

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

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COMMUNITY VISION

Merredin is a sustainable regional

Principal place of business:
Crn Barrack & Kings Street
Merredin WA 6415

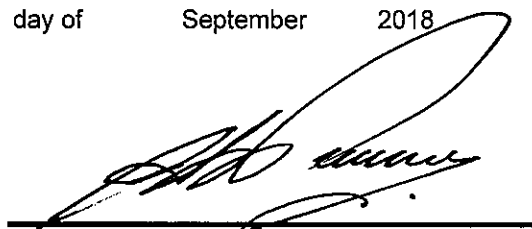
**SHIRE OF MERREDIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the Seventeenth day of September 2018



Chief Executive Officer

Gregory Stephen Powell

Name of Chief Executive Officer

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	21(a)	4,043,223	4,040,733	3,896,130
Operating grants, subsidies and contributions	2	2,993,599	1,891,766	4,094,823
Fees and charges	2(a)	1,324,675	1,320,892	1,614,638
Interest earnings	2(a)	574,787	514,360	564,130
Other revenue		530,809	165,450	422,643
		9,467,093	7,933,201	10,592,364
Expenses				
Employee costs		(2,939,615)	(3,174,102)	(2,978,717)
Materials and contracts		(2,824,643)	(2,755,125)	(2,345,020)
Utility charges		(421,718)	(431,695)	(458,878)
Depreciation on non-current assets	9(b)	(4,118,392)	(4,100,778)	(4,075,456)
Interest expenses	2(a)	(78,743)	(67,007)	(71,098)
Insurance expenses		(180,618)	(188,247)	(189,773)
Other expenditure		(559,746)	(158,897)	(321,892)
		(11,123,475)	(10,875,851)	(10,440,834)
		(1,656,382)	(2,942,650)	151,530
Non-operating grants, subsidies and contributions	2	1,347,122	1,754,741	1,531,634
Non-operating grants Returned	2	(5,000,000)		
Profit on asset disposals	9(a)	6,631	29,476	0
(Loss) on asset disposals	9(a)	(256,343)	(105,340)	(112,560)
Net result		(5,558,972)	(1,263,773)	1,570,604
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(129,678,881)	0	3,461,665
Total other comprehensive income		(129,678,881)	0	3,461,665
Total comprehensive income		(135,237,853)	(1,263,773)	5,032,269

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
Revenue				
	2(a)			
Governance		55,317	37,700	49,561
General purpose funding		6,965,993	5,714,499	8,001,927
Law, order, public safety		243,567	239,803	251,855
Health		24,926	39,600	52,863
Education and welfare		40,102	20,100	21,411
Housing		159,084	153,980	165,188
Community amenities		823,891	553,036	778,202
Recreation and culture		659,337	671,730	629,904
Transport		213,298	293,112	316,566
Economic services		150,509	151,841	227,570
Other property and services		131,069	57,800	97,316
		9,467,093	7,933,201	10,592,363
Expenses				
	2(a)			
Governance		(508,826)	(560,939)	(475,937)
General purpose funding		(111,769)	(82,002)	(115,878)
Law, order, public safety		(635,284)	(657,445)	(647,941)
Health		(246,549)	(281,134)	(246,521)
Education and welfare		(104,424)	(98,173)	(100,326)
Housing		(230,719)	(243,256)	(245,709)
Community amenities		(1,390,940)	(963,140)	(958,313)
Recreation and culture		(2,881,396)	(2,901,733)	(2,802,678)
Transport		(4,156,004)	(4,070,122)	(3,872,822)
Economic services		(767,090)	(963,577)	(863,227)
Other property and services		(11,731)	12,677	(40,384)
		(11,044,732)	(10,808,844)	(10,369,736)
Finance Costs				
	2(a)			
Education and welfare		(45,115)	(37,430)	(31,012)
Other property and services		(33,628)	(29,577)	(40,086)
		(78,743)	(67,007)	(71,098)
		(1,656,382)	(2,942,650)	151,529
Non-operating grants, subsidies and contributions	2	1,347,122	1,754,741	1,531,634
Non-operating grants, Returned		(5,000,000)		
Profit on disposal of assets	9(a)	6,631	29,476	0
(Loss) on disposal of assets	9(a)	(256,343)	(105,340)	(112,561)
		(3,902,590)	1,678,877	1,419,073
		(5,558,972)	(1,263,773)	1,570,602
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(129,678,881)	0	3,461,665
Total other comprehensive income		(129,678,881)	0	3,461,665
Total comprehensive income		(135,237,853)	(1,263,773)	5,032,267

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

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

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	23,942,051	28,940,062
Trade and other receivables	5	796,700	501,319
Inventories	6	142,981	193,376
TOTAL CURRENT ASSETS		24,881,732	29,634,757
NON-CURRENT ASSETS			
Other receivables	5	445,733	487,299
Inventories	6	580,521	965,477
Property, plant and equipment	7	43,823,101	43,087,533
Infrastructure	8	157,734,863	287,618,215
TOTAL NON-CURRENT ASSETS		202,584,218	332,158,524
TOTAL ASSETS		227,465,950	361,793,281
CURRENT LIABILITIES			
Trade and other payables	11	1,446,281	332,374
Current portion of long term borrowings	12(a)	231,069	219,405
Provisions	13	508,371	518,205
TOTAL CURRENT LIABILITIES		2,185,721	1,069,984
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	1,092,224	1,323,293
Provisions	13	54,783	28,930
TOTAL NON-CURRENT LIABILITIES		1,147,007	1,352,223
TOTAL LIABILITIES		3,332,728	2,422,207
NET ASSETS		224,133,222	359,371,074
EQUITY			
Retained surplus		66,517,094	66,137,613
Reserves - cash backed	4	19,913,740	25,852,192
Revaluation surplus	10	137,702,388	267,381,272
TOTAL EQUITY		224,133,222	359,371,077

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

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

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		84,464,067	5,955,136	263,919,607	354,338,810
Comprehensive income					
Net result		1,570,602	0	0	1,570,602
Changes on revaluation of assets	10	0	0	3,461,665	3,461,665
Total comprehensive income		1,570,602	0	3,461,665	5,032,267
Transfers from/(to) reserves		(19,897,056)	19,897,056	0	0
Balance as at 30 June 2017		66,137,613	25,852,192	267,381,272	359,371,077
Comprehensive income					
Net result		(5,558,972)	0	0	(5,558,972)
Changes on revaluation of assets	10	0	0	(129,678,881)	(129,678,881)
Total comprehensive income		(5,558,972)	0	(129,678,881)	(135,237,853)
Transfers from/(to) reserves		5,938,452	(5,938,452)	0	0
Balance as at 30 June 2018		66,517,094	19,913,740	137,702,388	224,133,224

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$	\$
Receipts				
Rates		4,020,160	4,100,733	3,902,236
Operating grants, subsidies and contributions		2,735,362	1,818,955	3,991,011
Fees and charges		1,324,675	1,320,892	1,614,639
Interest earnings		574,787	514,360	564,131
Goods and services tax		0	(10,000)	
Other revenue		530,809	165,450	422,643
		9,185,793	7,910,390	10,494,660
Payments				
Employee costs		(2,915,232)	(3,267,102)	(3,026,453)
Materials and contracts		(1,667,877)	(2,845,611)	(4,475,325)
Utility charges		(421,718)	(431,695)	(458,878)
Interest expenses		(79,571)	(67,007)	(63,415)
Insurance expenses		(180,618)	(188,247)	(189,773)
Goods and services tax		0	0	14
Other expenditure		(559,746)	(158,897)	(321,892)
		(5,824,762)	(6,958,559)	(8,535,722)
Net cash provided by (used in) operating activities	14	3,361,031	951,831	1,958,938
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		384,956	178,707	55,853
Payments for purchase of property, plant & equipment		(2,681,451)	(15,524,374)	(1,982,798)
Payments for construction of infrastructure		(2,660,295)	(3,522,551)	(2,460,047)
Non-operating grants, subsidies and contributions		(3,652,878)	1,754,741	1,531,634
Proceeds from sale of fixed assets		442,545	322,501	252,794
Net cash provided by (used in) investment activities		(8,167,123)	(16,790,976)	(2,602,564)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(219,405)	(219,405)	(158,039)
Proceeds from self supporting loans		27,485	27,485	27,485
Proceeds from new long term borrowings		0	2,000,000	600,000
Net cash provided by (used in) financing activities		(191,920)	1,808,080	469,446
Net increase (decrease) in cash held		(4,998,012)	(14,031,065)	(174,180)
Cash at beginning of year		28,940,062	28,940,406	29,114,242
Cash and cash equivalents at the end of the year	14	23,942,050	14,909,341	28,940,062

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
		2,904,504	2,865,040	20,788,501
		2,904,504	2,865,040	20,788,501
Revenue from operating activities (excluding rates)				
Governance		59,087	48,244	49,561
General purpose funding		2,972,811	1,723,807	4,145,826
Law, order, public safety		243,567	244,265	251,855
Health		27,787	39,600	52,863
Education and welfare		40,102	20,100	21,411
Housing		159,084	153,980	165,188
Community amenities		823,891	553,036	778,202
Recreation and culture		659,337	671,730	629,904
Transport		213,298	307,582	316,566
Economic services		150,509	151,841	227,570
Other property and services		131,069	57,800	97,316
		5,480,542	3,971,985	6,736,262
Expenditure from operating activities				
Governance		(508,826)	(560,939)	(475,937)
General purpose funding		(111,769)	(82,002)	(115,878)
Law, order, public safety		(639,096)	(657,445)	(647,941)
Health		(482,812)	(293,288)	(249,180)
Education and welfare		(149,539)	(135,603)	(131,338)
Housing		(230,719)	(243,256)	(245,709)
Community amenities		(1,390,940)	(963,140)	(958,313)
Recreation and culture		(2,881,396)	(2,901,733)	(2,809,244)
Transport		(4,164,619)	(4,138,865)	(3,928,030)
Economic services		(767,090)	(963,577)	(863,227)
Other property and services		(53,012)	(41,343)	(128,598)
		(11,379,818)	(10,981,191)	(10,553,395)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(6,631)	(29,476)	0
Loss on disposal of assets	9(a)	256,343	105,340	112,560
Movement in deferred pensioner rates (non-current)		12,707	0	(2,800)
Movement in employee benefit provisions (non-current)		25,853	0	(78,007)
Depreciation and amortisation on assets	9(b)	4,118,392	4,100,778	4,075,456
Amount attributable to operating activities		1,411,892	32,476	21,078,577
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,347,122	1,754,741	1,531,634
Proceeds from disposal of assets	9(a)	442,545	322,501	252,794
Purchase of land held for resale		384,956	178,707	55,853
Purchase of property, plant and equipment	7(b)	(2,681,451)	(15,524,374)	(1,982,798)
Purchase and construction of infrastructure	8(b)	(2,660,295)	(3,522,551)	(2,460,047)
Amount attributable to investing activities		(3,167,123)	(16,790,976)	(2,602,564)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(219,405)	(219,405)	(158,039)
Proceeds from new long term borrowings	12(b)	0	2,000,000	600,000
Proceeds from self supporting loans	12(a)	27,485	27,485	27,485
Transfers to reserves (restricted assets)	4	(1,506,968)	(3,498,623)	(20,861,054)
Transfers from reserves (restricted assets)	4	7,445,420	14,637,221	963,998
Amount attributable to financing activities		5,746,532	12,946,678	(19,427,610)
Surplus(deficiency) before general rates		3,991,301	(3,811,822)	(951,597)
Total amount raised from general rates	21	3,993,182	3,990,692	3,856,101
Net current assets at June 30 c/fwd - surplus/(deficit)	22	7,984,483	178,870	2,904,504

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

1. BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads

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

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

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

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Fees and Charges

	2018 Actual	2017 Actual
	\$	\$
Governance	6,372	11,924
General purpose funding	21,190	19,916
Law, order, public safety	190,645	187,062
Health	24,926	52,863
Housing	154,539	163,829
Community amenities	625,240	714,970
Recreation and culture	172,900	306,718
Transport	17,127	16,817
Economic services	99,745	125,422
Other property and services	11,991	15,117
	1,324,675	1,614,638

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	2,307,541	3,517,227
Law, order, public safety	40,999	61,359
Community amenities	41,982	12,955
Recreation and culture	454,351	223,372
Transport	111,912	223,580
Economic services	36,814	56,330
	2,993,599	4,094,823
Non-operating grants, subsidies and contributions		
Recreation and culture	0	35,559
Transport	1,326,883	1,482,350
Economic services	20,239	13,725
Other property and services	(5,000,000)	0
	(3,652,878)	1,531,634
Total grants, subsidies and contributions	(659,279)	5,626,457

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

Interest earnings

- Loans receivable - clubs/institutions
- Reserve funds
- Other funds
Other interest revenue (refer note 21(b))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Loans receivable - clubs/institutions	20,102	20,100	21,411
- Reserve funds	406,535	392,260	408,428
- Other funds	81,742	40,000	65,980
Other interest revenue (refer note 21(b))	66,408	62,000	68,311
	574,787	514,360	564,130

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Additional Annuals & Financial Management Review
- Disbursements

Interest expenses (finance costs)

Long term borrowings (refer Note 12(a))

Rental charges

- Operating leases

	2018	2017
	\$	\$
	11,073	10,457
	800	1,600
	2,462	1,784
	14,335	13,841
	78,743	71,098
	78,743	71,098
	19,332	55,618
	19,332	55,618

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

3. CASH AND CASH EQUIVALENTS	NOTE	2018	2017
		\$	\$
Unrestricted		4,028,310	3,087,869
Restricted		19,913,741	25,852,193
		23,942,051	28,940,062
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4	530,972	484,416
Plant Replacement Reserve	4	780,669	874,657
Heritage Reserve	4	7,591	7,430
Building Reserve	4	827,505	713,033
Land & Development Reserve	4	1,161,446	983,598
Recreation Reserve	4	491,721	259,674
Disaster Relief Reserve	4	8,074	7,907
Road Reinstatement Reserve	4	26,411	25,850
Cummings Street Units Reserve	4	52,363	51,252
Waste Management Reserve	4	118,725	43,235
Environmental Initiatives Reserve	4	51,961	50,854
Unspent Grants Reserve	4	15,792,424	22,350,286
ITC Reserve	4	63,878	0
		19,913,741	25,852,192

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	484,416	46,556		530,972	484,416	110,657		595,073	473,424	10,992		484,416
Plant Replacement Reserve	874,657	19,932	(113,919)	780,670	874,656	572,886	(803,600)	643,942	1,015,625	124,667	(265,636)	874,656
Heritage Reserve	7,430	162		7,592	7,430	15,687		23,117	7,242	188		7,430
Building Reserve	713,033	114,472		827,505	713,032	0		713,032	694,961	18,072		713,033
Land & Development Reserve	983,598	177,847		1,161,445	983,598	2,021,659	(90,000)	2,915,257	1,113,600	177,283	(307,285)	983,598
Recreation Reserve	259,674	232,048		491,722	259,674	229,624		489,298	272,029	6,705	(19,060)	259,674
Disaster Relief Reserve	7,907	167		8,074	7,906	174		8,080	7,706	200		7,906
Road Reinstatement Reserve	25,850	561		26,411	25,850	569		26,419	25,195	655		25,850
Cummings Street Units Reserve	51,252	1,111		52,363	51,252	1,128		52,380	49,953	1,299		51,252
Waste Management Reserve	43,235	75,490		118,725	43,235	84,299		127,534	42,139	1,096		43,235
Environmental Initiatives Reserve	50,854	1,107		51,961	50,855	1,119	(30,000)	21,974	49,489	1,366		50,855
Unspent Grants Reserve	22,350,286	773,639	(7,331,501)	15,792,424	22,350,287	397,631	(13,713,621)	9,034,297	2,203,773	20,518,531	(372,017)	22,350,287
ITC Reserve	0	63,878		63,878	0	63,190		63,190	0	0		0
	25,852,192	1,506,968	(7,445,420)	19,913,740	25,852,191	3,498,623	(14,637,221)	14,713,593	5,955,136	20,861,054	(963,998)	25,852,192

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

In accordance with council resolutions of June 2018, in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve		To be utilised to fund staff leave as required.
Plant Replacement Reserve		To be utilised to fund future capital plant purchases.
Heritage Reserve		To be Closed in 2018/2019
Building Reserve		To be utilised to fund future building construction and major maintenance within the Shire of Merredin.
Land & Development Reserve		To be utilised to fund major land development/purchases within the Shire of Merredin.
Recreation Reserve		To be utilised to fund future development and major renewals in relation to Recreation.
Disaster Relief Reserve		To be utilised to contribute to liabilities arising from a declared natural disaster that meets WAANDRA eligibility minimum spend.
Road Reinstatement Reserve		To be Closed in 2018/2019
Cummings Street Units Reserve		To be utilised to full maintenance and capital costs associated with Council owned units in Cummings Street Merredin.
Waste Management Reserve		To be utilised for the collection, transport, storage, treatment, processing, sorting, recycling or disposal of waste; or the provision of receptacles for the temporary deposit of waste; or the provision and management of waste facilities, machinery for the disposal of waste and processes for dealing with waste.
Environmental Initiatives Reserve		To be Closed in 2018/2019
Unspent Grants Reserve		To be utilised for the quaranting of Grant Monies awaiting completion of Works.
ITC Reserve		To be utilised to fund future ITC within the Shire of Merredin.

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding	
Sundry debtors	
Loans receivable - clubs/institutions	
Payments in Advance	

Non-current

Rates outstanding - pensioners	
Loans receivable - clubs/institutions	

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

Rates outstanding

Includes:

Past due and not impaired

Sundry debtors

Includes:

Past due and not impaired

	2018	2017
	\$	\$
	396,680	360,910
	452,096	173,735
	28,859	27,485
	(80,935)	(60,811)
	796,700	501,319
	88,426	101,133
	357,307	386,166
	445,733	487,299
	396,680	360,910
	13,214	100,944

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

Fuels & Materials

Non-current

Land held for resale - cost

Cost of acquisition

	2018	2017
	\$	\$
	142,981	193,376
	142,981	193,376
	580,521	965,477
	580,521	965,477

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for sale (Continued)

Finance costs and holding charges incurred after development is completed are expensed.

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

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

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2 & 3	2,329,000	2,329,000
	<u>2,329,000</u>	<u>2,329,000</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	760,000	760,000
	<u>760,000</u>	<u>760,000</u>
Total land	3,089,000	3,089,000
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	3,489,161	3,489,161
- Additions	72,193	0
Less: accumulated depreciation	(404,182)	(300,533)
	<u>3,157,172</u>	<u>3,188,628</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	34,499,151	34,567,344
- Additions	2,301,557	0
- Disposals	(532,973)	0
Less: accumulated depreciation	(2,610,942)	(1,958,038)
	<u>33,656,793</u>	<u>32,609,306</u>
Total buildings	36,813,965	35,797,934
Total land and buildings	39,902,965	38,886,934
Furniture and equipment at:		
- Independent valuation 2016 - level 3	220,527	220,527
- Management valuation 2017 - level 3	66,642	66,642
- Additions	47,103	0
Less: accumulated depreciation	(46,504)	(27,339)
	<u>287,768</u>	<u>259,830</u>
Plant and equipment at:		
- Independent valuation 2016 - level 3	3,184,510	3,184,510
- Management valuation 2016 - level 3	1,121,375	1,188,158
- Additions	260,596	0
- Disposals	(159,284)	0
Less: accumulated depreciation	(999,329)	(656,399)
	<u>3,407,868</u>	<u>3,716,269</u>

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

7 (a). PROPERTY, PLANT AND EQUIPMENT (Continued)

Land Freehold at:

- Management valuation 2017 - level 2 & 3

Less: accumulated depreciation

Total property, plant and equipment

	2018	2017
	\$	\$
	224,500	224,500
	0	0
	224,500	224,500
	43,823,101	43,087,533

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Land Freehold	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	2,013,100	570,000	2,583,100	3,122,466	29,537,811	32,660,277	35,243,377	264,582	3,621,205	188,200	39,317,364
Additions			0	151,285	1,254,461	1,405,746	1,405,746	14,734	562,318		1,982,798
Revaluation increments/ (decrements) transferred to revaluation surplus	315,900	190,000	505,900	17,876	2,501,589	2,519,465	3,025,365			36,300	3,061,665
Depreciation (expense)	0	0	0	(102,999)	(684,555)	(787,554)	(787,554)	(19,486)	(467,254)		(1,274,294)
Carrying amount at 30 June 2017	2,329,000	760,000	3,089,000	3,188,628	32,609,306	35,797,934	38,886,934	259,830	3,716,269	224,500	43,087,533
Additions			0	72,194	2,301,558	2,373,752	2,373,752	47,103	260,596		2,681,451
(Disposals)			0		(532,973)	(532,973)	(532,973)		(159,284)		(692,257)
Depreciation (expense)			0	(103,650)	(721,098)	(824,748)	(824,748)	(19,165)	(409,713)		(1,253,626)
Carrying amount at 30 June 2018	2,329,000	760,000	3,089,000	3,157,172	33,656,793	36,813,965	39,902,965	287,768	3,407,868	224,500	43,823,101

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2 & 3	Observed open market valuations, adjusted for condition and comparability.	Independent Valuation	2017	Price per Hectare / Current Conditions
Land - vested in and under the control of Council	3	Market approach using recent market data/income approach using discounted cash flow methodology.	Independent Valuation	2017	Price per Hectare / Current Conditions / Market Discount Rate
Buildings - non-specialised	2	Observed open market valuations, adjusted for condition and comparability.	Independent Valuation	2017	Price per Hectare
Buildings - specialised	3	Cost approach using depreciated replacement cost.	Independent Valuation	2017	Improvements to land using construction costs and current conditions (Level 2) and remaining useful life assessments (Level 3)
Furniture and equipment	3	Cost approach using depreciated replacement cost.	Independent Valuation	2017	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3)
Plant and equipment					
- Independent valuation 2016	3	Cost approach using depreciated replacement cost.	Independent Valuation	2016	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3)
- Management valuation 2016	3	Cost approach using depreciated replacement cost.	Management Valuation	2016	Purchase costs and current condition (Level 2) and remaining useful life assessments (Level 3)

Land Freehold

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

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

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

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2018 - level 3	168,342,669	0
- Management valuation 2017 - level 3	0	276,948,486
Less: accumulated depreciation	(35,184,634)	(3,573,618)
	133,158,035	273,374,868
Infrastructure - Footpaths		
- Management valuation 2018 - level 3	8,880,209	0
- Management valuation 2017 - level 3	0	6,231,812
Less: accumulated depreciation	(2,119,791)	(636,658)
	6,760,418	5,595,154
Infrastructure - Drainage		
- Management valuation 2018 - level 3	24,106,456	0
- Management valuation 2017 - level 3	0	4,393,889
Less: accumulated depreciation	(11,484,643)	(931,497)
	12,621,813	3,462,392
Infrastructure - Parks & Gardens		
- Management valuation 2018 - level 3	4,829,997	0
- Management valuation 2017 - level 3	452,524	5,244,666
Less: accumulated depreciation	(87,924)	(58,865)
	5,194,597	5,185,801
Total infrastructure	157,734,863	287,618,215

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks & Gardens	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2016	272,987,329	5,829,475	3,937,291	5,605,235	288,359,330
Additions	2,281,898	147,218	16,262	14,669	2,460,047
Depreciation (expense)	(1,894,359)	(381,539)	(491,161)	(34,103)	(2,801,162)
Transfers				(400,000)	(400,000)
Carrying amount at 30 June 2017	273,374,868	5,595,154	3,462,392	5,185,801	287,618,215
Additions	2,332,353	290,087	0	37,855	2,660,295
Revaluation increments/ (decrements) transferred to revaluation surplus	(140,591,164)	1,261,325	9,650,958		(129,678,881)
Depreciation (expense)	(1,958,022)	(386,148)	(491,537)	(29,059)	(2,864,766)
Carrying amount at 30 June 2018	133,158,035	6,760,418	12,621,813	5,194,597	157,734,863

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost.	Management Valuation	Jun 2018	Construction costs and current condition and remaining useful life assesment
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost.	Management Valuation	Jun 2018	Construction costs and current condition and remaining useful life assesment
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost.	Management Valuation	Jun 2018	Construction costs and current condition and remaining useful life assesment
Infrastructure - Parks & Gardens	3	Cost approach using depreciated replacement cost.	Management Valuation	Jun 2018	Construction costs and current condition and remaining useful life assesment

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.

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

Land under control

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

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
2016 Ford Falcon Sedan	22,413	17,273	0	(5,140)	26,298	18,000	0	(8,298)
2017 Holden Caprice Sedan					35,956	46,500	10,544	0
2016 Toyota Kruger Stn Sedan	31,685	35,455	3,770	0	36,154	24,000	0	(12,154)
2015 Mazda Stn Sedan	20,514	18,000	0	(2,514)	20,991	17,000	0	(3,991)
Law, order, public safety								
Rangers Utility	18,357	14,545	0	(3,812)	17,538	22,000	4,462	0
Health								
2016 Toyota Kruger Stn Sedan	31,684	34,545	2,861	0	36,154	24,000	0	(12,154)
Education and welfare								
Medical Centre	532,738	300,000	0	(232,738)				
Auto Control Doors	235	0	0	(235)				
Compactus	1,389		0	(1,389)				
Telephone System	1,900		0	(1,900)				
Transport								
2016 Isuzu D Max Utility					30,890	24,000	0	(6,890)
Construction Supervisor Utility					30,224	17,000	0	(13,224)
Grader					82,115	55,000	0	(27,115)
Dual Cab Truck					34,641	30,000	0	(4,641)
Tractor	31,342	22,727	0	(8,615)	30,530	45,000	14,470	0
Sweeper					16,874	0	0	(16,874)
	692,257	442,545	6,631	(256,343)	398,365	322,500	29,476	(105,341)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	103,650	102,999
Buildings - specialised	721,098	684,555
Furniture and equipment	19,165	19,486
Plant and equipment	409,713	467,254
Infrastructure - Roads	1,958,022	1,894,359
Infrastructure - Footpaths	386,148	381,539
Infrastructure - Drainage	491,537	491,161
Infrastructure - Parks & Gardens	29,059	34,103
	4,118,392	4,075,456

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Depreciation (Continued)

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

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

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

10. REVALUATION SURPLUS

	2018	2018	2018	2018	2018	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Total	Closing
	Balance	Increment	(Decrement)	Movement on	Balance	Balance	Increment	Movement on	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land - freehold land	25,824,503	0	0	0	25,824,503	22,762,838	3,061,665	3,061,665	25,824,503
Revaluation surplus -Furniture and equipment	41,913	0	0	0	41,913	41,913		0	41,913
Revaluation surplus -Plant and equipment	1,199,772	0	0	0	1,199,772	1,199,772		0	1,199,772
Revaluation surplus - Infrastructure - Roads	206,555,668	0	(140,591,164)	(140,591,164)	65,964,504	206,155,668	400,000	400,000	206,555,668
Revaluation surplus - Infrastructure - Footpaths	10,356,495	1,261,325	0	1,261,325	11,617,820	10,356,495		0	10,356,495
Revaluation surplus - Infrastructure - Drainage	21,303,941	9,650,958	0	9,650,958	30,954,899	21,303,941		0	21,303,941
Revaluation surplus - Infrastructure - Parks & Gardens	2,098,980	0	0	0	2,098,980	2,098,980		0	2,098,980
	267,381,272	10,912,283	(140,591,164)	(129,678,881)	137,702,388	263,919,607	3,461,665	3,461,665	267,381,272

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

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

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
ATO liabilities
Accrued Expenses

	2018	2017
	\$	\$
	1,343,388	168,845
	14,584	15,412
	88,309	84,945
	0	(5,000)
	0	68,172
	1,446,281	332,374

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
			Actual	Budget	Actual	Budget	Actual	Budget
Governance	\$	\$	\$	\$	\$	\$	\$	\$
Loan 214 Amalgamated	528,987		140,002	140,002	388,985	388,985	33,628	29,577
Education and welfare								
Loan 217 CEACA Units	600,000		51,918	51,918	548,082	548,082	22,581	17,667
	1,128,987	0	191,920	191,920	937,067	937,067	56,209	47,244

Particulars	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
			Actual	Budget	Actual	Budget	Actual	Budget
Self Supporting Loans	\$	\$	\$	\$	\$	\$	\$	\$
Education and welfare								
Loan 215 Merretville	413,710	0	27,485	27,485	386,225	386,225	22,534	19,763
	413,710	0	27,485	27,485	386,225	386,225	22,534	19,763
	1,542,697	0	219,405	219,405	1,323,293	1,323,292	78,743	67,007

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

Borrowings

	2018	2017
	\$	\$
Current	231,069	219,405
Non-current	1,092,224	1,323,293
	1,323,293	1,542,698

12. INFORMATION ON BORROWINGS (Continued)

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

	2018	2017
	\$	\$
	231,069	219,405
	1,092,224	1,323,293
	<u>1,323,293</u>	<u>1,542,698</u>
Unused loan facilities at balance date	NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision

Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
	327,255	190,950	518,205
		28,930	28,930
	327,255	219,880	547,135
	(8,878)	24,897	16,019
	318,377	244,777	563,154
	318,377	189,994	508,371
		54,783	54,783
	318,377	244,777	563,154

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	23,942,051	14,909,341	28,940,062
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(5,558,972)	(1,263,773)	1,570,604
Non-cash flows in Net result:			
Depreciation	4,118,392	4,100,778	4,075,456
(Profit)/loss on sale of asset	249,712	75,864	112,560
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(281,300)	(22,811)	(97,690)
(Increase)/decrease in inventories	50,395	5,000	112,346
Increase/(decrease) in payables	1,113,907	(100,486)	(2,241,455)
Increase/(decrease) in provisions	16,019	(88,000)	(41,249)
Grants contributions for the development of assets	3,652,878	(1,754,741)	(1,531,634)
Net cash from operating activities	3,361,031	951,831	1,958,938

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

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	34,448	34,954
Law, order, public safety	900,687	1,061,311
Health	472,293	1,247,648
Education and welfare	2,851,320	2,938,321
Housing	1,595,344	1,653,570
Community amenities	3,149,172	3,575,455
Recreation and culture	21,430,464	21,818,427
Transport	72,175,538	70,032,359
Economic services	830,406	817,910
Other property and services	5,413,711	5,368,466
Unallocated	118,612,567	253,244,860
	227,465,950	361,793,281

16. CONTINGENT LIABILITIES

The Shire of Merredin has a contingent Liability for the Reinstatement/Revegetation of the Chandler Road Landfill Site.

The Current Waste Management Reserve Fund Account currently has a balance of \$118,725 and this is considered to be adequate for 2018/2019.

Additional funds will need to be transferred over future years to fulfil councils commitment, however it should be noted that some rehabilitation occurs on an annual basis and is funded from the operating budget.

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

17. LEASING COMMITMENTS

The capital expenditure project outstanding at the end of the current reporting period represents the construction of the new recreation centre and purchase of a new truck (the prior year commitment was for the construction of the new recreation centre).

2018	2017
\$	\$

(a) Operating Lease Commitments

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

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

1,608	19,332
1,608	19,332

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	68,832	73,562	72,119
President's allowance	13,494	13,628	13,360
Deputy President's allowance	3,374	3,407	3,340
Councillor Wardrobe	4,968	5,000	4,968
	90,668	95,597	93,787

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	799,553	643,893
Post-employment benefits	89,374	71,974
Other long-term benefits	76,076	61,265
	965,003	777,132

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Purchase of goods and services Associated Companies/Individuals	55,241	92,269

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.

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire of Merredin has no Trading Undertakings or Major Trading Undertakings

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
Youth Development	0	10,000	0	10,000	93	(10,093)	0
Community amenities							
Barriers to Baiting		12,955		12,955	211	(4,192)	8,974
Promoting Electric Vehicles Viability				0	13,981	(7,686)	6,295
Inspiring Saline Water				0	8,000	(7,178)	822
Combating Vegetation Decline				0	20,000		20,000
Recreation and culture							
Kids Sport		27,000	(21,449)	5,551	10,052	(15,603)	0
Audience Development (CT)		86,096	(71,436)	14,660	34,846	(18,316)	31,190
Lenihan Park		10,000		10,000	93	(10,093)	0
Variable Speed Drives				0	25,000	(25,000)	0
Raise the Roof				0	121,352		121,352
Dept of Culture (RVIF)	18,313	40,580	(30,253)	28,640	398	(29,038)	0
CT Participation Grant 18/19				0	40,000		40,000
CT Trainee				0	17,995		17,995
CT Cummins Kids				0	5,000		5,000
Transport							
Totagin Hall Rd (Blackspot)	91,017	1,758	0	92,775	88,632		181,407
CBD Upgrade		150,000	(62,057)	87,943	1,432	(89,375)	0
CBD Business Case		30,455	(2,615)	27,840	453	(5,750)	22,543
Economic services							
CWVC Destination Merredin	0	53,944	(39,094)	14,850	138	(14,988)	0
Community Development Projects				0	9,000		9,000
Other property and services							
CEACA Stage I	2,106,722	35,786	(223,484)	1,919,024	28,503	(35,461)	1,912,066
CEACA Stage II	19,986,439	288,141	(148,533)	20,126,047	245,534	(6,227,505)	14,144,076
Total	22,202,491	746,715	(598,921)	22,350,285	670,713	(6,500,278)	16,520,720

Notes:

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

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

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

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential general rate / general rate										
Gross rental valuations										
Gross Rental Values	10.1703	1,211	17,554,812	1,785,377	8,206	1,522	1,795,105	1,785,754	6,000	1,791,754
Unimproved valuations										
UV1 Rural	1.9270	319	81,003,008	1,560,928	(3,959)	39	1,557,008	1,561,053		1,561,053
UV2 Urban Rural	2.9300	44	3,763,000	110,256			110,256	110,256		110,256
UV3 Mining	3.5700	1	13,445	480	236	32	748	464		464
UV4 Special Use Wind farm	3.5700	14	3,885,000	138,695			138,695	138,695		138,695
UV5 Special Use Airstrip	3.5700	1	152,000	5,426			5,426	5,426		5,426
UV6 Merredin Power	3.5700	1	41,000	1,464			1,464	1,464		1,464
Sub-Total		1,591	106,412,265	3,602,626	4,483	1,593	3,608,702	3,603,112	6,000	3,609,112
Minimum payment	\$									
Gross rental valuations										
Gross Rental Values	840	250	964,595	210,000			210,000	210,840		210,840
Unimproved valuations										
UV1 Rural	1,040	128	2,978,792	133,120			133,120	132,080		132,080
UV2 Urban Rural	1,040	39	707,900	40,560			40,560	40,560		40,560
UV3 Mining	200	4	11,147	800			800	600		600
UV4 Special Use Wind farm	1,040	0	0	0			0			0
UV5 Special Use Airstrip	1,040	0	0	0			0			0
UV6 Merredin Power	1,040	0	0	0			0			0
Sub-Total		421	4,662,434	384,480	0	0	384,480	384,080	0	384,080
		2,012	111,074,699	3,987,106	4,483	1,593	3,993,182	3,987,192	6,000	3,993,192
Discounts/concessions (refer note 21(b))							0			(2,500)
Total amount raised from general rate							3,993,182			3,990,692
Ex-gratia rates							50,042			50,041
Totals							4,043,223			4,040,733

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

21 RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	1-Sep-17	0	0.00%	11.00%
Option Two				
First instalment				
Second instalment				
Option Three				
First instalment	1-Sep-17	13	5.50%	11.00%
Second instalment	3-Nov-17	13	5.50%	11.00%
Third instalment	5-Jan-18	13	5.50%	11.00%
Fourth instalment	9-Mar-18	13	5.50%	11.00%
				2018
				2018
				Budget
				\$
Interest on unpaid rates			48,124	45,000
Interest on instalment plan			18,284	17,000
			<u>66,408</u>	<u>62,000</u>

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

22. NET CURRENT ASSETS

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

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	2,904,504	2,904,504	2,904,501
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	4,028,310	3,087,869	3,087,869
Restricted	19,913,741	25,852,193	25,852,193
Receivables			
Rates outstanding	396,680	360,910	360,910
Sundry debtors	452,096	173,735	173,735
Loans receivable - clubs/institutions	28,859	27,485	27,485
Payments in Advance	(80,935)	(60,811)	(60,811)
Inventories			
Fuels & Materials	142,981	193,376	193,376
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(1,343,388)	(168,845)	(168,845)
Accrued interest on long term borrowings	(14,584)	(15,412)	(15,412)
Accrued salaries and wages	(88,309)	(84,945)	(84,945)
ATO liabilities	0	5,000	5,000
Accrued Expenses	0	(68,172)	(68,172)
Current portion of long term borrowings	(231,069)	(219,405)	(219,405)
Provisions			
Provision for annual leave	(318,377)	(327,255)	(327,255)
Provision for long service leave	(189,994)	(190,950)	(190,950)
Unadjusted net current assets	22,696,011	28,564,773	28,564,773
Adjustments			
Less: Reserves - restricted cash	(19,913,740)	(25,852,192)	(25,852,192)
Less: Loans receivable - clubs/institutions	(28,859)	(27,485)	(27,485)
Add: Current portion of long term borrowings	231,069	219,405	219,405
Adjusted net current assets - surplus/(deficit)	2,984,481	2,904,504	2,904,501

Difference

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

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

23. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	23,942,051	28,940,062	23,942,051	28,940,062
Receivables	1,242,433	988,618	1,242,433	988,618
	25,184,484	29,928,680	25,184,484	29,928,680
Financial liabilities				
Payables	1,446,281	332,374	1,446,281	332,374
Borrowings	1,323,293	1,542,698	1,323,293	1,542,698
	2,769,574	1,875,072	2,769,574	1,875,072

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.

23. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

Notes:

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

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	93.00%	42.00%
- Overdue	7.00%	58.00%

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2018					
Payables	1,419,153			1,419,153	1,446,281
Borrowings	231,069	702,236	389,988	1,323,293	1,323,293
	1,650,222	702,236	389,988	2,742,446	2,769,574
2017					
Payables	332,374			332,374	332,374
Borrowings	219,405	965,831	661,378	1,846,614	1,542,698
	551,779	965,831	661,378	2,178,988	1,875,072

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

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	231,069					1,092,224	1,323,293	5.00%
Weighted average Effective interest rate						4.63%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	219,405					1,323,293	1,542,698	5.00%
Weighted average Effective interest rate						4.63%		

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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24. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
BCTIF Levy	208	5,852	(6,060)	0
BRB Levy	982	7,687	(8,669)	0
Housing Bonds	8,172	1,750	(1,230)	8,692
Nomination Deposits	0	480	(480)	0
Community Bus Fund	1,312	0	0	1,312
SBS Transmitter	2,220	0	0	2,220
Other Bonds	0	450	(350)	100
Youth Advisory Council	154	0	0	154
Hall/Gym Bonds	2,240	4,820	(3,170)	3,890
Sundry	67,455	10,000	(77,455)	0
Retention Monies	8,974	0	0	8,974
CEACA	1,294,070	753,793	0	2,047,863
	1,385,787	784,832	(97,414)	2,073,205

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

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

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

Notes:

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

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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

26. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE		
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.
HOUSING	To provide and maintain elderly residents housing.	Provision and maintenance of elderly residents housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social well being of the community.	Maintenance of public halls, civic centres, aquatic centre, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
TRANSPORT	To provide safe, effective and efficient transport services to the community	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc. traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
ECONOMIC SERVICES	To help promote the shire and its economic wellbeing.	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes and Building Control.
OTHER PROPERTY AND SERVICES	To monitor and control Shire's overheads operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

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

28. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	2.96	6.46	0.64
Asset consumption ratio	0.79	0.73	0.73
Asset renewal funding ratio	0.83	0.83	0.84
Asset sustainability ratio	1.17	0.99	1.27
Debt service cover ratio	7.68	18.27	0.49
Operating surplus ratio	(0.32)	0.01	(0.45)
Own source revenue coverage ratio	0.52	0.58	0.56

The above ratios are calculated as follows:

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

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.		1,223,125	
Amount of Financial Assistance Grant received in prior year relating to current year.	1,223,125		1,112,939
Amount of reimbursement for flood damage received			
Expenditure on flood damage re-instatement			

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

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

	2018	2017	2016
Current ratio	2.23	4.37	1.20
Debt service cover ratio	3.58	12.93	9.36
Operating surplus ratio	(0.12)	0.20	(0.26)
Own source revenue coverage ratio	0.52	0.58	0.56

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SHIRE OF MERREDIN

Report on the Financial Report

Opinion

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

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

- a) giving a true and fair view of the Shire's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Basis for Opinion

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

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

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

Other Information

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

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

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

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

Shire's Responsibility for the Financial Report

Shire is responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as the Shire determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.

- Conclude on the appropriateness of Shire's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shire to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to page 52 and 53 of the financial report "Financial Ratios", which describes certain ratio information relating to the financial report. Management's calculation of certain of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) Apart from the operating surplus ratio that does not meet the minimum benchmark, there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE
Director
Perth
Date: 17 September 2018