment	7 (5,129)	(60,800)	(17,834)
Proceeds from Disposal of Assets	21 498,864	734,390	116,732
Amount attributable to investing activities	<u>(1,276,571)</u>	<u>(2,039,041)</u>	<u>(478,025)</u>
FINANCING ACTIVITIES			
Proceeds from Leased Property	310,000	620,000	620,000
Repayment of Preston Village Fixed Loans	(310,000)	(620,000)	(308,000)
Advances S/S Loans to Community Groups	0	0	(94,250)
Repayment of Debentures	22 (71,645)	(71,645)	(587,076)
Proceeds from New Debentures	22 0	900,000	94,250
Self-Supporting Loan Principal Income	22 8,427	8,427	4,128
Transfers to Reserves (Restricted Assets)	12 (1,543,714)	(2,114,968)	(1,210,796)
Transfers from Reserves (Restricted Assets)	12 925,861	1,409,803	1,195,326
Amount attributable to financing	<u>(681,071)</u>	<u>131,617</u>	<u>(286,417)</u>
Surplus (deficiency) before general rates			
Total amount raised from general rates	23 (2,997,587)	(4,534,018)	(2,246,376)
Net current assets at June 30 c/fwd	<u>4,562,806</u>	<u>4,555,822</u>	<u>4,306,828</u>
Surplus/(deficit)	23(b) <u>1,565,218</u>	<u>21,804</u>	<u>2,060,451</u>

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

The Local Government Reporting Entity

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

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

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

(b) Goods and Services Tax

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

(c) Cash and Cash Equivalents

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

Bank overdrafts are reported as short term borrowings in current liabilities in the Statement of Financial Position.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for Resale

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

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

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

(f) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

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

During the year ended 30th June 2013, the Shire commenced the phasing process of adopting Fair Value in accordance with the Regulations. At the 30th June 2016 all non-current assets were valued at Fair Value in accordance with the requirements.

Herinafter each asset class must be revalued in accordance with the regulatory framework as established, and the Shire does revalue its asset classes in accordance with this mandatory timetable.

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

Land Under Control

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fixed Assets (continued)

Land Under Control

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

Initial Recognition and Measurement between Mandatory Revaluation Dates.

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

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

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

Revaluation

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

Land under Roads

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is often 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.

Depreciation

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fixed Assets (continued)

Depreciation

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

(a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or

(b) Eliminating it against the gross carrying amount of the asset with the net amount then restated as the revalued amount of the asset.

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

Buildings	20 to 100 years
Office Furniture and Equipment	4 to 15 years
Computer Equipment	4 to 5 years
Plant and Equipment	5 to 15 years
<u>Infrastructure:</u>	
Bridges	35 to 50 years
Road clearing and earthworks	not depreciated
Road Pavement	40 to 45 years
Road Seal	15 years
Carparks	40 years
Cycleways	40 years
Footpaths - Concrete	50 years
Footpaths - Slab	20 years
Storm Water Drainage	50 - 70 years
Other	4-80 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period and in conformity with any valuation advice provided.

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.

Capitalisation Threshold

Expenditure on items of equipment worth \$2,000 or less (GST exc) are not capitalised. Rather it may, depending on the nature of the item, be recorded in a purpose specific register.

(g) Fair Value of Assets and Liabilities

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cost approach

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

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments (continued)

Classification and Subsequent Measurement

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Impairment

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

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

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

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

Derecognition

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

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

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

1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

(k) Employee Benefits

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

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

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

(l) Borrowing Costs

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

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

1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Leases

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

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

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

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

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

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Interests in Joint Arrangements (continued)

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

(r) Superannuation

The Shire of Donnybrook/Balingup contributes to a number of Superannuation funds on behalf of employees. All funds to which Shire contributes are defined contribution plans.

(s) Current and Non Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Management's assessment of the new and amended pronouncements that are relevant to the 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	<p>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.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii) AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>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.</p>

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB1058 Income of Not for Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	01 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas are:</p> <ul style="list-style-type: none"> Assets received below key value; Transfers received to acquire or construct non-financial assets; Grants received; Prepaid rates; Leases entered into at or below market rates; and Volunteer services <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

Title	Issued / Compiled	Applicable ⁽¹⁾
-------	-------------------	---------------------------

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 associated 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 Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities | | 1 January 2017 |

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

2. REVENUES AND EXPENSES	2018	2017
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit of the Financial Report	15,900	15,200
- Additional Audit Services	5,530	15,490
	<u>21,430</u>	<u>30,690</u>
Depreciation - By Class		
Buildings	1,105,795	1,133,756
Furniture and Equipment	46,936	50,219
Plant and Equipment	759,126	609,688
Infrastructure - Roads	2,232,714	2,172,023
Infrastructure - Other	1,359,948	1,498,368
	<u>5,504,520</u>	<u>5,464,055</u>
Interest Expenses (Finance Costs)		
Interest on Overdraft	0	3
Debentures (refer Note 22 (a))	13,504	35,471
	<u>13,504</u>	<u>35,474</u>
Rental Charges		
- Operating Leases (Photocopier)	6,043	4,919
- Operating Leases (Rec Centre Gym Equipment)	12,522	14,779
- Operating Leases (Dell Computer Server)	23,449	30,311
- Operating Leases (Dell Computers)	19,937	11,106
	<u>61,952</u>	<u>61,115</u>
 (ii) Crediting as Revenue:		
	2018	2017
	\$	\$
Other Revenue		
Reimbursements & Recoveries	324,809	223,150
Commissions	24,920	24,920
Royalties	88,334	85,317
Other	72,654	17,329
	<u>510,718</u>	<u>350,716</u>

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

2. REVENUES AND EXPENSES (Continued)**(a) Net Result (Continued)**

	2018 \$	2018 Budget \$	2017 \$
Interest Earnings			
Investments			
- Reserve Funds	116,244	75,141	108,286
- Other Funds	128,750	65,000	103,917
Other Interest Revenue (refer note 27)	59,504	49,400	56,165
	<u>304,497</u>	<u>189,541</u>	<u>268,368</u>

2. REVENUES AND EXPENSES (Continued)**(b) Statement of Objective**

In order to discharge its responsibilities to the community, the Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis and for each of its broad activities/programs.

The Council's operations as disclosed in this financial statement encompass the following service orientated activities/programs:

GENERAL PURPOSE FUNDING

Objective: To collect revenue to allow for the provision of services.

Activities: Collection of general rate revenue, general purpose grants and interest revenue.

GOVERNANCE

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

Activities: Administration and operation of facilities and services to members of Council; Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific shire services.

LAW, ORDER, PUBLIC SAFETY

Objective: To provide services to help ensure a safer community.

Activities: Supervision of various local laws, fire prevention, animal control and State Emergency Services involvements.

HEALTH

Objective: To provide an operational framework for good community health.

Activities: Health Inspection and administration, preventative services and provision of medical centre buildings.

EDUCATION AND WELFARE

Objective: To meet the needs of the community in these areas.

Activities: Operation of a Frail Aged Hostel, Well Aged Housing, Child Care and Youth Welfare.

HOUSING

Objective: To help ensure adequate housing.

Activities: The Shire does not currently provide any services in this area.

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

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective: Provide services required by the community.

Activities: Refuse and recycling collection services, operation of refuse disposal sites, administration of town planning & regional development schemes, cemeteries, public conveniences and protection of the environment.

RECREATION AND CULTURE

Objective: To establish and manage efficiently infrastructure and resources related to either recreation or culture which will help the social well being of the community.

Activities: Maintenance of public halls, parks and reserves, sporting facilities, libraries and a museum.

TRANSPORT

Objective: To provide effective and efficient transport services to the community.

Activities: Construction and maintenance of roads, drainage works, footpaths, parking facilities, traffic signs, street cleaning, street trees, private works and traffic management.

ECONOMIC SERVICES

Objective: To help promote the Shire and improve its economic well being.

Activities: Promotion of tourism, maintenance of transit caravan parks, buildings regulatory control, noxious weed control, receipt of royalties and agency commissions from the Department of Transport. for undertaking traffic licencing activities on its behalf.

OTHER PROPERTY & SERVICES

Objective: To act as holding area to enable the monitoring and control of the Shire's public works overheads, plant operation costs, salaries and wages and stock on hand.

Activities: Allocations of plant repair, overhead, salary and stock costs.

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

2. REVENUES AND EXPENSES (Continued)

(c) Conditions Over Contributions

Grant / Contribution	Function / Activity	Opening Balance (¹) 30/06/16	Received (²) 2016/17	Expended (³) 2016/17	Closing Balance 30/06/17	Received (²) 2017/18	Expended (³) 2017/18	Closing Balance 30/06/18
Grants for Bridgeworks (MRWA)	Transport	125,905		(76,516)	49,389		0	49,389
Grants for Bridgeworks (WALGOC)	Transport	0	0	0	0	66,000		66,000
Grants for State Blackspot Projects (MRWA)	Transport	0	0	0	0	160,000	(135,984)	24,016
Various contributions from Developers for upgrading of specific roads	Transport	307,125	0	0	307,125	0	0	307,125
South West Development Commission (Mungalup Road)	Transport	743,713	47,119	(743,713)	47,119	0	(47,119)	0
Royalties for Regions Grants (CLGF 2012/13 program)	Recreation & Culture	647,112	23,904	(450,106)	220,910	915	(221,826)	0
Department of Primary Industries and Regional Development (RfR Regional headworks and Infrastructure Funds - Balingup Town Hall)	Recreation & Culture	0	0	0	0	200,000	0	200,000
South West Development Commission (Pathway to Preston River)	Transport	0	63,284	0	63,284	0	0	63,284
State Natural Resource Management Office (Strategic Planning Shire Reserves)	Protection of the Environment	3,000	0	(3,000)	0			0
Preston Retirement Village (maintenance fees)	Education and Welfare	14,630	36,362	(39,125)	11,867	43,799	(44,178)	11,488
Department of Agriculture (LCDC Unspent Funds)	Community Amenities	8,848	0	(2,622)	6,226		(1,500)	4,726
Dept Fire & Emergency Services (LGGS 16/17)	Law, Order & Public Safety	32,175	36,166	(32,175)	36,166	51,794	(36,166)	51,794
Minster for Sport & Recreation (Pool Revitalisation Grant Scheme 15/16 & 16/17)	Recreation & Culture	32,000	32,000	(64,000)	0	0	0	0
Total		1,914,508	238,836	(1,411,257)	742,087	522,509	(486,774)	777,821

Notes:

- (1) Grants / contributions recognised as revenues in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) New Grants / contributions which have been 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 have 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.

Economic Dependency

- (4) A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed within the Statement of Comprehensive Income.

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

	Note	2018 \$	2017 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		2,089,564	1,930,631
Restricted		<u>6,392,343</u>	<u>5,981,652</u>
		<u>8,481,907</u>	<u>7,912,282</u>
Trust Fund	20	<u>5,399,657</u>	<u>3,569,269</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Waste Management Reserve	12	1,372,381	1,220,685
Bushfire Control & Management Reserve	12	2,282	12,719
Aged Housing Reserve	12	1,319,602	1,235,144
Employee Leave & Gratuity Reserve	12	250,709	201,660
Arbuthnott Memorial Scholarship Reserve	12	3,685	3,805
Town Planning Reserve	12	40,051	39,229
Land Development Reserve	12	223,548	39,538
Plant Replacement Reserve	12	395,296	503,575
Roadworks Reserve (refer note 2(c))	12	1,297,007	1,071,944
(Includes unspent grants of \$509,813)			
Valuation Reserve	12	60,950	59,697
Central Business District Reserve	12	3,054	42,169
Buildings Reserve	12	890,446	883,705
(Includes unspent grants of \$200,000)			
Building Maintenance Reserve	12	237,121	183,271
Electronic Equipment Replacement Reserve	12	126,698	112,098
Apple Funpark Reserve	12	<u>101,506</u>	<u>97,242</u>
Total Reserves		6,324,335	5,706,482
Other Restricted Cash (refer also Note 10)			
Royalties for Regions (CLGF 2012/13)	2(c)	0	220,910
Preston Retirement Village (maintenance fees - residents)	2(c)	11,488	11,867
Landcare District Committee Surplus Funds	2(c)	4,726	6,226
Dept Fire & Emergency Services (LGGs Advance Pmt.)	2(c)	<u>51,794</u>	<u>36,166</u>
		<u>6,392,343</u>	<u>5,981,652</u>
4. INVESTMENTS			
		2018 \$	2017 \$
Financial assets at fair value through profit and loss		<u>86,867</u>	<u>25,000</u>
Financial Assets at fair value Through profit and loss			
At beginning of the year		25,000	25,000
Additions		61,867	0
At end of Year		<u>86,867</u>	<u>25,000</u>
Held for Trading			
- Shire's Interest in WALGA Property (Local Government House)		61,867	
- Unlisted Shares (Community Bank)		<u>25,000</u>	<u>25,000</u>
		<u>86,867</u>	<u>25,000</u>

No restrictions have been imposed by regulations or other externally imposed requirements in respect to the above investments.

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

5. TRADE AND OTHER RECEIVABLES

	2018	2017
Current	\$	\$
Rates Outstanding		
General	270,276	225,464
Penalty Interest	15,776	17,028
Sanitation	21,508	17,861
Admin. Charge & Interest	80	29
Waste Management Levy	25,469	23,152
Pool Inspection	99	136
Legal	25,673	36,873
	<u>358,880</u>	<u>320,544</u>
Emergency Services Levy Receivable	<u>19,722</u>	<u>18,056</u>
	19,722	18,056
Sundry Debtors	<u>87,919</u>	<u>151,121</u>
	87,919	151,121
GST Receivable	<u>42,178</u>	<u>82,911</u>
	42,178	82,911
Self Supporting Loan Debtors		
Donnybrook Country Club	<u>8,660</u>	<u>8,427</u>
	8,660	8,427
Accrued Income		
Donnybrook Transit Park Income	879	0
Balingup Transit Park Income	6,885	5,007
Dept. Transport Licensing Commissions	7,198	7,101
Donnybrook Recreation Centre Income	158	16
Interest Earned on Bank Accounts	2,962	5,284
Tuia Lodge - Dept Health Subsidy Payment	11,747	22,854
Tuia Lodge - Daily Accommodation Payments	0	1,322
Bulk Refuse Charges - Donnybrook & Balingup	595	5,893
Ranger Services Income/Reimbursements	0	7,159
Reimbursement of Utility Charges (various)	4,335	8,538
Reimbursements for Workers Compensation Salaries	91,068	633
Preston Village Maintenance Fees	710	1,000
Stone Royalties (Italia Stone)	0	2,077
Reimbursements Insurance Claims	14,773	0
Kidsport Funding (Dept. Sport & Recreation)	1,820	0
Reimbursements Drum Muster Recoup	1,637	0
Reimbursements Loan Guarantee Fees (Dbk Country Club)	1,052	0
Reimbursements Shared Ranger Services	12,904	0
Miscellaneous Reimbursements	0	120
	<u>158,722</u>	<u>67,004</u>
Prepayments		
Landgate Annual Licence Fees for Cadastre & Other Data	1,458	0
GO1 Premium Training Package	<u>4,320</u>	<u>0</u>
	5,778	0
	<u>681,859</u>	<u>648,063</u>

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

5. TRADE AND OTHER RECEIVABLES (continued)	2018	2017
	\$	\$
Non-Current		
Pensioner Deferred Rates	158,875	134,115
	<u>158,875</u>	<u>134,115</u>
Self Supporting Loan Debtors		
Donnybrook Country Club	73,035	81,695
	<u>73,035</u>	<u>81,695</u>
Accrued Income		
Preston Retirement Village Deferred Charges	658,147	628,312
Employee Entitlements (LSL Contributions)	1,527	1,527
	<u>659,674</u>	<u>629,839</u>
	<u><u>891,583</u></u>	<u><u>845,649</u></u>
6. INVENTORIES		
Current		
Recreation Centre Kiosk Supplies	1,069	1,335
Fuels and Oils - at cost	6,210	6,345
Land Held For Resale	151,676	158,910
Gravel Stockpiled	56,681	14,587
Work in Progress (Gravel)	10,084	0
	<u>225,720</u>	<u>181,176</u>

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

	2018	2017
	\$	\$
7. PROPERTY, PLANT AND EQUIPMENT		
Freehold Land		
Fair Value	<u>4,300,400</u>	<u>4,342,400</u>
	4,300,400	4,342,400
Land Vested in & Under the Control of Council		
Fair Value	378,000	378,000
	<u>378,000</u>	<u>378,000</u>
Total Land	<u>4,678,400</u>	<u>4,720,400</u>
Buildings		
Fair Value	27,882,703	27,082,633
Less Accumulated Depreciation	<u>(1,104,578)</u>	<u>0</u>
	26,778,125	27,082,633
Total Land & Buildings	<u>31,456,525</u>	<u>31,803,033</u>
Furniture and Equipment		
Fair Value	258,803	253,674
Less Accumulated Depreciation	<u>(97,156)</u>	<u>(50,219)</u>
	161,647	203,455
Plant and Equipment		
Fair Value	7,126,558	6,381,194
Less Accumulated Depreciation	<u>(1,246,559)</u>	<u>(603,800)</u>
	5,879,999	5,777,394
	<u>37,498,171</u>	<u>37,783,881</u>

Land and Buildings

Land and Buildings were revalued at 30th June 2017 as part of the mandatory requirements embodied in the Local Government (Financial Management) Regulations 17A.

Whilst additions since that time were initially recorded at cost, given that they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered that their written down values approximate fair value. Thus, the value is considered in accordance with the Local Government (Financial Management) Regulation 17A (2) to be its Fair Value.

They will again be revalued during the year ended 30th June 2020 in accordance with the mandatory asset measurement framework.

Furniture and Equipment

Furniture and Equipment was revalued during 2015/16 as part of the mandatory requirements embodied in the Local Government (Financial Management) Regulations 17A.

Plant and Equipment

Plant and Equipment was revalued during 2015/16 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

SHIRE OF DONNYBROOK/BALINGUP
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.

		Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Transfers \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Land - Freehold	(Level 2)	4,342,400		(42,000)		0	0	0	4,300,400
Land - Vested in Council	(Level 2)	378,000	0	0		0	0	0	378,000
Total Land		4,720,400	0	(42,000)	0	0	0	0	4,678,400
Buildings	At Cost	0	816,481	0	0	0	(1,015)		815,466
Buildings	(Level 2)	12,849,838		(15,193)	0	0	(558,963)		12,275,682
Buildings	(Level 3)	14,232,795	0	0	0	0	(545,818)		13,686,977
Total Buildings		27,082,633	816,481	(15,193)	0	0	(1,105,795)		26,778,125
Total Land and Buildings		31,803,033	816,481	(57,193)	0	0	(1,105,795)		31,456,525
Furniture & Equipment	At cost	17,834	5,129	0	0	0	(1,847)		21,116
Furniture & Equipment	(Level 3)	185,621	0	0	0	0	(45,090)		140,531
Plant & Equipment	At cost	1,307,927	1,364,434	0	0	0	(239,659)		2,432,702
Plant & Equipment	(Level 2)	3,798,231	0	(500,393)	0	0	(414,850)		2,882,988
Plant & Equipment	(Level 3)	671,236	0	(2,311)	0	0	(104,616)		564,309
Total Property, Plant and Equipment		37,783,881	2,186,043	(559,896)	0	0	(1,911,857)		37,498,171

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

7 PROPERTY, PLANT & EQUIPMENT
(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land & Buildings					
Freehold Land	2	Market approach using recent observable market data for similar properties/ income approach using discounted cashflow methodology	Independent Registered Valuers	June 2017	Price per hectare, market borrowing rate, sales evidence
Land Vested In & Under the Control of the Shire	2	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Price per hectare, market borrowing rate, sales evidence
Buildings	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2017	Construction costs (Level 2) and current condition (Level 3), residual values and remaining useful life assessments (Level 3 inputs)
Furniture & Equipment	3	Market approach using recent observable market data for similar items	Independent Registered Valuers	June 2016	Price per item

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

7 PROPERTY, PLANT & EQUIPMENT

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Plant & Equipment	3	Market approach using recent observable market data for similar items	Independent Registered Valuers	June 2016	Price per item

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

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

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

	2018	2017
	\$	\$
8(a) INFRASTRUCTURE		
Roads - Ind. Valuation 30th June 2018	104,252,947	0
Roads - Ind. Valuation 30th June 2016	0	81,249,019
Roads - Additions at Fair Value	0	2,401,847
Less Accumulated Depreciation	<u>(25,040,211)</u>	<u>(2,172,023)</u>
	79,212,736	81,478,843
Misc. Infrastructure - Independent Valuation 30th June 2018	11,649,400	0
Misc. Infrastructure - Independent Valuation 31st March 2015	0	6,114,100
Misc. Infrastructure - additions at Fair Value	0	443,775
Less Accumulated Depreciation	<u>(4,956,500)</u>	<u>(871,982)</u>
	6,692,900	5,685,892
Road Drainage - Independent Valuation 30th June 2018	26,349,624	0
Road Drainage - Independent Valuation 30th June 2015	0	14,409,000
Less Accumulated Depreciation	<u>(7,317,216)</u>	<u>(9,306,316)</u>
	19,032,408	5,102,684
Footpaths - Independent Valuation 30th June 2018	3,839,480	0
Footpaths - Independent Valuation 30th June 2016	0	2,086,898
Footpaths - additions at Fair Value	0	47,585
Less Accumulated Depreciation	<u>(1,286,128)</u>	<u>(64,110)</u>
	2,553,352	2,070,372
Bridges - Independent Valuation 30th June 2018	53,182,500	0
Bridges - Independent Valuation 31st March 2015	0	32,592,281
Bridges - additions at Fair Value	0	4,726,352
Less Accumulated Depreciation	<u>(29,433,400)</u>	<u>(1,683,923)</u>
	23,749,100	35,634,710
	<u>131,240,496</u>	<u>129,972,501</u>

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

8 INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure Roads	Infrastructure Other	Infrastructure Drainage	Infrastructure Footpaths	Infrastructure Bridges	Total
Balance at the beginning of the year	81,478,843	5,685,892	5,102,684	2,070,372	35,634,710	129,972,501
Additions	1,877,402	179,490		87,136	5,120	2,149,148
(Disposals)	0	(256,738)	0	0	(54,093)	(310,831)
Transfers	0	0	0	0	0	0
Revaluation - Increments - (Decrements)	(1,910,795)	1,501,458	14,148,882	461,513	(11,178,718)	16,111,853 (13,089,513)
Impairment (Losses)/reversals	0	0	0	0	0	0
Depreciation (Expense)	(2,232,714)	(417,202)	(219,158)	(65,669)	(657,919)	(3,592,663)
Carrying amount at the end of year	<u>79,212,736</u>	<u>6,692,900</u>	<u>19,032,408</u>	<u>2,553,352</u>	<u>23,749,100</u>	<u>131,240,496</u>

SHIRE OF DONNYBROOK/BALINGUP
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
Roads	3	Cost Approach Using Depreciated Replacement Cost	Independent valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (level 3) inputs
Road Drainage	3	Cost Approach Using Depreciated Replacement Cost	Independent valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (level 3) inputs
Bridges	3	Cost Approach Using Depreciated Replacement Cost	Independent valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (level 3) inputs
Footpaths	3	Cost Approach Using Depreciated Replacement Cost	Independent valuation	June 2018	Construction costs (Level 2) and current age (Level 3). Residual values and remaining useful life assessments (level 3) inputs
Other Infrastructure	3	Cost Approach Using Depreciated Replacement Cost	Independent valuation	June 2018	Construction costs (Level 2) and current age (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 DONNYBROOK BALINGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. TRADE AND OTHER PAYABLES	2018	2017
	\$	\$
Current		
Sundry Creditors	461,007	333,568
Tax Liabilities		
PAYE Tax	99,337	78,707
Accrued Interest on Debenture Loans	2,873	4,545
Accrued Salaries and Wages	160,432	123,192
Accrued Expenses Other	120,767	33,767
Prepaid Income received in Advance	100,995	89,028
	<u>945,412</u>	<u>662,807</u>

10. LONG-TERM BORROWINGS	2018	2017
	\$	\$
Current		
Debentures (Secured by Floating Charge)	<u>30,795</u>	<u>71,645</u>
	<u>30,795</u>	<u>71,645</u>
Non-Current		
Debentures (Secured by Floating Charge)	205,306	236,101
(Additional detail on borrowings is provided in Note 22)		
Tuia Lodge Bond Liability (Note 20)	187,229	187,229
Preston Village Lease Liability	<u>4,022,000</u>	<u>4,022,000</u>
	<u>4,414,535</u>	<u>4,445,330</u>

Preston Village Lease Liability detailed above represents monies paid by the ingoing leasees of the Preston Retirement Village, Sharp Street Donnybrook under a life tenancy lease arrangement.

The proceeds received from the life tenancies are initially classified as a non-current liability as the Shire is only required to repay these funds to a vacating leasee, or their estate, in the event that the Shire is unable to attract a subsequent leasee within the 3-year time period, as specified in the lease agreement.

The lease liability in respect to each unit leased will remain unchanged unless the Shire is required to refund any lease amount in which case the lease liability will be reduced when refunded.

Where a leasee has vacated a property prior to balance date, the loan liability to the leasee has been classified as non-current as the Shire will not be required to repay the leasee until the property is re-leased. In the event that the property will be re-leased within the next 12 months, the existing liability will be replaced with a new non current liability with no net impact on the Shire's Statement of Financial Position.

In the event that Council elects not to market a vacated unit, or the unit will have been vacant for a period of three years at a date falling within the next 12 months, any loan liability on the property will be classified as current.

The respective cost of land and buildings to which the leases relate are recorded at cost within the Shire's property, plant and equipment (Note 7).

11. PROVISIONS	2018	2017
Current		
Provision for Annual Leave	448,308	374,619
Provision for Long Service Leave	<u>348,262</u>	<u>130,395</u>
	<u>796,570</u>	<u>505,014</u>
Non-Current		
Provision for Long Service Leave	<u>107,417</u>	<u>282,919</u>
	<u>107,417</u>	<u>282,919</u>

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

11. PROVISIONS (continued)

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening Balance 1 July 2017	374,619	413,314	787,933
Additional Provisions	399,393	82,766	482,159
Amounts Used	(325,704)	(40,401)	(366,105)
Balance 30 June 2018	<u>448,308</u>	<u>455,679</u>	<u>903,987</u>

12. RESERVES - CASH/INVESTMENT BACKED

All Reserve Accounts are supported by money held in financial institutions and match the amounts shown as restricted cash and restricted investments in Note 3 to this financial report.

	2018 \$	2018 Budget \$	2017 \$
(a) Waste Management Reserve			
Opening Balance	1,220,685	1,220,685	1,054,771
Amount Set Aside / Transfer to Reserve	151,696	87,110	165,914
Amount Used / Transfer from Reserve		0	
	<u>1,372,381</u>	<u>1,307,795</u>	<u>1,220,685</u>
(b) Bushfire Control & Management Reserve			
Opening Balance	12,719	12,719	12,416
Amount Set Aside / Transfer to Reserve	267	191	303
Amount Used / Transfer from Reserve	(10,704)	(7,200)	0
	<u>2,282</u>	<u>5,710</u>	<u>12,719</u>
(c) Aged Housing Reserve			
Opening Balance	1,235,144	1,235,144	847,341
Amount Set Aside / Transfer to Reserve	201,613	296,612	393,528
Amount Used / Transfer from Reserve	(117,155)	(103,000)	(5,725)
	<u>1,319,602</u>	<u>1,428,756</u>	<u>1,235,144</u>
(d) Employee Leave & Gratuity Reserve			
Opening Balance	201,660	201,660	201,335
Amount Set Aside / Transfer to Reserve	64,257	63,025	53,707
Amount Used / Transfer from Reserve	(15,208)	(8,750)	(53,382)
	<u>250,709</u>	<u>255,935</u>	<u>201,660</u>
(e) Arbutnott Memorial Scholarship Reserve			
Opening Balance	3,805	3,805	3,909
Amount Set Aside / Transfer to Reserve	80	57	96
Amount Used / Transfer from Reserve	(200)	(200)	(200)
	<u>3,685</u>	<u>3,662</u>	<u>3,805</u>
(f) Town Planning Reserve			
Opening Balance	39,229	39,229	38,295
Amount Set Aside / Transfer to Reserve	823	588	934
Amount Used / Transfer from Reserve		0	
	<u>40,051</u>	<u>39,817</u>	<u>39,229</u>

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

12. RESERVES - CASH/INVESTMENT BACKED (continued)	2018 \$	2018 Budget	2017 \$
(g) Land Development Reserve			
Opening Balance	39,538	39,538	170,070
Amount Set Aside / Transfer to Reserve	184,010	234,629	3,505
Amount Used / Transfer from Reserve		(270,000)	(134,036)
	<u>223,548</u>	<u>4,167</u>	<u>39,538</u>
(h) Plant Replacement Reserve			
Opening Balance	503,575	503,575	295,145
Amount Set Aside / Transfer to Reserve	276,565	271,984	262,305
Amount Used / Transfer from Reserve	(384,845)	(399,352)	(53,874)
	<u>395,296</u>	<u>376,207</u>	<u>503,575</u>
(i) Roadworks Reserve			
Opening Balance	1,071,944	1,012,431	1,735,989
Amount Set Aside / Transfer to Reserve	272,182	12,737	233,139
Amount Used / Transfer from Reserve	(47,119)	(47,119)	(897,184)
	<u>1,297,007</u>	<u>978,049</u>	<u>1,071,944</u>
(j) Valuation Reserve			
Opening Balance	59,697	59,697	38,686
Amount Set Aside / Transfer to Reserve	1,253	895	21,011
Amount Used / Transfer from Reserve		0	0
	<u>60,950</u>	<u>60,592</u>	<u>59,697</u>
(k) Central Business District Reserve			
Opening Balance	42,169	42,169	47,179
Amount Set Aside / Transfer to Reserve	5,884	5,633	1,150
Amount Used / Transfer from Reserve	(45,000)	(45,000)	(6,160)
	<u>3,054</u>	<u>2,802</u>	<u>42,169</u>
(l) Buildings Reserve			
Opening Balance	883,705	883,705	877,713
Amount Set Aside / Transfer to Reserve	304,615	1,015,618	50,758
Amount Used / Transfer from Reserve	(297,875)	(383,242)	(44,766)
	<u>890,446</u>	<u>1,516,081</u>	<u>883,705</u>
(m) Building Maintenance Reserve			
Opening Balance	183,271	183,272	178,977
Amount Set Aside / Transfer to Reserve	53,850	102,749	4,295
Amount Used / Transfer from Reserve		(93,440)	0
	<u>237,121</u>	<u>192,581</u>	<u>183,271</u>
(n) Apple Funpark Reserve			
Opening Balance	97,242	97,242	91,780
Amount Set Aside / Transfer to Reserve	4,264	1,459	5,462
Amount Used / Transfer from Reserve		0	0
	<u>101,506</u>	<u>98,701</u>	<u>97,242</u>
(o) Electronic Equipment Reserve			
Opening Balance	112,098	112,098	97,408
Amount Set Aside / Transfer to Reserve	22,355	21,681	14,690
Amount Used / Transfer from Reserve	(7,755)	(52,500)	0
	<u>126,698</u>	<u>81,279</u>	<u>112,098</u>

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

12. RESERVES - CASH/INVESTMENT BACKED (continued)	2018 \$	2018 Budget	2017 \$
(p) Total All Reserves			
Opening Balance	5,706,482	5,646,969	5,691,013
Amount Set Aside / Transfer to Reserve	1,543,714	2,114,968	1,210,796
Amount Used / Transfer from Reserve	<u>(925,861)</u>	<u>(1,409,803)</u>	<u>(1,195,326)</u>
Carried Forward Balance	<u>6,324,335</u>	<u>6,352,134</u>	<u>5,706,482</u>
TOTAL RESERVES	<u><u>6,324,335</u></u>	<u><u>6,352,134</u></u>	<u><u>5,706,482</u></u>

In accordance with council resolutions in relation to each reserve account, the purposes for which the reserves are set aside are as follows. All reserves are deemed to be ongoing in nature.

Waste Management Reserve

To receive funds collected from the Shire's Waste Management levy for the purpose of providing waste management facilities.

Bushfire Control & Management Reserve

To receive funds collected from the Shire's Fire Protection Levy for the purpose of providing fire fighting equipment to meet the needs of the district.

Aged Housing Reserve

To receive any surplus funds from aged housing operations to provide future funding for the upgrade of aged housing facilities.

Employee Leave & Gratuity Reserve

To fund the payment of annual leave, long service leave and gratuity payments to employees.

Arbuthnott Memorial Scholarship

To fund the payment of the Arbuthnott Scholarship.

Town Planning Reserve

To fund future Town Planning projects including Town Planning Scheme Reserves, Rural Strategy, Municipal Inventory and Environmental plan.

Land Development Reserve

To fund the purchase of land for future community purposes.

Plant Replacement Reserve

To fund the Shire's plant replacement program.

Roadworks Reserve

To contribute to the funding of the Shire's roadworks programme.

Valuation Reserve

To assist in funding the cost of periodic revaluations of Unimproved and Gross Rental Valuations for rating purposes.

Central Business District Reserve

To fund future Central Business District projects.

Buildings Reserve

To fund the purchase and upgrade of Shire buildings.

Building Maintenance Reserve

To set aside funds for the future maintenance of Shire owned buildings in accordance with Council's Asset Management Programs.

Apple Funpark Reserve

To receive donations and to provide for the future capital upgrade and maintenance of equipment and facilities at the Apple Funpark in Collins Street, Donnybrook.

Electronic Equipment Reserve

To provide future funding for the purchase and upgrade of electronic equipment.

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

13. REVALUATION SURPLUS	2018	2017
	\$	\$
Revaluation surpluses have arisen relative to the revaluation of the following asset classes. These can not be reliably attributed to a program as the assets were revalued by class.		
(a) Land		
Balance as at 1 July 2017	3,010,439	3,122,239
Revaluation Increment		0
Revaluation Decrement		(111,800)
Balance as at 30 June 2018	<u>3,010,439</u>	<u>3,010,439</u>
(b) Buildings		
Balance as at 1 July 2017	13,377,810	2,407,288
Revaluation Increment		10,970,523
Revaluation Decrement		0
Balance as at 30 June 2018	<u>13,377,810</u>	<u>13,377,810</u>
(c) Plant and Equipment		
Balance as at 1 July 2017	1,386,293	1,386,293
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2018	<u>1,386,293</u>	<u>1,386,293</u>
(d) Furniture and Equipment		
Balance as at 1 July 2017	20,001	20,001
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2018	<u>20,001</u>	<u>20,001</u>
(e) Infrastructure Roads		
Balance as at 1 July 2017	72,223,251	72,223,251
Revaluation Increment	0	0
Revaluation Decrement	(1,910,795)	0
Balance as at 30 June 2018	<u>70,312,456</u>	<u>72,223,251</u>
(f) Infrastructure Bridges		
Balance as at 1 July 2017	28,587,093	28,587,093
Revaluation Increment	0	0
Revaluation Decrement	(11,178,718)	0
Balance as at 30 June 2018	<u>17,408,375</u>	<u>28,587,093</u>
(g) Infrastructure Road Drains		
Balance as at 1 July 2017	3,838,373	3,838,373
Revaluation Increment	14,148,882	0
Revaluation Decrement	0	0
Balance as at 30 June 2018	<u>17,987,255</u>	<u>3,838,373</u>
(h) Infrastructure Footpaths		
Balance as at 1 July 2017	1,162,456	1,162,456
Revaluation Increment	461,513	0
Revaluation Decrement	0	0
Balance as at 30 June 2018	<u>1,623,969</u>	<u>1,162,456</u>
(i) Infrastructure Other		
Balance as at 1 July 2017	5,951,141	5,951,141
Revaluation Increment	1,501,458	0
Revaluation Decrement	0	0
Balance as at 30 June 2018	<u>7,452,599</u>	<u>5,951,141</u>
TOTAL ASSET REVALUATION SURPLUS	<u><u>132,579,198</u></u>	<u><u>129,556,858</u></u>

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

14. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2018 \$	2018 Budget \$	2017 \$
Cash and Cash Equivalents	<u>8,481,907</u>	<u>6,486,495</u>	<u>7,912,282</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net Result	(1,611,304)	720,755	949,875
Non Cash Flows in Net Result			
Depreciation	5,504,520	5,603,659	5,464,055
(Profit)/Loss on Sale of Asset	379,098	(378,480)	66,332
Changes in Assets & Liabilities			
(Increase)/Decrease in Receivables	71,771	81,121	146,357
(Increase)/Decrease in Accrued Income	(121,553)	7,004	(96,444)
(Increase)/Decrease in Prepayments C/A	(5,778)	0	1,318
(Increase)/Decrease in Inventories	(51,778)	(187,734)	66,263
(Increase)/Decrease in Investments	(61,867)		
Increase/(Decrease) in Payables	175,312	(9,864)	34,229
Increase/(Decrease) in Accrued Expenses	122,568	(12,955)	32,240
Increase/(Decrease) in Prepayments C/L	0	0	0
Increase/(Decrease) in Employee Provisions	116,054	0	(213)
Grants/Contributions for the Development of Assets	(2,629,369)	(6,057,942)	(4,171,074)
Net Cash from Operating Activities	<u><u>1,887,674</u></u>	<u><u>(234,436)</u></u>	<u><u>2,492,936</u></u>

	2018 \$	2018 Budget \$	2017 \$
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank Overdraft limit - Municipal Fund	100,000	100,000	100,000
Bank Overdraft at Balance Date	0	0	0
Bank Overdraft limit - Licensing Trust A/C	10,000	10,000	10,000
Bank Overdraft at Balance Date	0	0	0
Credit Card limit	9,000	9,000	9,000
Credit Card Balance at Balance Date	(1,842)	0	(2,474)
Total Amount of Credit Unused	<u><u>117,158</u></u>	<u><u>119,000</u></u>	<u><u>116,526</u></u>
Loan Facilities			
Loan Facilities - Current	30,795		71,645
Loan Facilities - Non-Current	205,306		236,101
Total Facilities in Use at Balance Date	<u><u>236,101</u></u>		<u><u>307,747</u></u>
Unused Loan Facilities at Balance Date	<u><u>0</u></u>		<u><u>0</u></u>

15. CONTINGENT LIABILITIES

The Shire had no contingent liability commitments as at reporting date.

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

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

	2018 \$	2017 \$
Non-cancellable operating leases contracted for but not capitalised in the accounts.	Total Lease Commitment	Total Lease Commitment
Payable:		
- not later than one year	27,149	12,891
- later than one year but not later than five years	115,009	102,164
	142,158	115,055

The above leasing commitments relate to the following items:

- Photocopier - final repayment due 22/9/2019	3,260	6,518
- Photocopier Dbk. Library- final repayment due 31/12/18	886	831
- Computers (x 7) Dbk Library - final repayment due 31/12/17	0	1,042
- Recreation Centre Gym Equip - final payment due 30/12/2018	3,664	4,581
- Data Storage Equipment - final payment due 15/05/2019	4,404	10,277
- Computers Admin (x 10) - final repayment due 14/11/18	2,700	3,410
- Data backup system - final repayment due 15/9/2019	6,746	15,740
- Recreation Centre Gym Equip - final payment due 30/6/2018	1,514	3,027
- Recreation Centre Gym Equip - final payment due 30/12/2018	1,962	3,270
- Computers (x10) Admin - final payment due 30/12/2018	2,014	6,043
- 2 x Zen Servers & Switches - final payment due 31/3/2020	15,019	23,602
- 2 x Laptops - final repayment due 31/3/2020	3,105	4,879
- Xerox DCC 4471 Copier - final repayment 31/3/2022	4,660	5,902
- 15 x Dell Computers - final repayment 31/12/2019	10,733	17,889
- Rec Centre Gym Equipment - final repayment due 31/12/2020	5,746	8,044
- Computers (x7) Dbk Library - final repayment due 30/09/2020	5,655	0
- Fujitsu FI-7480 Scanner - final repayment due 31/12/2021	4,895	0
- Tuia Lodge Photocopier - final repayment due 30/09/2020	6,979	0
- CESM Ford Ranger M/V - final payment due 08/12/2021	58,216	0
	142,158	115,055

(b) Capital Expenditure Commitments

	Total Cap Ex. Commitment	Total Cap Ex. Commitment
Contracted for:		
- capital expenditure projects		
- Donnybrook Recreation Centre Roof Replacement	0	346,886
- Architectural Services Donnybrook Recreation Centre	0	5,462
- Collins Street Road Upgrade	129,181	
Payable:		
- not later than one year	129,181	352,348

The capital expenditure project amount outstanding at the end of the current reporting period represents a contract for the Collins Street Road upgrade.

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

17. JOINT VENTURE ARRANGEMENTS

The Shire of Donnybrook / Balingup is involved with the Education Department of Western Australia and Homeswest in the following Joint Venture Projects.

- (a) The Shire has a 50% Equity in the Donnybrook Resource Centre situated on Education Department Land (Reserve 24032) in Bentley Street, Donnybrook. Operational and maintenance costs of the centre are apportioned between the Shire and the Education Department based on estimated usage patterns.
- (b) Arrangements with Homeswest relate to four sets of Well Aged housing complexes located on South Western Highway, Donnybrook. The Shire is required to recognise any trading surplus from the operation of these units as Restricted Assets, and is further required to maintain a Contingency Reserve for future major maintenance.

Minninup Cottages, Units 5-8 (lot 486) built in 1982/83
Council Equity - 34.48%
Homeswest Equity - 65.52%

Minninup Cottages, Units 9-12 (lot 479) built in 1992/93
Council Equity - 15.2%
Homeswest Equity - 84.8%

Langley Villas, Units 1-6 (lot 100) built in 1994/95
Council Equity - 20.8%
Homeswest Equity - 79.2%

Langley Villas, Units 7-9 (lot 100) built in 2001/2002
Council Equity - 35.98%
Homeswest Equity - 64.02%

	2018	2017
	\$	\$
Non-Current Assets		
Joint School / Community Library		
Education Equity (at Fair Value)	545,583	545,583
Council Equity (at Fair Value)	545,583	545,583
Less Accumulated Depreciation	<u>(28,166)</u>	<u>0</u>
	1,063,000	1,091,166
Well Aged Accommodation Units		
Homeswest Equity (Buildings @ Fair Value)	2,332,739	2,262,163
Council Equity (Building @ Fair Value)	<u>799,982</u>	<u>778,454</u>
	3,132,721	3,040,616
	<u><u>4,195,721</u></u>	<u><u>4,131,782</u></u>

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

	2018 \$	2017 \$
18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
General Purpose Funding	2,418,512	1,983,536
Governance	1,777,897	1,566,856
Law, Order, Public Safety	4,433,693	4,474,885
Health	1,395,750	1,380,011
Education and Welfare	12,662,630	12,937,055
Housing	753,000	753,000
Community Amenities	2,195,116	2,152,903
Recreation and Culture	19,991,500	19,382,619
Transport	129,664,635	129,099,697
Economic Services	1,591,061	1,618,441
Other Property and Services	91,068	6,009
Unallocated	2,131,742	2,013,542
	<u>179,106,603</u>	<u>177,368,553</u>

	2018	2017	2016
19. FINANCIAL RATIOS			
Current Ratio	1.9691	2.6593	0.7148
Asset Sustainability Ratio	0.5495	0.5476	0.9361
Debt Service Cover Ratio	15.8189	4.0142	2.4787
Operating Surplus Ratio	(0.4949)	(0.3872)	(0.5706)
Own Source Revenue Coverage Ratio	0.4935	0.4800	0.5208
Asset Consumption Ratio	0.6532	0.6581	0.5900
Asset Renewal Funding Ratio	0.8729	1.1576	0.3139

The above ratios are calculated as follows:

Note 9-

Current Ratio equals
$$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$$

Asset Sustainability Ratio
$$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$$

Debt Service Cover Ratio equals
$$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$$

Operating Surplus Ratio
$$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$$

Own Source Revenue Coverage Ratio
$$\frac{\text{own source operating revenue}}{\text{operating expense}}$$

Asset Consumption Ratio
$$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$$

Asset Renewal Funding Ratio
$$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$$

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

20. TRUST FUNDS

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

	Balance 1-Jul-17 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-18 \$
Aged Housing Ingoing Fees (** see note)	2,960,447	2,587,792	(773,223)	4,775,016
Tenancy Bonds	0	600	(600)	0
Hall / Liquor Deposits	3,500	9,850	(8,550)	4,800
Nomination Deposits	0	720	(720)	0
Public Open Space	96,020	1,769	(17,380)	80,408
Redden Tree Planting Fund	1,499			1,499
General Deposits	5,795	13,118	(400)	18,513
Extractive Industry Bonds	92,390	6,934		99,324
Transport Licensing	0	1,536,485	(1,536,485)	0
BCITF Levy	1,227	14,292	(15,131)	388
Roadworks/Subdivisional Bonds	69,194	1,427		70,621
Chemical Steering Committee	2,707	57		2,764
Key Deposits	200			200
Builders Reg. Board Levy	2,017	25,751	(26,740)	1,028
Community Bus Hire Deposit	100	600	(500)	200
Youth Advisory Council	1,500			1,500
Marathon Committee Donations	361			361
Upper Preston Cemetery Board	3,206	167		3,374
Balingup Skatepark Fundraising	2,000			2,000
AppleFunPark Donations	0	2,208	(2,208)	0
Preston Retirement Village Bonds	200			200
House Transport Bond	25,000	5,000		30,000
Shire Staff Social Club	212			212
Lions Club Number Plate Surrounds	380	276	(656)	0
Donnybrook Waste - Performance Bond	42,420	890		43,311
Abattoir Bond	0			0
Tuia Lodge Resident's Funds	3,798	11,904	(12,559)	3,144
Donnybrook Balingup Aged Homes	255,095	5,700		260,795
	3,569,269	4,225,540	(2,395,152)	5,399,657

Note:

At 30th June 2018, Tuia Lodge Aged Housing Bonds and Interest held by the Shire totalled \$4,962,245.

Of this balance, \$4,775,016 is held in Trust at 30 June 2018 (as disclosed above), and the balance of \$187,229 was utilised during the 2005/06 year to assist in funding Tuia Lodge Aged Housing extensions.

This amount of \$187,229 has been shown as bonds repayable by the Shire within Note 10 to the Financial Report.

During the 2015/16 year, funds formerly held in various bank accounts under the name of "Donnybrook Balingup Aged Homes" were transferred to Shire's trust account. The respective balance of the funds held in trust as at 30th June 2018 is \$260,795 including interest.

Legal Advice continues to be sought with regard to how these funds should be treated with the options being:

- (1) that the funds are brought to account as revenue of the Shire (i.e. Tuia Lodge income) or;
- (2) that the funds are that of a Charitable Trust and should therefore continue to be held in Trust.

Initial advice provided from Council's solicitors is that the funds are those of a Charitable Trust. The matter has however been referred to the State Solicitor's Office to provide direction in regard to the future administration of these funds.

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

21. DISPOSALS OF ASSETS - 2017/18 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)		
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	
LAW, ORDER AND PUBLIC SAFETY							
Plant and Equipment	345,974	0	202,319	0	(143,655)	0	
EDUCATION AND WELFARE							
Plant and Equipment	6,522	0	3,636	0	(2,886)	0	
Land	42,000	42,000	50,000	50,000	8,000	8,000	
COMMUNITY AMENITIES							
Buildings	15,193	0	0	0	(15,193)	0	
Infrastructure	2,026	0	0	0	(2,026)	0	
RECREATION AND CULTURE							
Infrastructure	254,713	0	0	0	(254,713)	0	
TRANSPORT							
Plant and Equipment	150,208	155,000	133,817	122,000	(16,390)	(33,000)	
Infrastructure	54,093	0		0	(54,093)	0	
ECONOMIC SERVICES							
Land held for Resale	7,234	158,910	109,091	562,390	101,857	403,480	
	877,961	355,910	498,864	734,390	(379,098)	378,480	
					Profit	121,274	420,480
					Loss	(500,372)	(42,000)
						<u>(379,098)</u>	<u>378,480</u>

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

22. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1-Jul-17	New Loans (Budget)	Principal Repayments		Principal 30-Jun-18		Interest Repayments	
			Actual	Budget	Actual	Budget	Actual	Budget
Health								
Loan 74 Dental Surgery Ext	97,107	0	9,841	9,841	87,265	87,266	5,465	5,520
Education & Welfare								
Loan 91 Retirement Village	0	900,000	0	0	0	900,000	0	0
Other Recreation & Sport								
Loan 90 Dbk C.C (*)	90,122	0	8,427	8,427	81,695	81,695	2,369	2,412
Economic Services								
Loan 77 Transit Park	42,415	0	42,415	42,415	0	0	916	2,169
Loan 80 Collins St Storage Units	78,103	0	10,962	10,962	67,141	67,141	4,754	5,075
	307,747	900,000	71,645	71,645	236,101	1,136,102	13,504	15,176

(*) Self Supporting Loan financed by repayments from third parties
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2017/18

No new debentures in 2017/2018

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

22. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1 July 2017 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 2018 \$
No loans remain unspent					

(d) Overdraft

The Shire has the following overdraft facilities to assist with short term liquidity requirements.

Municipal Fund	\$ 100,000
Licensing Trust Fund	\$ 10,000

The balance of the Municipal Fund Bank Overdraft at 1st July 2017 and 30th June 2018 were both Nil.

The balance of the Licensing Trust Fund Overdraft at 1st July 2017 and 30th June 2018 was Nil in both instances.

(e) Interest Rate Risk

The Shire's exposure to interest rate risk as a result of borrowings and the effective weighted average interest rate on these borrowings is as follows:

<u>Borrowings</u>	2018 \$	2017 \$
Floating interest rates	0	0
Fixed interest rate maturing		
- within one year	0	42,415
- one to five years	67,141	0
- over five years	168,960	265,331
Non interest bearing	0	0
Total Borrowings	<u>236,101</u>	<u>307,747</u>
Weighted average effective interest rate	5.02%	5.28%

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

23. RATING INFORMATION - 2017/18 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue
GRV General Rate								
Donnybrook Townsite	7.5632	856	16,040,837	1,213,201	11,372	3,175	1,227,748	1,213,201
Noggerup Townsite	7.5632	4	63,700	4,818	145		4,963	4,818
Balingup Townsite	7.5632	45	762,632	57,679		61	57,740	57,679
Mullalyup Townsite	7.5632	3	46,020	3,481	1,494		4,975	3,481
Kirup Townsite	7.5632	29	586,584	44,365			44,365	44,365
Rural Residential	7.5632	215	3,551,896	268,637	2,427	100	271,164	268,637
Sub-Totals		1,152	21,051,669	1,592,181	15,438	3,336	1,610,955	1,592,181
GRV Minimum Rates	Minimum \$							
Donnybrook Townsite	947.00	440	3,908,575	416,680			416,680	416,680
Donnybrook T/Site Special	947.00	1	4,320	947			947	947
Noggerup Townsite	947.00	25	203,156	23,675			23,675	23,675
Balingup Townsite	947.00	142	1,186,967	134,474			134,474	134,474
Mullalyup Townsite	947.00	30	244,404	28,410			28,410	28,410
Kirup Townsite	947.00	66	541,670	62,502			62,502	62,502
Rural Residential	947.00	95	768,673	89,965			89,965	89,965
Sub-Totals		799	6,857,765	756,653	0	0	756,653	756,653

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

23. RATING INFORMATION - 2017/18 FINANCIAL YEAR (continued)

(a) Rates (continued)

RATE TYPE	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue
UV General Rate								
Donnybrook Rural	0.5030	295	116,724,000	587,122	1,120		588,242	587,122
Preston Rural	0.5030	136	54,346,000	273,360	2,761		276,121	273,360
Balingup Rural	0.5030	158	74,151,000	372,980	1,208		374,188	372,980
Central Rural	0.5030	197	77,655,000	390,605	1,463		392,068	390,605
Sub-Totals		786	322,876,000	1,624,067	6,552	0	1,630,619	1,624,067
UV Minimum Rates	Minimum \$							
Donnybrook Rural	1,052.00	137	21,617,000	144,124			144,124	144,124
Dbk. Special Rural Lots	1,052.00	16	544,500	16,832			16,832	16,832
Preston Rural	1,052.00	112	15,350,200	117,824			117,824	117,824
Balingup Rural	1,052.00	141	20,752,500	148,332			148,332	148,332
Central Rural	1,052.00	122	17,738,000	128,344			128,344	128,344
Mining Tenements	1,052.00	19	100,581	19,988		5,760	25,748	19,988
Sub-Totals		547	76,102,781	575,444	0	5,760	581,204	575,444
Concessions (refer note 26)							4,579,431	4,548,345
Interim Rates (budget)							(13,186)	(11,523)
Back Rates (Miscellaneous)							refer table	20,000
Specified Area Rates (refer note 24)							refer table	1,000
							0	0
Less Rates Written Off							4,566,245	4,557,822
Totals							(3,439)	(2,000)
							4,562,806	4,555,822

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

23. NET CURRENT ASSETS	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
(b) Information on Surplus/(Deficit) Brought Forward			
Surplus/(Deficit) 1 July Brought Forward	<u>1,565,218</u>	<u>2,060,451</u>	<u>2,060,451</u>
<u>Comprises Current Assets:</u>			
Cash - Unrestricted	2,089,564	1,930,631	1,930,631
Cash - Restricted	68,008	275,169	275,169
Reserves - Restricted	6,324,335	5,706,482	5,706,482
Rates - Current	378,602	338,600	338,600
Sundry Debtors	87,919	151,121	151,121
GST Receivable	42,178	82,911	82,911
Accrued Income	158,722	67,004	67,004
Prepayments	5,778	0	0
Inventories - Land held for Resale	151,676	158,910	158,910
Inventories - Fuel, Oil, Gravel	63,960	22,266	22,266
Inventories - Work in Progress Gravel	10,084	0	0
Less Current Liabilities:			
Sundry Creditors	(461,007)	(333,568)	(333,568)
Tax Liabilities - GST & PAYE	(99,337)	(78,707)	(78,707)
Prepayments	0	0	0
Income received in Advance	(100,995)	(89,028)	(89,028)
Accrued Interest on Debentures	(2,873)	(4,545)	(4,545)
Accrued Salaries and Wages	(160,432)	(123,192)	(123,192)
Accrued Expenses	(120,767)	(33,767)	(33,767)
Current Employee Benefits Provision	(545,861)	(303,354)	(303,354)
Adjustments			
Reserves - Restricted Cash			
- Waste Management Reserve	(1,372,381)	(1,220,685)	(1,220,685)
- Bushfire Control & Management Reserve	(2,282)	(12,719)	(12,719)
- Aged Housing Reserve	(1,319,602)	(1,235,144)	(1,235,144)
- Employee Leave & Gratuity Reserve	(250,709)	(201,660)	(201,660)
- Arbuthnott Memorial Scholarship Reserve	(3,685)	(3,805)	(3,805)
- Town Planning Reserve	(40,051)	(39,229)	(39,229)
- Land Development Reserve	(223,548)	(39,538)	(39,538)
- Plant Replacement Reserve	(395,296)	(503,575)	(503,575)
- Roadworks Reserve	(1,297,007)	(1,071,944)	(1,071,944)
- Valuation Reserve	(60,950)	(59,697)	(59,697)
- Central Business District Reserve	(3,054)	(42,169)	(42,169)
- Buildings Reserve	(890,446)	(883,705)	(883,705)
- Building Maintenance Reserve	(237,121)	(183,271)	(183,271)
- Electronic Equipment Replacement Reserve	(126,698)	(112,098)	(112,098)
- Apple Funpark Reserve	(101,506)	(97,242)	(97,242)
Surplus/(Deficit)	<u>1,565,218</u>	<u>2,060,451</u>	<u>2,060,451</u>

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

24. SPECIFIED AREA RATE - 2017/18 FINANCIAL YEAR

Rate in \$	Basis of Rate	Rateable Value	Rate Revenue	Budget Rate Revenue	Applied to Costs	Budget Applied to Costs
No Specified Area Rate was levied during 2017/2018						

25. SERVICE CHARGES - 2017/18 FINANCIAL YEAR

Amount of Charge \$	Revenue Raised	Budget Revenue	Applied to Service Costs	Budget Applied to Costs
No Service Charges were levied during 2017/2018				

In previous years a service charge was imposed on all rating assessments for the purpose of purchasing plant and equipment for bush fire control. Funds collected were transferred to Reserve to be expended in accordance with Council's "Five Year Bushfire Strategy".

Funds previously collected from service charges will continue to be utilised for the purchase of plant and equipment and a summary of movements to and from the Bush Fire Control and Management Reserve is detailed below:

Balance of Reserve 1st July 2017	12,719
<i>Funds raised</i>	
Add Interest on Investment	267
Amount transferred to Reserve	0
	12,986
<i>Funds Utilised</i>	
	(10,704)
Balance of Reserve 30th June 2018	2,282

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

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

	Type	Disc %	Total Cost/ Value	Budget Cost/ Value
Ratepayers who pay their rate account in full within 35 days of the rate notice being issued were automatically entered into a draw for the following prizes <u>2017/2018</u> 1. Bendigo Bank 1st Prize 2nd Prize 3rd Prize	Cash		500 300 200 1,000	500 300 200 1,000
Because rating would otherwise be multiple minimums				
Properties straddling border with the Shire of Boyup Brook.	Concession		1,663	0
Because of property access restrictions concessions on rates and minimum rates were granted as follows:				
Donnybrook Special Town Lots	Concession		11,523 11,523	11,523 11,523
Various Rates Debtors - minor balances Written off under delegated authority.	Write Off		3,439 3,439	2,000 2,000

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

27. INTEREST CHARGES AND INSTALMENT PLAN CHARGES - 2017/18 FINANCIAL YEAR

	Interest Rate (%)	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates & ESL Charges	11.0		41,026	31,400
Interest on Instalments Plan	5.5		15,292	15,000
Admin Charges on Instalment Plan		\$ 9.00	17,192	18,000
			73,509	64,400

Ratepayers had the option of paying rate accounts in one payment or by two or four instalments as follows:

- Option 1: Payment in full by 20th October 2017
- Option 2: Payment by two equal instalments
 1st Instalment due: 20th October 2017
 2nd Instalment due: 23rd February 2018
- Option 3: Payment in four equal instalments
 1st Instalment due: 20th October 2017
 2nd Instalment due: 22nd December 2017
 3rd Instalment due: 23rd February 2018
 4th Instalment due: 27th April 2018

An administration charge of \$9.00 per instalment was applied to all assessments where payment was made by instalments. Simple interest at the rate of 5.5% was also payable on the second, third and fourth instalments.

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

28. FEES & CHARGES	2018	2017
	\$	\$
General Purpose Funding	40,027	36,017
Law, Order, Public Safety	35,023	34,403
Health	135,166	142,475
Education and Welfare	1,135,759	1,116,781
Community Amenities	1,108,612	1,046,086
Recreation & Culture	173,560	172,289
Transport	2,585	3,729
Economic Services	139,703	119,300
	<u>2,770,434</u>	<u>2,671,080</u>

29. GRANT REVENUE

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

	2018	2017
By Nature and Type:		
Grants and Subsidies - operating	4,639,183	5,531,211
Grants and Subsidies - non-operating	2,559,756	3,950,339
	<u>7,198,940</u>	<u>9,481,550</u>
By Program:		
General Purpose Funding	1,888,018	2,856,316
Governance	1,000	2,364
Law, Order, Public Sector	1,121,381	1,293,756
Health	1,195	1,186
Education and Welfare	2,280,565	2,337,166
Community Amenities	0	20,232
Recreation and Culture	240,061	173,336
Transport	1,665,112	2,795,055
Economic Services	1,608	1,731
Other Property & Services	0	409
	<u>7,198,940</u>	<u>9,481,550</u>

Included in Grants and Subsidies - Operating is \$131,265 in Contributions and Donations.

Included in Grants and Subsidies - Non Operating is \$27,824 in Contributions and Donations.

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

30. EMPLOYEE NUMBERS

	2018	2017
The number of full-time equivalent Employees at balance date (incl. Casuals)	<u>86</u>	<u>74</u>

31. RELATED PARTY TRANSACTIONS

The following short term benefits (fees, expenses and allowances) were paid to Council Members and/or the President.

	2018 \$	2018 Budget \$	2017 \$
President's Allowance	9,973	10,000	10,000
Deputy President's Allowance	2,500	2,500	2,500
Meeting Attendance Fees	72,801	72,896	72,896
Travelling Expenses	9,539	7,500	8,032
Technology & Communications Allowance	8,739	9,000	9,000
Provision of Uniform	0	900	0
	<u>103,552</u>	<u>102,796</u>	<u>102,428</u>

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

31. RELATED PARTY TRANSACTIONS (continued)

Key Management Personnel (KMP) Compensation Disclosure

	2018	2017
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits (other than to Councillors as reported in the table above)	667,765	560,570
Post-employment benefits	57,712	58,894
Other long-term benefits	13,151	12,958
AASB 124.17(d) Termination benefits	0	103,711
	738,628	736,133

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP. Short-term benefits paid to Councillors have been reported in Note 31 on page 57.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture arrangements accounted for under the equity method

The Shire has entered into a Joint Venture Agreement with the Department of Housing. The interest in the joint venture arrangements is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture arrangements, refer to Note 17.

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

31. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

AASB 124.23 Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Associated companies/individuals:		
Sale of goods and services	0	0
Purchase of goods and services	17,823	38,694
Joint venture entities:		
Distributions received from joint venture entities	0	
Amounts outstanding from related parties:		
Trade and other receivables	0	111
Loans to associated entities	0	
Loans to key management personnel	0	
Amounts payable to related parties:		
Trade and other payables	0	1,322
Loans from associated entities	0	

32. POST BALANCE DATE EVENT

There are no post balance date events significant to this report.

33. MAJOR LAND TRANSACTIONS

The Shire was not involved in any major land transactions during the 2017/2018 year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire was not involved in any Trading Undertakings or Major Trading Undertakings during the 2017/18 year.

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	8,481,907	7,912,282	8,481,907	7,912,282
Receivables	1,573,442	1,493,712	1,573,442	1,493,712
Financial assets at fair value through profit or loss	0	0	0	0
Available-for-sale financial assets	86,867	25,000	86,867	25,000
	<u>10,142,216</u>	<u>9,430,994</u>	<u>10,142,216</u>	<u>9,430,994</u>
Financial Liabilities				
Payables	945,412	662,807	945,412	662,807
Borrowings	236,101	307,747	217,632	322,240
	<u>1,181,513</u>	<u>970,553</u>	<u>1,163,044</u>	<u>985,046</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets – based on quoted market prices at the reporting date or independent valuation.

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit or loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

The Shire manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

	30-Jun-18	30-Jun-17
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	84,819	79,123
- Income Statement	84,819	79,123

Notes:

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

Recent market volatility has seen large market movements for certain types of investments.

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Shire's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Management oversees 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.

Annual budgets make suitable provision for doubtful receivables as required, and officers carry out credit checks on most non-rate debtors.

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

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

	30-Jun-18	30-Jun-17
Percentage of Rates and Annual Charges		
- Current	0.00%	26.29%
- Overdue	100.00%	73.71%
Percentage of Other Receivables		
- Current	91.70%	87.42%
- Overdue	8.30%	12.58%

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2018</u>					
Payables	945,412	0	0	945,412	945,412
Borrowings	42,237	168,948	68,659	279,844	236,101
	<u>987,649</u>	<u>168,948</u>	<u>68,659</u>	<u>1,225,256</u>	<u>1,181,513</u>
<u>2017</u>					
Payables	662,807	0	0	662,807	662,807
Borrowings	86,821	168,948	110,896	366,665	307,747
	<u>749,628</u>	<u>168,948</u>	<u>110,896</u>	<u>1,029,472</u>	<u>970,554</u>

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2018</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	0	0	67,141	168,960	236,101	5.02%
Weighted Average Effective Interest Rate					6.73%	4.34%		
<u>Year Ended 30 June 2017</u>								
Borrowings								
Fixed Rate								
Debentures	42,415		0	0	78,103	187,228	307,747	5.28%
Weighted Average Effective Interest Rate	6.78%				6.73%	4.34%		

INDEPENDENT AUDITOR'S REPORT

To the Council of Shire of Donnybrook-Balingup

Report on the Audit of the Financial Report

Opinion

We have audited the annual financial report of Shire of Donnybrook-Balingup 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 our opinion the annual financial report of Shire of Donnybrook-Balingup:

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Shire of Donnybrook-Balingup in accordance with 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 our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We 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 Shire of Donnybrook-Balingup's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

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

The Chief Executive Officer (CEO) of Shire of Donnybrook-Balingup 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 Shire of Donnybrook-Balingup'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 Shire of Donnybrook-Balingup.

The Council is responsible for overseeing Shire of Donnybrook-Balingup's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Shire of Donnybrook-Balingup'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 Shire of Donnybrook-Balingup's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- (i) In our opinion, the following matter indicate a significant adverse trend in the financial position of the Shire of Donnybrook-Balingup:
 - a. Operating surplus ratio as reported in Note 19 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.57, 2017: -0.39 and 2018: -0.49).
- (ii) There were no matters 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 identified during the course of our audit, with exception of the following:
 - The annual financial report for 30 June 2018 was not submitted to the auditor by the extension date of 31 October 2018 approved by the Department of Local Government, Sport and Cultural Industries as required by section 6.4 of the Local Government Act 1995; and
 - The compliance audit return for the year ended 31 December 2017 was not submitted to the Executive Director at Department of Local Government, Sport and Cultural Industries by 31 March 2018 as required by the Local Government (Audit) Regulations 1996.
- (iii) All required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of Shire of Donnybrook-Balingup for the year ended 30 June 2018 included on Shire of Donnybrook-Balingup's website. Shire of Donnybrook-Balingup's management is responsible for the integrity of Shire of Donnybrook-Balingup website. This audit does not provide assurance on the integrity of Shire of Donnybrook-Balingup'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.

AMD Chartered Accountants



TIM PARTRIDGE
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this 17th day of December 2018