



**MINUTES**  
**AUDIT COMMITTEE MEETING**  
**6 February 2019**

The Chief Executive Officer recommends the endorsement of these minutes at the next Meeting of the Committee.

Signed:  ..... Date **7 February 2019**  
(CEO)

These minutes were confirmed at the Audit Committee Meeting held on .....

Signed: .....  
(Presiding Person at the meeting at which minutes were confirmed)

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Please note that meetings may be recorded for minute taking purposes.

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# **AUDIT COMMITTEE MEETING MINUTES**

## **6 FEBRUARY 2019**

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### **1. OFFICIAL OPENING/ANNOUNCEMENT OF VISITORS**

The Presiding Member, President Ballard, declared the meeting open at 4:07 pm.

### **2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE**

#### **Committee Members (Voting)**

Mr L Ballard – Shire President (Presiding Member)

Cr T Wiese – Deputy Shire President

Cr C Ward

Cr N Walker

Cr M Fisher

Cr B Seale

Cr G Ballard (Arrived 4:44pm)

#### **Staff**

Mr D Stewart – Chief Executive Officer

Mr F Ludovico – Executive Manager Corporate & Community Services

Ms N Bryant – Manager Finance

Mr A Awang – Executive Manager Development & Regulatory Services

#### **Leave of Absence**

Nil

#### **Apologies**

Cr P Schutz

Cr C Bartron

### **3. DECLARATION OF INTEREST BY ELECTED MEMBERS AND COUNCIL EMPLOYEES IN MATTERS INCLUDED IN THE MEETING AGENDA**

Nil

**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

**7.1 Audit Committee Meeting**

**OFFICER'S RECOMMENDATION AND COMMITTEE RESOLUTION**

Moved: Cr Wiese      Seconded: Cr Walker

That the minutes of the Audit Committee Meeting held on 14 March 2018 be confirmed as an accurate record of the proceedings.

**CARRIED 6/0**

**5. ANNOUNCEMENTS BY THE PERSON PRESIDING WITHOUT DISCUSSION**

Nil

## 6. MATTERS WHICH REQUIRE DECISIONS

### 6.1 ADOPTION OF 2017/18 ANNUAL FINANCIAL REPORT

<b>File Reference</b>	12.2.1, 4.2.6
<b>Disclosure of Interest</b>	Neither the Author nor Authorising Officer have any Impartiality, Financial or Proximity Interest that requires disclosure.
<b>Applicant</b>	Shire of Narrogin
<b>Previous Item Numbers</b>	Nil
<b>Date</b>	16 January 2019
<b>Author</b>	Frank Ludovico – Executive Manager Corporate and Community Services
<b>Authorising Officer</b>	Dale Stewart – Chief Executive Officer
<b>Attachments</b>	
<ol style="list-style-type: none"><li>1. Shire of Narrogin 2017/18 Annual Report (containing Annual Financial Report and Independent Audit Report) – Supplied under separate cover</li><li>2. Letter from the Office of the Auditor General</li><li>3. Exit Brief</li></ol>	

#### Summary

The Office of the Auditor General (OAG) conducted the Annual Financial Audit for 2017/18 through their contractors Anderson Munro & Wyllie during October 2018.

This item discusses the outcomes of that audit.

NOTE A representative from the OAG Mr Kevin Ng (Assistant Director – Financial Audit) will be participating in this item via teleconference.

#### Background

The Office of Auditor General conducted Council's Audit using Auditors, Anderson, Munro and Wyllie with an onsite audit on 23-24 October 2018 with the official signing off for the audit taking place on 20 December 2018.

#### Comment

It is pleasing to note the Audit Report does not contain any qualification.

It is also pleasing to note the OAG did not raise any areas for improvement.

For the sake of transparency, the OAG did provide a copy of the Exit Brief prepared by Anderson Munro & Wyllie. This Brief essentially discussed the testing they undertook during the audit process and it is help for the Committee to understand the testing that took place.

It did raise some issues that need comment.

Issue	Comment
Asset incorrectly recorded	<p>This matter refers the inclusion of the Narrogin Men's Shed in the Asset Register. It had not previously been included in the Register, so once this discovery was made a correction occurred.</p> <p>The Brief notes the Annual Financial Report was amended to bring the asset "into the books" in an appropriate manner.</p>
Asset valuation	<p>This matter also refers to the valuation of Narrogin Men's Shed of \$200,000.</p> <p>The comments are noted, however to put that matter in context the value of the Shire's Property, Plant and Equipment Assets at 30 June 2018 was over \$56.5 million and a mis-statement of valuation for the Narrogin Men's Shed is relatively immaterial in this circumstance.</p> <p>Fair Value valuations for Land and Building will be undertaken in the 2019/20 year and the correct Fair Value valuation will be developed in that process.</p>
Equity Investment in 'Local Government House Trust' not reported	<p>This was brought to our attention by the OAG.</p> <p>The equity has not been reported in the 2017/18 Annual Financial Report but will be in future reports.</p>
Unrecorded Liabilities detected	<p>This matter refers the accrual of Synergy (power consumption) invoices in to the correct financial year.</p> <p>The comments are noted and will be incorporated in future year end processes.</p>
Annual Leave on-costs not provided for	<p>The matter refers to the need to include the cost of superannuation when calculating future leave liabilities.</p> <p>The comments are noted and will be incorporated in future year end processes.</p>

In respect to ratios an extract of the of Note 27 of the 2017/18 Annual Financial Statements is detailed below:

These ratios have been compared to the advisory standard contained in the Department of Local Government, Sporting and Cultural Industries (DLGSCI) Integrated Planning and Reporting Framework and Guidelines September 2016.

Note: DLGSCI also has another publication dealing with ratios, Local Government Guideline Number 18 Financial - Ratios – June 2013. The more modern guideline was used in the following analysis.

27.	FINANCIAL RATIOS	Standard	Trend	2018	2017	2016
	Current ratio	Achieved	Satisfactory	5.15	3.53	2.14
	Asset consumption ratio	Improving	Satisfactory	0.99	0.98	0.73
	Asset renewal funding ratio	Not Achieved		0.69	-	-
	Asset sustainability ratio	Improving	Satisfactory	1.21	1.13	1.42
	Debt service cover ratio	Advanced	Satisfactory	9.93	(3.21)	20.53
	Operating surplus ratio	Not Achieved	Satisfactory	(0.01)	(0.52)	0.08
	Own source revenue coverage ratio	Achieved	Satisfactory	0.54	0.43	0.48

Asset renewal funding ratio measures the ability of a local government to fund its projected asset renewal/replacements in the future. As the Long Term Financial Plan was only recently developed prior year figures are not available. To meet the standard the ratio must be between 0.75 and 0.95. Continued improvements to asset management processes will enable us to work towards meeting the standard.

The Operating Surplus ratio measures the local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. To meet the standard the ration must be between 0.0 and 0.15. The ratio excludes income from grants and highlights that most rural local governments require support to provide services to their residents. The 2016/17 figure is distorted by Narrogin Cottage Homes funding of approximately \$4 million. Adjusting the 2016/17 ratio to remove the effect of Narrogin Cottage Home funding produces a ratio of 0.08.

### Consultation

- Dale Stewart – Chief Executive Officer
- Nicole Bryant – Manager Finance
- Kevin Ng Assistant Director – Financial Audit OAG
- Michael St. John – Anderson Munro & Wyllie

### Statutory Environment

*Section 6.4 Local Government Act 1995 Financial report*

*Regulation 36 Local Government (Financial Management) Regulations 1996 - Annual financial report, content of (Act s.6.4(2))*

### Policy Implications

There are no policy implications on this matter

### Financial Implications

There are no financial implications on this matter

4.44 pm Cr G Ballard arrived

### Strategic Implications

Shire of Narrogin Strategic Community Plan 2017-2027	
Objective	<b>4. Civic Leadership Objective (Continually enhance the Shire's organisational capacity to service the needs of a growing community)</b>
Outcome:	4.1 An efficient and effective organisation
Strategy:	4.1.1 Continually improve operational efficiencies and provide effective services
Strategy:	4.1.2 Continue to enhance communication and transparency

The Presiding Person welcomed Mr Kevin Ng, from the OAG, who joined the meeting at 4.45pm via a conference call. He discussed the following matters with the Committee:

- Disappointed the Audit was not complete by 1 December 2018 due to inadequacies of the contracted auditor's audit file.
- The OAG are conducting the 2108/19 Audit, using their own staff, aiming to finalise it before 1 December 2019.
- It was pleasing to provide an Unqualified Audit opinion and pleasing to note internal control procedures were working.
- The OAG will be conducting an "Entrance Meeting" with the Audit Committee for the 2018/19 Audit.

The Presiding Person thanked Mr Ng for his attendance and ended the conference call at 5:01pm.

### Voting Requirements

Simple Majority

#### **OFFICERS' RECOMMENDATION & COMMITTEE'S RESOLUTION**

Moved: Cr Walker      Seconded: Cr Seale

That the Audit Committee recommend to Council the acceptance of the Annual Financial Report and Audit Report for the 2017/18 financial year.

**CARRIED 7/0**



## Auditor General

Shire of Narrogin RECEIVED	
Directed to	Dale/Leigh/Frank/ Nicole
	20 DEC 2018
Ref No.	IFM1816151
Property File	
Subject File	12.2.1
Ref.	

### INDEPENDENT AUDITOR'S REPORT

#### To the Council of the Shire of Narrogin

#### Report on the Audit of the Financial Report

##### **Opinion**

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

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

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

##### **Basis for Opinion**

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

##### **Emphasis of Matter – Basis of Accounting**

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

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

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

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

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

***Auditor's Responsibility for the Audit of the Financial Report***

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

### **Other Matter**

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 27 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

### **Matters Relating to the Electronic Publication of the Audited Financial Report**

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



SANDRA LABUSCHAGNE  
ACTING DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
20 December 2018



**SHIRE OF NARROGIN**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30TH JUNE 2018**

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Principal place of business:  
89 Earl Street  
Narrogin WA 6390

**SHIRE OF NARROGIN  
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 Narrogin 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 Narrogin 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 eighteenth day of December 2018



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Dale Stewart  
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 \$
<b>Revenue</b>				
Rates	20(a)	4,645,781	4,670,116	4,559,085
Operating grants, subsidies and contributions	2(a)	4,915,104	3,123,870	5,052,520
Fees and charges	2(a)	1,744,031	1,539,930	1,773,084
Interest earnings	2(a)	219,007	164,100	202,341
Other revenue	2(a)	730,101	132,500	463,098
		12,254,024	9,630,516	12,050,128
<b>Expenses</b>				
Employee costs		(5,100,775)	(5,225,265)	(4,885,675)
Materials and contracts		(3,150,878)	(3,591,684)	(2,721,769)
Utility charges		(633,737)	(632,842)	(640,613)
Depreciation on non-current assets	10(b)	(2,721,917)	(2,480,898)	(2,556,277)
Interest expenses	2(b)	(53,609)	(51,651)	(62,249)
Insurance expenses		(251,493)	(229,838)	(287,792)
Other expenditure		(373,956)	(494,915)	(4,159,504)
		(12,286,365)	(12,707,093)	(15,313,879)
		(32,341)	(3,076,577)	(3,263,751)
Non-operating grants, subsidies and contributions	2(a)	2,133,477	1,365,310	1,439,802
Profit on asset disposals	10(a)	45,183	2,000	283,606
(Loss) on asset disposals	10(a)	(68,291)	(56,965)	(587,887)
(Loss) on revaluation of Infrastructure - Other	9(b)	0	0	0
<b>Net result</b>		<b>2,078,028</b>	<b>(1,766,232)</b>	<b>(2,128,230)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	16,599,666	0	12,621,260
<b>Total other comprehensive income</b>		<b>16,599,666</b>	<b>0</b>	<b>12,621,260</b>
<b>Total comprehensive income</b>		<b>18,677,694</b>	<b>(1,766,232)</b>	<b>10,493,030</b>

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 \$
<b>Revenue</b>				
	2(a)			
Governance		49,518	5,100	159,117
General purpose funding		7,162,111	5,937,241	8,271,925
Law, order, public safety		55,983	35,838	46,305
Health		10,920	5,500	8,329
Education and welfare		1,480,096	1,275,024	1,349,210
Housing		9,834	12,200	12,900
Community amenities		1,268,396	1,006,256	1,163,150
Recreation and culture		151,433	260,620	226,121
Transport		1,586,139	704,106	278,627
Economic services		314,910	242,378	299,879
Other property and services		164,684	146,253	234,565
		<b>12,254,024</b>	<b>9,630,516</b>	<b>12,050,128</b>
<b>Expenses</b>				
	2(b)			
Governance		(565,145)	(598,201)	(1,199,892)
General purpose funding		(186,911)	(204,758)	(195,293)
Law, order, public safety		(488,953)	(475,559)	(309,718)
Health		(208,193)	(202,407)	(134,162)
Education and welfare		(1,536,667)	(1,722,909)	(5,291,080)
Housing		(30,762)	(32,172)	(24,554)
Community amenities		(1,384,781)	(1,424,149)	(1,189,039)
Recreation and culture		(2,339,745)	(3,045,058)	(2,380,528)
Transport		(4,710,877)	(4,219,100)	(3,541,728)
Economic services		(679,511)	(701,129)	(590,232)
Other property and services		(101,211)	(30,000)	(395,404)
		<b>(12,232,756)</b>	<b>(12,655,442)</b>	<b>(15,251,630)</b>
<b>Finance Costs</b>				
	2(b)			
Governance		(16,146)	(15,305)	(16,888)
Recreation and culture		(27,398)	(26,361)	(30,473)
Transport		(2,279)	(2,279)	(4,929)
Economic services		(7,786)	(7,706)	(9,959)
		<b>(53,609)</b>	<b>(51,651)</b>	<b>(62,249)</b>
		<b>(32,341)</b>	<b>(3,076,577)</b>	<b>(3,263,751)</b>
Non-operating grants, subsidies and contributions	2(a)	2,133,477	1,365,310	1,439,802
Profit on disposal of assets	10(a)	45,183	2,000	283,606
(Loss) on disposal of assets	10(a)	(68,291)	(56,965)	(587,887)
(Loss) on revaluation of Infrastructure - Other	9(b)	0	0	0
		<b>2,110,369</b>	<b>1,310,345</b>	<b>1,135,521</b>
		<b>2,078,028</b>	<b>(1,766,232)</b>	<b>(2,128,230)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	16,599,666	0	12,621,260
<b>Total other comprehensive income</b>		<b>16,599,666</b>	<b>0</b>	<b>12,621,260</b>
<b>Total comprehensive income</b>		<b>18,677,694</b>	<b>(1,766,232)</b>	<b>10,493,030</b>

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

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

	NOTE	2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	6,976,077	6,974,848
Trade and other receivables	6	1,477,639	568,751
Inventories	7	7,280	13,775
<b>TOTAL CURRENT ASSETS</b>		<b>8,460,996</b>	<b>7,557,374</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	6	160,318	166,956
Inventories	7	177,273	177,273
Property, plant and equipment	8	57,801,337	56,541,062
Infrastructure	9	114,284,720	98,060,960
<b>TOTAL NON-CURRENT ASSETS</b>		<b>172,423,648</b>	<b>154,946,251</b>
<b>TOTAL ASSETS</b>		<b>180,884,644</b>	<b>162,503,625</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	536,823	379,945
Current portion of long term borrowings	13(a)	129,778	220,293
Provisions	14	596,310	845,115
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,262,911</b>	<b>1,445,353</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	13(a)	792,226	922,004
Provisions	14	22,552	7,007
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>814,778</b>	<b>929,011</b>
<b>TOTAL LIABILITIES</b>		<b>2,077,689</b>	<b>2,374,364</b>
<b>NET ASSETS</b>		<b>178,806,955</b>	<b>160,129,261</b>
<b>EQUITY</b>			
Retained surplus		51,097,591	49,200,100
Reserves - cash backed	5	3,954,799	3,774,262
Revaluation surplus	11	123,754,565	107,154,899
<b>TOTAL EQUITY</b>		<b>178,806,955</b>	<b>160,129,261</b>

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
		\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>		<b>50,915,540</b>	<b>4,187,052</b>	<b>94,533,639</b>	<b>149,636,231</b>
Comprehensive income					
Net result		(2,128,230)	0	0	(2,128,230)
Other Comprehensive Income					
Changes on revaluation of assets	11	0	0	12,621,260	12,621,260
Total comprehensive income		(2,128,230)	0	12,621,260	10,493,030
Transfers from/(to) reserves		412,790	(412,790)	0	0
<b>Balance as at 30 June 2017</b>		<b>49,200,100</b>	<b>3,774,262</b>	<b>107,154,899</b>	<b>160,129,261</b>
Comprehensive income					
Net result		2,078,028	0	0	2,078,028
Other Comprehensive Income					
Changes on revaluation of assets	11	0	0	16,599,666	16,599,666
Total comprehensive income		2,078,028	0	16,599,666	18,677,694
Transfers from/(to) reserves		(180,537)	180,537	0	0
<b>Balance as at 30 June 2018</b>		<b>51,097,591</b>	<b>3,954,799</b>	<b>123,754,565</b>	<b>178,806,955</b>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		\$	\$	\$
<b>Receipts</b>				
Rates		4,628,429	4,730,116	4,501,119
Operating grants, subsidies and contributions		4,026,247	3,098,870	5,579,636
Fees and charges		1,744,031	1,539,930	1,773,084
Interest earnings		219,007	167,100	202,341
Goods and services tax		728,663	1,300,000	684,087
Other revenue		728,959	129,500	127,510
		12,075,336	10,965,516	12,867,777
<b>Payments</b>				
Employee costs		(5,321,241)	(5,224,965)	(4,743,929)
Materials and contracts		(3,002,257)	(3,583,284)	(2,883,022)
Utility charges		(633,737)	(632,842)	(640,613)
Interest expenses		(51,651)	(51,151)	(62,274)
Insurance expenses		(251,493)	(229,838)	(287,792)
Goods and services tax		(723,562)	(1,300,000)	(749,751)
Other expenditure		(373,956)	(494,915)	(4,159,504)
		(10,357,897)	(11,516,995)	(13,526,885)
<b>Net cash provided by (used in) operating activities</b>	15	1,717,439	(551,479)	(659,108)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(2,218,342)	(1,760,171)	(1,621,357)
Payments for construction of infrastructure		(1,892,950)	(2,106,322)	(2,704,478)
Non-operating grants, subsidies and contributions		2,133,477	1,365,310	1,439,802
Proceeds from sale of fixed assets		481,898	117,000	564,992
<b>Net cash provided by (used in) investment activities</b>		(1,495,917)	(2,384,183)	(2,321,041)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of long term borrowings		(220,293)	(220,292)	(233,953)
Proceeds from new long term borrowings		0	350,000	0
<b>Net cash provided by (used in) financing activities</b>		(220,293)	129,708	(233,953)
<b>Net increase (decrease) in cash held</b>		1,229	(2,805,954)	(3,214,102)
Cash at beginning of year		6,974,848	6,916,784	10,188,950
<b>Cash and cash equivalents at the end of the year</b>	15	6,976,077	4,110,830	6,974,848

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
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>				
		2,930,415	2,821,359	5,912,406
		2,930,415	2,821,359	5,912,406
<b>Revenue from operating activities (excluding rates)</b>				
Governance		49,518	5,100	159,117
General purpose funding		2,531,832	1,275,325	3,744,699
Law, order, public safety		55,983	35,838	46,305
Health		10,920	5,500	8,329
Education and welfare		1,480,096	1,275,024	1,349,210
Housing		9,834	12,200	12,900
Community amenities		1,268,569	1,006,256	1,163,150
Recreation and culture		151,433	260,620	226,121
Transport		1,630,187	706,106	278,627
Economic services		314,910	242,378	583,485
Other property and services		165,646	146,253	234,565
		7,668,928	4,970,600	7,806,508
<b>Expenditure from operating activities</b>				
Governance		(581,291)	(613,506)	(1,226,855)
General purpose funding		(186,911)	(204,758)	(195,293)
Law, order, public safety		(501,506)	(475,559)	(315,642)
Health		(208,193)	(202,407)	(134,162)
Education and welfare		(1,542,117)	(1,722,909)	(5,304,145)
Housing		(30,762)	(32,172)	(24,554)
Community amenities		(1,389,163)	(1,424,149)	(1,195,424)
Recreation and culture		(2,367,143)	(3,071,419)	(2,411,001)
Transport		(4,753,770)	(4,278,344)	(3,634,490)
Economic services		(687,297)	(708,835)	(1,053,372)
Other property and services		(106,503)	(30,000)	(406,828)
		(12,354,656)	(12,764,058)	(15,901,766)
<b>Operating activities excluded</b>				
(Profit) on disposal of assets	10(a)	(45,183)	(2,000)	(283,606)
Loss on disposal of assets	10(a)	68,291	56,965	587,887
Loss on revaluation of fixed assets	9(b)	0	0	0
Movement in deferred pensioner rates (non-current)		6,638		(40,192)
Movement in employee benefit provisions (non-current)		15,545		(95,495)
Movement in Employee entitlement reserve		15,213		3,374
Depreciation and amortisation on assets	10(b)	2,721,917	2,480,898	2,556,277
<b>Amount attributable to operating activities</b>		1,027,108	(2,436,236)	545,393
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		2,133,477	1,365,310	1,439,802
Proceeds from disposal of assets	10(a)	481,898	117,000	564,992
Purchase of property, plant and equipment	8(b)	(2,218,342)	(1,760,171)	(1,621,357)
Purchase and construction of infrastructure	9(b)	(1,892,950)	(2,106,322)	(2,704,478)
<b>Amount attributable to investing activities</b>		(1,495,917)	(2,384,183)	(2,321,041)
<b>FINANCING ACTIVITIES</b>				
Repayment of long term borrowings	13(a)	(220,293)	(220,292)	(233,953)
Proceeds from new long term borrowings	13(b)	0	350,000	0
Transfers to reserves (restricted assets)	5	(1,374,503)	(838,823)	(1,332,931)
Transfers from reserves (restricted assets)	5	1,193,966	867,618	1,745,721
<b>Amount attributable to financing activities</b>		(400,830)	158,503	178,837
<b>Surplus(deficiency) before general rates</b>		(869,639)	(4,661,916)	(1,596,811)
<b>Total amount raised from general rates</b>	20	4,630,279	4,661,916	4,527,226
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	21	<b>3,760,640</b>	<b>0</b>	<b>2,930,415</b>

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 Interpretations of the Australian Accounting Standards Board, and the Local Government Act 1995 and accompanying Regulations.

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

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless otherwise stated. Except for cash flow and rate setting statement information, the report has been prepared on the accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

### CRITICAL ACCOUNTING ESTIMATES

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

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

### THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 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.

## 2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
<b>Significant revenue</b>		
Karinya Cottage Homes	0	111,457
<b>Other revenue</b>		
Other	730,101	463,098
	730,101	463,098
<b>Fees and Charges</b>		
Governance	99	575
General purpose funding	40,525	32,544
Law, order, public safety	37,879	25,421
Health	9,637	8,328
Education and welfare	175,529	157,759
Housing	9,834	12,900
Community amenities	1,110,911	1,132,179
Recreation and culture	23,066	29,836
Economic services	289,016	286,077
Other property and services	47,535	87,465
	1,744,031	1,773,084

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

## 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
	\$	\$
<b>Operating grants, subsidies and contributions</b>		
Governance	18,552	91,596
General purpose funding	2,222,523	3,437,755
Law, order, public safety	13,058	15,347
Education and welfare	1,299,228	1,189,599
Community amenities	0	30,000
Recreation and culture	92,387	116,948
Transport	1,269,356	138,685
Economic services	0	0
Other property and services	0	32,590
	4,915,104	5,052,520
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	884,503	282,526
Education and welfare	26,443	45,249
Recreation and culture	274,460	20,000
Transport	948,071	1,092,027
	2,133,477	1,439,802
<b>Total grants, subsidies and contributions</b>	7,048,581	6,492,322

#### 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 19. 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 20(b))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Loans receivable - clubs/institutions	0	0	0
- Reserve funds	75,738	75,000	79,943
- Other funds	80,260	50,000	51,669
Other interest revenue (refer note 20(b))	63,009	39,100	70,729
	219,007	164,100	202,341

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

	2018	2017
	\$	\$
	21,216	19,395
	21,216	19,395
	53,609	62,249
	53,609	62,249
	20,465	0
	20,465	0

**Interest expenses (finance costs)**

Long term borrowings (refer Note 13(a))

**Rental charges**

- Operating leases

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		3,021,278	3,200,586
Restricted		3,954,799	3,774,262
		6,976,077	6,974,848
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Building Reserve	5	686,182	556,072
Refuse Site Reserve	5	376,474	428,322
Community Assisted Transport (CAT) Reserve	5	4,298	8,021
Narrogin Regional Recreation Centre Reserve	5	214,761	180,691
Employee Entitlement Reserve	5	387,576	372,364
Plant, Vehicle & Equipment Reserve	5	333,984	393,454
Economic Development Reserve	5	152,014	148,995
IT & Office Equipment Reserve	5	66,049	15,734
Tourism & Area Promotion Reserve	5	75,470	73,970
HACC Reserve	5	784,351	645,352
CHCP Reserve	5	241,070	165,412
CHSP Reserve	5	160,969	120,088
Road construction reserve	5	301,328	445,302
Asset Valuation reserve	5	30,610	30,000
Landcare Reserve	5	94,846	0
Unspent grants	19	44,817	190,485
		3,954,799	3,774,262

**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 INVESTMENTS

Financial assets at fair value through profit and loss

At the end of the year

2018	2017
\$	\$
0	0
0	0

The Shire of Narrogin has no investments as at 30 June 2018

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

5. 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Building Reserve	556,072	270,266	(140,156)	686,182	556,072	60,466	(100,000)	516,538	224,265	331,807		556,072
Refuse Site Reserve	428,322	88,681	(140,529)	376,474	428,322	88,062	(98,000)	418,384	338,389	89,933		428,322
Community Assisted Transport (CAT) Reserve	8,021	5,901	(9,624)	4,298	5,352	100		5,452	9,001	2,848	(3,828)	8,021
Narrogin Regional Recreation Centre Reserve	180,691	83,664	(49,594)	214,761	180,690	83,401		264,091	112,267	68,424		180,691
Employee Entitlement Reserve	372,364	49,248	(34,036)	387,576	372,364	47,745		420,109	334,685	82,087	(44,408)	372,364
Plant, Vehicle & Equipment Reserve	393,454	417,569	(477,039)	333,984	393,454	417,405	(240,000)	570,859	103,984	289,470		393,454
Economic Development Reserve	148,995	3,019	0	152,014	148,995	2,804		151,799	146,190	2,805		148,995
IT & Office Equipment Reserve	15,734	50,315	0	66,049	15,734	50,296		66,030	20,550	15,184	(20,000)	15,734
Tourism & Area Promotion Reserve	73,970	1,500	0	75,470	73,970	1,392		75,362	102,638	1,974	(30,642)	73,970
Unspent Grants & Contribution Reserve	190,485	4,122	(149,790)	44,817	405,908	7,639	(193,715)	219,832	1,075,830	271,283	(1,156,628)	190,485
HACC Reserve	645,352	138,999	0	784,351	596,761	19,715	(10,000)	606,476	597,360	60,202	(12,210)	645,352
CHCP Reserve	165,412	75,658	0	241,070	202,894	3,819	(65,903)	140,810	246,487	5,112	(86,187)	165,412
CHSP Reserve	120,088	81,079	(40,198)	160,969	129,034	47,033		176,067	55,198	73,836	(8,946)	120,088
Road construction reserve	445,302	9,026	(153,000)	301,328	445,302	8,381	(160,000)	293,683	437,336	7,966		445,302
Asset Valuation reserve	30,000	610	0	30,610	30,000	565		30,565	0	30,000		30,000
Long service leave reserve	0			0				0	34,305		(34,305)	0
Plant replacement reserve	0			0				0	208,895		(208,895)	0
Property maintenance reserve	0			0				0	7,590		(7,590)	0
Office equipment reserve	0			0				0	14,521		(14,521)	0
Recreation facilities reserve	0			0				0	35,623		(35,623)	0
Waste site development reserve	0			0				0	81,938		(81,938)	0
Landcare Reserve	0	94,846		94,846	0			0				0
	3,774,262	1,374,503	(1,193,966)	3,954,799	3,984,852	838,823	(867,618)	3,956,057	4,187,052	1,332,931	(1,745,721)	3,774,262

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

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

5. RESERVES - CASH BACKED (Continued)

Name of Reserve	Anticipated date of use	Purpose of the reserve
Building Reserve	Ongoing	To support the acquisition, upgrade or enhancements of buildings within the district.
Refuse Site Reserve	Ongoing	facility.
Community Assisted Transport (CAT) Reserve	Ongoing	To fund the replacement/change over of the CATS vehicle.
Narrogin Regional Recreation Centre Reserve	Ongoing	To fund YMCA additional maintenance works as well as acquisitions, upgrades and enhancement of the building, major plant & equipment items.
Employee Entitlement Reserve	Ongoing	To fund current and past employee's leave entitlements and redundancy payouts.
Plant, Vehicle & Equipment Reserve	Ongoing	To support the purchase/replacement of motor vehicles, and heavy plant and equipment.
Economic Development Reserve	Ongoing	To fund economic development projects that will benefit the district.
IT & Office Equipment Reserve	Ongoing	To fund the purchase and upgrade of computer equipment, software and office equipment.
Tourism & Area Promotion Reserve	Ongoing	For the purpose of tourism & district promotion activities, significant events and festivals which includes banner poles, entry statements and outdoor digital screens.
Unspent Grants & Contribution Reserve	Ongoing	To store unspent grants and contributions. Funds can only be expended on items that have been approved by the relevant grant agreement/funding body.
HACC Reserve	Ongoing	To store unspent H.A.C.C grant funds that can fund the purchase of assets, payout of Homecare employee entitlements and other projects that have been approved by the Funding Body.
CHCP Reserve	Ongoing	To store unspent C.H.C.P grant funds that can fund the purchase of assets, payout of Homecare employee entitlements and other projects that have been approved by the Funding Body.
CHSP Reserve	Ongoing	To store unspent C.H.S.P grant funds that can fund the purchase of assets, payout of Homecare employee entitlements and other projects that have been approved by the Funding Body.
Road construction reserve	Ongoing	To be used to on road construction projects.
Asset Valuation reserve	Ongoing	To fund asset valuations.
Long service leave reserve	June 2017	To be used to fund long service leave requirements.
Plant replacement reserve	June 2017	To be used for the purchase of major plant.
Property maintenance reserve	June 2017	To be used for the ongoing maintenance and improvement of Council buildings
Office equipment reserve	June 2017	To be used for the purchase of Office equipment
Recreation facilities reserve	June 2017	To be used to on road construction projects.
Waste site development reserve	June 2017	To be used for the development and upgrade of recreation facilities

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

**6. TRADE AND OTHER RECEIVABLES**

**Current**

Rates outstanding	
Sundry debtors	
GST receivable	
Provision for Doubtful Debts	
Accrued Income / Payments in Advance	

**Non-current**

Rates outstanding - pensioners	
--------------------------------	--

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	
Impaired	

**Sundry debtors**

Includes:

Past due and not impaired	
Impaired	

	2018	2017
	\$	\$
	332,023	308,033
	1,118,088	251,842
	60,563	65,664
	(37,776)	(60,387)
	4,741	3,599
	<b>1,477,639</b>	<b>568,751</b>
	160,318	166,956
	<b>160,318</b>	<b>166,956</b>
	298,228	308,033
	33,795	
	13,321	251,842
	3,981	

**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**

**7. INVENTORIES**

**Current**

Fuel and Materials

**Non-current**

Land held for resale - cost

Cost of acquisition

	2018	2017
	\$	\$
	7,280	13,775
	<u>7,280</u>	<u>13,775</u>
	177,273	177,273
	<u>177,273</u>	<u>177,273</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

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

**Land held for sale**

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

**Land held for sale (Continued)**

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

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

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

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

**8 (a). PROPERTY, PLANT AND EQUIPMENT**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	3,916,000	3,916,000
- Independent valuation 2017 - level 3	6,412,000	6,412,000
- Management valuation 2017 - level 3	20,000	20,000
- Additions after valuation - cost	124,998	0
	<b>10,472,998</b>	<b>10,348,000</b>
Total land	<b>10,472,998</b>	<b>10,348,000</b>
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	265,000	265,000
- Management valuation 2018 - level 2	200,000	0
- Additions after valuation - cost	1,477,770	875,721
Less: accumulated depreciation	(81,140)	(27,148)
	<b>1,861,630</b>	<b>1,113,573</b>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	41,672,720	41,672,720
- Management valuation 2017 - level 3	15,725	15,725
- Additions after valuation - cost	114,978	0
Less: accumulated depreciation	(1,226,817)	(613,337)
	<b>40,576,606</b>	<b>41,075,108</b>
Total buildings	<b>42,438,236</b>	<b>42,188,681</b>
Total land and buildings	<b>52,911,234</b>	<b>52,536,681</b>
Furniture and equipment at:		
- Independent valuation 2016 - level 3	167,200	167,200
- Management valuation 2016 - level 3	7,760	7,760
- Additions after valuation - cost	141,525	80,160
Less: accumulated depreciation	(68,582)	(22,240)
	<b>247,903</b>	<b>232,880</b>
Plant and equipment at:		
- Independent valuation 2016 - level 2	3,194,914	2,952,383
- Management valuation 2016 - level 2	540,578	396,808
- Additions after valuation - cost	1,533,073	714,922
Less: accumulated depreciation	(626,365)	(292,612)
	<b>4,642,200</b>	<b>3,771,501</b>
<b>Total property, plant and equipment</b>	<b>57,801,337</b>	<b>56,541,062</b>

**Notes:**

**BUILDINGS - NON SPECIALISED**

In 2018, the Men's Shed building was identified as not having been previously recognised and reported. This building has now been recognised at a value of 200,000 using a management valuation and is reported under Buildings Non-specialised above.

## 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Movements in Carrying Amounts

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

	Land - 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	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	3,303,720	0	3,303,720	36,768,915	0	36,768,915	40,072,635	241,449	3,818,815	44,132,899
Additions	0	0	0	875,721	0	875,721	875,721	52,346	693,290	1,621,357
(Disposals)	(65,000)	0	(65,000)	0	(444,123)	(444,123)	(509,123)	(7,760)	(352,390)	(869,273)
Revaluation increments/ (decrements) transferred to revaluation surplus	7,109,280	0	7,109,280	5,511,980	0	5,511,980	12,621,260	0	0	12,621,260
Depreciation (expense)	0	0	0	(22,169)	(617,214)	(639,383)	(639,383)	(21,655)	(304,143)	(965,181)
Transfers	0	0	0	(42,020,874)	42,136,445	115,571	115,571	(31,500)	(84,071)	0
<b>Carrying amount at 30 June 2017</b>	10,348,000	0	10,348,000	1,113,573	41,075,108	42,188,681	52,536,681	232,880	3,771,501	56,541,062
Additions	0	0	0	345,740	110,358	456,098	456,098	3,418	1,758,826	2,218,342
(Disposals)	0	0	0	0	0	0	0	0	(505,006)	(505,006)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	200,000	0	200,000	200,000	0	0	200,000
Depreciation (expense)	0	0	0	(28,526)	(613,480)	(642,006)	(642,006)	(42,127)	(383,121)	(1,067,254)
Transfers	124,998	0	124,998	230,843	4,620	235,463	360,461	53,732	0	414,193
<b>Carrying amount at 30 June 2018</b>	10,472,998	0	10,472,998	1,861,630	40,576,606	42,438,236	52,911,234	247,903	4,642,200	57,801,337

## 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology.	Independent Valuer	July 2017	Price per hectare / market borrowing rate.
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology.	Independent Valuer	July 2017	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs.
Buildings - specialised	3	Cost approach and depreciated replacement cost.	Independent Valuer	July 2017	Price per square metre / market borrowing rate, adjusted for restrictions in use.
<b>Furniture and equipment</b>	3	Market value using recent observable market data for similar properties.	Independent Valuer	June 2016	Purchase costs and current conditions (level 2).
<b>Plant and equipment</b>					
- Independent valuation 2016	2	Market value using recent observable market data for similar properties	Independent Valuer	June 2016	Price per item.
- Management valuation 2016	3	Market value using recent observable market data for similar properties	Management Valuation	June 2016	Price per item.

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

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

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

**9 (a). INFRASTRUCTURE**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Infrastructure - Roads		
- Management valuation 2015 - level 3	0	16,380,980
- Management valuation 2016 - level 3	0	68,977,130
- Management valuation 2018 - level 3	97,289,534	0
- Additions after valuation - cost	0	2,891,245
Less: accumulated depreciation	0	(1,730,747)
	<b>97,289,534</b>	<b>86,518,608</b>
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	0	1,898,687
- Management valuation 2016 - level 3	0	42,420
- Management valuation 2018 - level 3	2,864,891	0
- Additions after valuation - cost	0	167,283
Less: accumulated depreciation	0	(98,907)
	<b>2,864,891</b>	<b>2,009,483</b>
Infrastructure - Drainage		
- Management valuation 2015 - level 3	0	1,773,915
- Management valuation 2016 - level 3	0	2,806,567
- Management valuation 2018 - level 3	6,975,087	0
- Additions after valuation - cost	0	86,286
Less: accumulated depreciation	0	(128,869)
	<b>6,975,087</b>	<b>4,537,899</b>
Infrastructure - Parks and Ovals		
- Management valuation 2015 - level 3	0	3,036,997
- Management valuation 2018 - level 3	4,748,800	0
- Additions after valuation - cost	0	14,027
Less: accumulated depreciation	0	(65,362)
	<b>4,748,800</b>	<b>2,985,662</b>
Infrastructure - Other		
- Management valuation 2015 - level 3	0	969,912
- Management valuation 2018 - level 3	335,908	0
- Additions after valuation - cost	0	1,164,977
Less: accumulated depreciation	0	(125,581)
	<b>335,908</b>	<b>2,009,308</b>
Infrastructure - Bridges		
- Management valuation 2018 - level 3	2,070,500	0
Less: accumulated depreciation	0	0
	<b>2,070,500</b>	<b>0</b>
<b>Total infrastructure</b>	<b>114,284,720</b>	<b>98,060,960</b>

**Notes:**

**BRIDGE ASSET CLASS**

In 2018, the Bridges within the Shire were identified as not having been previously recognised and reported. The bridges have now been recognised at a value of 2,070,500 using a management valuation and is reported under Infrastructure - bridges above.

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

9. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and Ovals	Infrastructure - Other	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	85,844,793	2,011,195	4,630,399	3,004,373	1,456,818	0	96,947,578
Additions	2,014,327	48,272	0	14,027	627,852	0	2,704,478
Depreciation (expense)	(1,340,512)	(49,984)	(92,500)	(32,738)	(75,362)	0	(1,591,096)
Transfers							0
<b>Carrying amount at 30 June 2017</b>	86,518,608	2,009,483	4,537,899	2,985,662	2,009,308	0	98,060,960
Additions	1,154,035	88,422	23,340	0	627,153	0	1,892,950
Revaluation increments/ (decrements) transferred to revaluation surplus	10,999,587	819,007	2,506,732	169,428	(165,588)	2,070,500	16,399,666
Depreciation (expense)	(1,382,696)	(52,021)	(92,884)	(34,026)	(93,036)	0	(1,654,663)
Transfers				1,627,736	(2,041,929)		(414,193)
<b>Carrying amount at 30 June 2018</b>	97,289,534	2,864,891	6,975,087	4,748,800	335,908	2,070,500	114,284,720

## 9. 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 Value	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost.	Management Value	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost.	Management Value	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost.	Management Value	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost.	Management Value	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Bridges	3	Cost approach using depreciated replacement cost.	Management Value	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

## 10. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

#### Initial recognition and measurement between mandatory revaluation dates

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

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

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

#### Revaluation

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

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same 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.

## 10. FIXED ASSETS (Continued)

### (a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plant and Equipment</b>								
<b>Education and welfare</b>								
NGN219 2017 Toyota Camry (NHC) (PA014D)	19,086	13,636	0	(5,450)				
<b>Community amenities</b>								
NGN00 2016 Kluger 2WD V6 (EMDRS)(PA002C)	32,564	28,181	0	(4,383)				
NGN00 Pajero Sport GLX 2017 EMDRS	33,219	33,391	172	0				
<b>Transport</b>								
NGN9722 1998 Toyota Tipper Ute					0	2,000	2,000	0
NO4792 2012 Dynapac Pad Foot Roller					118,673	75,000	0	(43,673)
NGN10694 Daewoo Wheeled Excavator	22,326	65,000	42,674	0	23,000	20,000	0	(3,000)
1BBN838 Mitsubishi Side Tipping Truck	29,464	10,000	0	(19,464)	30,292	20,000	0	(10,292)
0NO Nissan Pathfinder 2016 EMTRS	30,246	24,571	0	(5,675)				
NO01 2016 Toyota Hilux Dual Cab	46,105	42,135	0	(3,970)				
NGN752 2000 Isuzu Tip Truck (WORKS)	17,865	6,360	0	(11,505)				
0NO LTZ Holden Trailblazer 2017 EMTRS	34,883	35,599	716	0				
1BWY249 2004 Toyota Landcruiser Trooper (SES)	12,553	0	0	(12,553)				
NO01 2017 Holden Colorado MY18 Trailblazer	34,849	35,507	658	0				
0NO LTZ Holden Trailblazer 2018 EMTRS	35,598	35,599	1	0				
<b>Other property and services</b>								
0NGN Nissan Pathfinder 2016 EMCCS	30,246	26,364	0	(3,882)				
1NGN 2016 PRADO DSL WAGON (CEO) (PA001C)	46,862	45,455	0	(1,407)				
1NGN 2017 Pajero Exceed (CEO) (PA001D)	47,080	47,078	0	(2)				
0NGN Ford Escape 2017 EMCCS	32,060	33,022	962	0				
	505,006	481,898	45,183	(68,291)	171,965	117,000	2,000	(56,965)

### (b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	28,526	22,169
Buildings - specialised	613,480	617,214
Furniture and equipment	42,127	21,655
Plant and equipment	383,121	304,143
Infrastructure - Roads	1,382,696	1,340,512
Infrastructure - Footpaths	52,021	49,984
Infrastructure - Drainage	92,884	92,500
Infrastructure - Parks and Ovals	34,026	32,738
Infrastructure - Other	93,036	75,362
Infrastructure - Bridges	0	0
	2,721,917	2,556,277

## 10. FIXED ASSETS (Continued)

### (b) Depreciation (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES

##### Depreciation

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

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

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

##### Depreciation rates

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

Buildings	40 to 100 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	12 years
formation	
pavement	not depreciated
Footpaths - slab	50 years
Sewerage piping	40 years
Water supply piping and drainage systems	50 to 75 years

##### Depreciation (Continued)

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

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

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

11. REVALUATION SURPLUS

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Total	2018	Opening	Revaluation	Revaluation	Total	2017
	Balance	Increment	(Decrement)	Movement on	Closing	Balance	Increment	(Decrement)	Movement on	Closing
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Furniture and equipment	26,635	0	0	0	26,635	26,635	0	0	0	26,635
Revaluation surplus -Plant and equipment	1,093,697	0	0	0	1,093,697	1,093,697	0	0	0	1,093,697
Revaluation surplus - Land and buildings	43,764,496	200,000	0	200,000	43,964,496	31,143,236	12,621,260	0	12,621,260	43,764,496
Revaluation surplus - Infrastructure - Roads	55,217,348	10,999,587	0	10,999,587	66,216,935	55,217,348	0	0	0	55,217,348
Revaluation surplus - Infrastructure - Footpaths	1,006,788	819,007	0	819,007	1,825,795	1,006,788	0	0	0	1,006,788
Revaluation surplus - Infrastructure - Drainage	3,874,105	2,506,732	0	2,506,732	6,380,837	3,874,105	0	0	0	3,874,105
Revaluation surplus - Infrastructure - Parks and Ovals	1,939,087	169,428	0	169,428	2,108,515	1,939,087	0	0	0	1,939,087
Revaluation surplus - Infrastructure - Other	232,743	0	(165,588)	(165,588)	67,155	232,743	0	0	0	232,743
Revaluation surplus - Bridges	0	2,070,500	0	2,070,500	2,070,500	0	0	0	0	0
	107,154,899	16,765,254	(165,588)	16,599,666	123,754,565	94,533,639	12,621,260	0	12,621,260	107,154,899

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

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

**12. TRADE AND OTHER PAYABLES**

**Current**

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

	2018	2017
	\$	\$
	333,512	186,364
	7,565	5,607
	56,981	92,347
	134,393	86,233
	(3,854)	1,168
	8,226	8,226
	<b>536,823</b>	<b>379,945</b>

**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.

### 13. INFORMATION ON BORROWINGS

#### (a) Repayments - Borrowings

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>								
Loan 125 - Corporate Software & Server Upgra	46,953		46,953	46,953	0	0	1,627	1,626
Loan 128 - Administration Building Extension	410,216		40,862	40,862	369,354	369,354	14,520	13,679
<b>Recreation and culture</b>								
Loan 121B _ Narrogin Regional Leisure Centre	313,915		46,032	46,031	267,883	267,884	18,877	18,344
Loan 126 - Town Hall Renovations	181,540		27,440	27,440	154,100	154,100	8,520	8,017
<b>Transport</b>								
Loan 51 - Shire Depot (*)	35,004		35,004	35,004	0	0	2,279	2,279
<b>Economic services</b>								
Loan 124 - Commercial Property	13,844		13,844	13,844	0	0	550	550
Loan 127 - Industrial Land	140,825		10,158	10,158	130,667	130,667	7,236	7,156
	1,142,297	0	220,293	220,292	922,004	922,005	53,609	51,651

#### Borrowings

	2018	2017
	\$	\$
Current	129,778	220,293
Non-current	792,226	922,004
	922,004	1,142,297

13. INFORMATION ON BORROWINGS (Continued)

(b) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit	
Bank overdraft at balance date	
Credit card limit	
Credit card balance at balance date	
<b>Total amount of credit unused</b>	

Loan facilities

Loan facilities - current	
Loan facilities - non-current	
<b>Total facilities in use at balance date</b>	

Unused loan facilities at balance date

	2018	2017
	\$	\$
Bank overdraft limit	400,000	400,000
Bank overdraft at balance date	0	0
Credit card limit	15,000	15,000
Credit card balance at balance date	2,578	7,778
<b>Total amount of credit unused</b>	<b>412,422</b>	<b>407,222</b>
Loan facilities - current	129,778	220,293
Loan facilities - non-current	792,226	922,004
<b>Total facilities in use at balance date</b>	<b>922,004</b>	<b>1,142,297</b>
Unused loan facilities at balance date	0	0

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.

## 14. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2017</b>			
Current provisions	491,772	353,343	845,115
Non-current provisions	0	7,007	7,007
	491,772	360,350	852,122
Additional provision	(139,896)	(93,364)	(233,260)
<b>Balance at 30 June 2018</b>	351,876	266,986	618,862
<b>Comprises</b>			
Current	351,876	244,434	596,310
Non-current	0	22,552	22,552
	351,876	266,986	618,862

(a) Annual leave liabilities: Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018	2017
Within 12 months of the end of the reporting period	166,686	323,065
More than 12 months after the end of the reporting period	185,190	168,707
	351,876	491,772

(a) Long Service leave liabilities: Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2018	2017
Within 12 months of the end of the reporting period	82,956	112,227
More than 12 months after the end of the reporting period	184,030	248,123
	266,986	360,350

### 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.

## 15. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	6,976,077	4,110,830	6,974,848

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

Net result	2,078,028	(1,766,232)	(2,128,230)
Non-cash flows in Net result:			
Depreciation	2,721,917	2,480,898	2,556,277
(Profit)/loss on sale of asset	23,108	54,965	304,281
Loss on revaluation of fixed assets	0		
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(902,250)	35,000	67,898
(Increase)/decrease in inventories	6,495	5,000	(12,576)
Increase/(decrease) in payables	156,878	4,200	(25,611)
Increase/(decrease) in provisions	(233,260)	0	18,655
Grants contributions for the development of assets	(2,133,477)	(1,365,310)	(1,439,802)
Net cash from operating activities	1,717,439	(551,479)	(659,108)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	591,159	458,000
General purpose funding	500	260,992
Law, order, public safety	1,159,538	441,053
Health	110	220
Education and welfare	1,108,133	1,182,908
Housing	290,588	0
Community amenities	2,822,990	1,058,471
Recreation and culture	32,141,985	38,852,596
Transport	119,537,434	108,818,859
Economic services	10,532,771	1,432,909
Other property and services	5,692,486	3,062,768
Unallocated	7,006,950	6,934,849
	<b>180,884,644</b>	<b>162,503,625</b>

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

**17. CAPITAL AND LEASING COMMITMENTS**

**(a) Capital Expenditure Commitments**

Contracted for:

- capital expenditure projects

Payable:

- not later than one year

	2018	2017
	\$	\$
	101,977	
	101,977	

The capital expenditure projects outstanding at the end of the current reporting period represent the completion of: Cemetery Upgrade, Gnarojin Park Master Plan, Mayor's Parlour Roof Pitching and the Library Software Upgrade.

**(b) 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

	20,465	2,574
	40,930	7,722
	0	0
	61,395	10,296

**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.

## 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	88,000	88,000	118,462
President's allowance	23,500	23,500	12,333
Deputy President's allowance	5,875	5,875	3,084
Travelling expenses	44	5,000	214
Telecommunications allowance	5,600	5,600	3,733
	123,019	127,975	137,826

### 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	505,802	605,811
Post-employment benefits	72,371	72,914
Other long-term benefits	47,213	13,706
	625,386	692,431

#### *Short-term employee benefits*

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

#### *Post-employment benefits*

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

#### *Other long-term benefits*

These amounts represent annual leave and long service 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
	\$	\$
Sale of goods and services	196	200
Purchase of goods and services *	25,229	12,292

\* Purchases to the value of 25,229 were made to the following during the financial year: Narrogin Revheads, Narrogin Eagles sporting club, Highbury Tennis Club, Food with Flair and Regional Communication Solutions Pty Ltd.

### 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening			Closing			Closing
	Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Balance <sup>(1)</sup>	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Balance
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>							
DLG Merger Funding	176,499		(176,499)	0			0
Structural Reform	400,000	91,000	(491,000)	0			0
<b>General purpose funding</b>							
CLGF R4R (2012/13) Local	358,484		(358,484)	0			0
Interest Received	44,907	14,355		59,262	4,122	(63,009)	375
<b>Law, order, public safety</b>							
SES Subsidy Expenditure	1,516	1,730	(142)	3,104		(3,104)	0
BFB Minor Asset Purchase	7,000			7,000		(7,000)	0
SEMS Local Emergency Awareness	6,774		(2,066)	4,708		(4,708)	0
Bush Fire Expenditure	0	13,617	(3,796)	9,821		(9,821)	0
WA Police State CCTV Strategy				0	100,000	(100,000)	0
SES Fire Shed				0	61,628	(61,628)	0
<b>Education and welfare</b>							
WDC Grant for Regional TAFE	30,000		(30,000)	0			0
Disability Toilet - Changing Places	42,000		(18,000)	24,000		(24,000)	0
<b>Community amenities</b>							
Townscape	1,747		(1,747)	0			0
Wheatbelt Regional Centres Revitalisation	0	30,000		30,000		(30,000)	0
<b>Recreation and culture</b>							
Kidsports	0	32,990	(32,990)	0	16,924	(16,924)	0
Regional Talent	6,903	15,000	(21,903)	0	25,000	(25,000)	0
Club Development Officer	0	20,000	(20,000)	0	25,000	(25,000)	0
Main Roads Art Proposal for Narrogin Link	0	20,000		20,000			20,000
Skate Park Lotterywest				0	274,460	(274,460)	0
CSRFF Project Small Grant Infrastructure Plan				0	15,656	(15,656)	0
Naidoc Week				0	3,000	(3,000)	0
Thank a Volunteer Day				0	1,000	(1,000)	0
<b>Other property and services</b>							
CLGF Youth Development		32,590		32,590		(8,148)	24,442
<b>Total</b>	<b>1,075,830</b>	<b>271,282</b>	<b>(1,156,627)</b>	<b>190,485</b>	<b>526,790</b>	<b>(672,458)</b>	<b>44,817</b>

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.

## 20. RATING INFORMATION

### (a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Total Revenue \$	2017 \$
<b>Differential general rate / general rate</b>										
<b>Gross rental valuations</b>										
Urban	0.1062	1,699	28,531,352	3,029,231	(15,623)	(16,787)	2,996,820	3,029,231	3,029,231	2,971,572
Rural	0.0619	71	1,196,000	74,078	0	0	74,078	74,078	74,078	60,599
<b>Unimproved valuations</b>										
General UV	0.0060	335	162,864,000	975,555	1,366	(1,283)	975,638	975,555	975,555	942,341
<b>Sub-Total</b>		2,105	192,591,352	4,078,864	(14,257)	(18,070)	4,046,536	4,078,864	4,078,864	3,974,512
<b>Minimum payment</b>										
<b>Gross rental valuations</b>										
Urban	1,062	444	3,245,025	471,528	0	0	471,528	471,528	471,528	460,122
Rural	653	11	82,799	7,183	0	0	7,183	7,183	7,183	22,505
	691	16	105,720	11,056			11,056	11,056	11,056	0
<b>Unimproved valuations</b>										
General UV	691	136	10,885,900	93,976	0	0	93,976	93,285	93,285	70,087
<b>Sub-Total</b>		607	14,319,444	583,743	0	0	583,743	583,052	583,052	552,714
		2,712	206,910,796	4,662,607	(14,257)	(18,070)	4,630,279	4,661,916	4,661,916	4,527,226
Discounts/concessions (refer note 20(b))							0		0	0
<b>Total amount raised from general rate</b>							4,630,279		4,661,916	4,527,226
Specified Area Rate (refer note 20(b))							0		0	0
Movement in Excess Rates							7,228			23,732
Ex-gratia rates							8,274		8,200	8,127
<b>Totals</b>							4,645,781		4,670,116	4,559,085

### 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.

20. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment	Instalment	Unpaid Rates
		Plan Admin Charge	Plan Interest Rate	Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	5-Sep-17			
<b>Option Two</b>				
First instalment	5-Sep-17	12	5.50%	11.00%
Second instalment	7-Nov-17	12	5.50%	11.00%
Third instalment	9-Jan-18	12	5.50%	11.00%
Fourth instalment	13-Mar-18	12	5.50%	11.00%

	2018		
	2018	Budget	2017
	\$	\$	\$
Interest on unpaid rates	46,777	21,100	53,315
Interest on instalment plan	16,232	18,000	17,414
Charges on instalment plan	34,150	3,000	26,055
	97,159	42,100	96,784

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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21. 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) \$
<b>Surplus/(Deficit) 1 July 17 brought forward</b>	3,760,640	2,930,415	2,930,415
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	3,021,278	3,200,586	3,200,586
Restricted	3,954,799	3,774,262	3,774,262
Receivables			
Rates outstanding	332,023	308,033	308,033
Sundry debtors	1,118,088	251,842	251,842
GST receivable	60,563	65,664	65,664
Provision for Doubtful Debts	(37,776)	(60,387)	(60,387)
Accrued Income / Payments in Advance	4,741	3,599	3,599
Inventories			
Fuel and Materials	7,280	13,775	13,775
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(333,512)	(186,364)	(186,364)
Accrued interest on long term borrowings	(7,565)	(5,607)	(5,607)
Accrued salaries and wages	(56,981)	(92,347)	(92,347)
ATO liabilities	(134,393)	(86,233)	(86,233)
Other Creditors	3,854	(1,168)	(1,168)
Accrued Expenses	(8,226)	(8,226)	(8,226)
Current portion of long term borrowings	(129,778)	(220,293)	(220,293)
Lease liability	0	0	0
User defined	0	0	0
Provisions			
Provision for annual leave	(351,876)	(491,772)	(491,772)
Provision for long service leave	(244,434)	(353,343)	(353,343)
<b>Unadjusted net current assets</b>	<b>7,198,085</b>	<b>6,112,021</b>	<b>6,112,021</b>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(3,954,799)	(3,774,262)	(3,774,262)
Add: Current portion of long term borrowings	129,778	220,293	220,293
Add: Employee Entitlement Reserve	387,576	372,363	372,363
<b>Adjusted net current assets - surplus/(deficit)</b>	<b>3,760,640</b>	<b>2,930,415</b>	<b>2,930,415</b>

**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  
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**22. 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
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	6,976,077	6,974,848	6,976,077	6,974,848
Receivables	1,637,957	735,707	1,637,957	735,707
	8,614,034	7,710,555	8,614,034	7,710,555
<b>Financial liabilities</b>				
Payables	536,823	379,945	536,823	379,945
Borrowings	922,004	1,142,297	956,145	1,151,499
	1,458,827	1,522,242	1,492,968	1,531,444

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.

## 22. 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.

	2018	2017
	\$	\$
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	69,761	69,748
- Statement of Comprehensive Income	69,761	69,748

**Notes:**

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

## 22. 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:

	<b>2018</b>	<b>2017</b>
	%	%
Percentage of rates and annual charges		
- Current	35.55%	38.83%
- Overdue	64.45%	61.17%
Percentage of other receivables		
- Current	99.84%	68.94%
- Overdue	0.16%	31.06%

## 22. 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
	\$	\$	\$	\$	\$
<b>2018</b>					
Payables	536,823	0	0	536,823	536,823
Borrowings	164,388	652,877	236,645	1,053,910	922,004
	701,211	652,877	236,645	1,590,733	1,458,827
<b>2017</b>					
Payables	379,945	0	0	379,945	379,945
Borrowings	263,594	657,865	396,046	1,317,505	1,142,297
	643,539	657,865	396,046	1,697,450	1,522,242

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
	\$	\$	\$	\$	\$	\$	\$	%
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings	129,778	135,309	141,097	147,155	148,291	220,375	922,004	3.45%
Weighted average Effective interest rate	4.15%	4.17%	4.18%	4.20%	3.21%	1.80%		
<b>Year ended 30 June 2017</b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings	220,292	129,778	135,309	141,097	147,155	368,666	1,142,297	4.48%
Weighted average Effective interest rate	4.06%	4.15%	4.17%	4.18%	3.27%	2.71%		

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**23. 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:

	<b>1 July 2017</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>30 June 2018</b>
	\$	\$	\$	\$
Public Open Space	72,599	0	0	72,599
Cross Over Bond	25,464	200	(100)	25,564
Town Hall Bond	4,175	3,685	(3,405)	4,455
Other	500	57	(57)	500
Retention Bond	59,127	0	(59,127)	0
BSL Levy	0	15,521	(15,521)	0
BCITF Levy	0	8,641	(8,641)	0
	<u>161,865</u>			<u>103,118</u>

**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:

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

Notes:

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

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable (1)</b>	<b>Impact</b>
(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"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul> <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 |

## 25. 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.

## 26. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
<b>GOVERNANCE</b>	To provide a decision making process for the effective allocation for scarce resources.	Includes the activities of members of council and administration support available to the council for provision for governance of the district. Other costs relate to the task of assisting elected members and electors on matters which do not concern specific Shire services.
<b>GENERAL PURPOSE FUNDING</b>	To collect revenue to allow for the provisions of infrastructure and services	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b>	To provide services to help ensure a safer community	Supervision and enforcement of various local laws, fire prevention, animal control and other aspects of public safety including emergency services.
<b>HEALTH</b>	To provide an operational framework for environmental and community health.	Inspect food outlets and their control, noise control and waste disposal compliance.
<b>EDUCATION AND WELFARE</b>	To provide services to the disadvantaged, the elderly, children and youth.	Preschool and other education, children and youth services, elderly and disadvantaged, senior citizens services.
<b>HOUSING</b>	To provide housing to senior employees.	Provision of staff housing.
<b>COMMUNITY AMENITIES</b>	To provide services required by the community.	Rubbish collection services, operation of refuse disposal site, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning scheme, cemetery and public conveniences.
<b>RECREATION AND CULTURE</b>	To provide recreational and cultural services to the community.	Maintain public halls, civic centres, aquatic centre, recreational centre and various sporting facilities, Provisions and maintenance of parks, gardens and playgrounds. Operations of Library, museum and other cultural facilities.
<b>TRANSPORT</b>	To provide safe, effective and efficient transport services to the community.	Construct and maintenance of roads, streets, footpaths, depots parking facilities. Purchase of plant and equipment.
<b>ECONOMIC SERVICES</b>	To promote the Town and its economic wellbeing.	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, and standpipes. Building Control.
<b>OTHER PROPERTY AND SERVICES</b>	To monitor and control the Town's overheads operation accounts and town planning scheme.	Private works operation, plant repair and operation costs, administration overheads, community development overheads and gross salary and wages.

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

27. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	5.15	3.53	2.14
Asset consumption ratio	0.99	0.98	0.73
Asset renewal funding ratio	0.69	-	-
Asset sustainability ratio	1.21	1.13	1.42
Debt service cover ratio	9.93	(3.21)	20.53
Operating surplus ratio	(0.01)	(0.52)	0.08
Own source revenue coverage ratio	0.54	0.43	0.48

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:**

In 2017 and 2016 the asset renewal funding ratio was not calculated due to the difficulties in combining Asset Management and Long Term Financial Plans between the Town of Narrogin and Shire of Narrogin.

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.	1,186,953	1,190,315	0
Amount of Financial Assistance Grant received in prior year relating to current year.	1,190,315	0	0
Amount of reimbursement for flood damage received	1,366,737	0	0
Expenditure on flood damage re-instatement	1,566,053	0	0

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

	2018	2017	2016
Current ratio	5.14	4.64	1.75
Debt service cover ratio	9.94	0.81	17.23
Operating surplus ratio	(0.01)	(0.35)	(0.01)
Own source revenue coverage ratio	0.48	0.43	0.48



Our Ref: 7950

<b>Shire of Narrogin RECEIVED</b>	
Directed to	<u>Dale</u>
Ref No	<u>20 DEC 2018</u> <u>IFM1816149</u>
Property File	
Subject File	<u>12.2.1</u>
Ref	



7th Floor, Albert Facey House  
469 Wellington Street, Perth

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PERTH WA 6849

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Email: info@audit.wa.gov.au

Mr Dale Stewart  
Chief Executive Officer  
Shire of Narrogin  
PO Box 1455  
NARROGIN WA 6312

Dear Mr Stewart

### **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018**

The Office has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the *Local Government Amendment (Auditing) Act 2017*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

The result of the audit was satisfactory. Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of the Shire and the Minister for Local Government and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7658 if you would like to discuss these matters further.

Yours faithfully

KEVIN NG  
ASSISTANT DIRECTOR  
FINANCIAL AUDIT  
20 December 2018

Attach



Our Ref: 7950

Mr Leigh Ballard  
President  
Shire of Narrogin  
PO Box 1455  
NARROGIN WA 6312

<b>Shire of Narrogin RECEIVED</b>	
Directed to	<u>Leigh</u>
<b>20 DEC 2018</b>	
Ref No	<u>IFM1816149</u>
Property File	
Subject File	<u>12.2.1</u>
Ref	



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Email: info@audit.wa.gov.au

Dear Mr Ballard

**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018**

The Office has completed the audit of the annual financial report for your local government. In accordance with section 7.12AD (2) of the *Local Government Amendment (Auditing) Act 2017*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

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Yours faithfully

KEVIN NG  
ASSISTANT DIRECTOR  
FINANCIAL AUDIT

20 December 2018

Attach

Shire of Narrogin RECEIVED	
Directed to	Dale / Frank / Nicole
20 DEC 2018	
Ref No	1FM1816150
Property File	
Subject File	12-2-1
Ref	



## Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS, REGISTERED COMPANY  
AUDITORS AND REGISTERED SMSF AUDITORS

### Postal Address:

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E: reception@amwaudit.com.au

ABN 59 125 425 274

Liability limited by a scheme approved under Professional Standards Legislation

## EXIT BRIEF – SHIRE OF NARROGIN

We performed the audit with 2 visits to the Shire. The interim visit took place on 28 and 29 May 2018 and was attended by 2 auditors on both days. The final visit took place on 23 and 24 October 2018 and again was attended by 2 auditors for both days.

Un-adjusted errors identified with an impact on the income statement totalled \$71,496 and an unrecorded asset that was also not adjusted totalled \$92,801 and would have impacted either reserves or retained surplus.

We recommend an unqualified audit opinion along with the standard EOM regarding Basis of Accounting.

Audit procedures as detailed in the Audit approach document were performed and the following issues were identified and resolved during the audit.

1. Asset incorrectly recorded
2. Asset valuation
3. Equity Investment in 'Local Government House Trust' not reported
4. Unrecorded Liabilities detected
5. Annual Leave on-costs not provided for

The following 2 issues are further discussed in this brief.

### **Asset incorrectly recorded**

During our audit we noted that the Shire discovered a building asset (Men's Shed) which had not previously been recorded in the Shire's general ledger or asset register. When bringing this asset into the Shire's accounts we noted that the value of the asset had been incorrectly recorded as Contribution / Donation income.

The incorrect accounting treatment may cause the Shire's operating income and net result from operations to become materially misstated

We recommended that the accounts be amended so that no income was recorded upon recognition of the asset. We acknowledge that this has already been amended. We recommend that in future if any other assets need to be recognised at a time subsequent to when they were actually acquired that they be accounted for appropriately.

### **Asset valuation**

During our audit we noted that building assets first recognised by the Shire was at fair value of \$200,000. Assessment of this management valuation found that the fair value of the building assets was not measured in accordance with the valuation methodologies acceptable under *Australian Accounting Standard AASB13 Fair Value Measurement*.

The Shire may not be fulfilling its reporting obligations under the Local Government Act and Regulations by not complying with the requirements of the Australian Accounting Standards. The Shire may potentially be misstating the value of its assets and its financial report may contain misstatements.



We recommend that in future greater care be taken to ensure that assets valued by management are measured in accordance with the provisions of the Australian Accounting Standards.

## **KEY AREAS OF AUDIT FOCUS**

### **Compliance**

Our compliance review consisted of testing for general compliance which included Council meeting minutes, financial activity statements and review of the Annual Compliance Audit Return. We tested the Shire's tenders and reviewed a selection of Policies adopted by Council. The Shire's registers were reviewed including tenders, delegations, financial interests, gifts and complaints. We inspected the annual and primary returns of Councillors and Staff members required to so, and we inspected the new Related Party Disclosures Declarations this year.

Our testing for compliance focused on financial reporting and also on areas significant to the financial reporting process. This included a detailed review of Budgets and rating, compliance related to the business cycles of receipting and banking, purchasing and payments, rates, and salary and wages.

### **Financial Statement Accounts**

Our audit process focused on those risks with the potential for a significant financial statement impact. Our approach was to identify the significant accounts and the critical accounting processes that impact these accounts.

The Shire's significant accounts and the tests were as follows:

<b>Financial Statement Line Item</b>	<b>Analytical review</b>	<b>Planned control reliance</b>	<b>Substantive Test of Details</b>
Rates, Levies and Charges	✓	✓	✓
Fees and Charges	✓	✓	✓
Grant Funding	✓		✓
Other Income	✓		✓
Employee Benefits	✓	✓	✓
Expenses	✓	✓	✓
Cash and cash equivalents	✓		✓
Investments	✓		✓
Trade and Other Receivables	✓		✓



Infrastructure, property, plant & equipment	✓	✓	✓
Trade and Other Payables	✓		✓
Provisions	✓		✓
Borrowings	✓		✓
Reserves	✓		✓

**We have prepared a summary of the audit approach to the significant accounts in the table below:**

<b>Significant accounts</b>	<b>Audit procedures performed</b>
Rates, Levies and Charges Fees and Charges (User Pay Revenue)	<ul style="list-style-type: none"> <li>• The process and controls over receipts was documented and tested to assess control risk at assertion level.</li> <li>• Rates reconciliation was reviewed. A sample of rates raised was verified to ensure they were properly raised in accordance with a resolution of the Shire that rates have been received, and proper valuations had been used.</li> <li>• A rates reasonableness test was performed based on Capital Values for all properties per the Valuer-General's report and the rate schedule for 2017/2018 approved by the Shire.</li> <li>• A sample of fees and charges was checked to ensure they were properly raised in accordance with the schedule of fees and charges passed by a resolution of the Shire.</li> <li>• An analytical review was performed to assess reasonableness of the fees and charges based on the Shire's underlying business activities.</li> </ul>
<b>Government Grants</b>	Income from government grants was agreed to the grant agreements and checked as received in accordance with the agreement. The grant agreements were reviewed to ensure grant conditions were met for revenue recognition and we ensured correct cut-off.
<b>Other Income</b>	Significant sources of other income was analysed and tested against supporting documentation.



<p><b>Salary and Wage Costs</b></p>	<ul style="list-style-type: none"> <li>• The process and controls over payroll was documented and tested to assess control risk at assertion level.</li> <li>• A reasonableness test was performed based on average wages per employee per financial year and we obtained supporting documents for significant fluctuations.</li> <li>• A sample of employees was selected and pay details recalculated and vouched to supporting timesheets, awards/workplace agreements and authorisations held for deductions made.</li> <li>• Salary reconciliation was reviewed to ensure completeness and accuracy of wages accrual at year end.</li> </ul>
<p><b>Depreciation</b></p>	<p>We checked depreciation calculations and ensured that depreciation rates and useful lives of assets were in accordance with the Shire's accounting policy.</p>
<p><b>Material and Contract Expenditure</b></p>	<ul style="list-style-type: none"> <li>• The process and controls over expenses and payments was documented and tested to assess control risk at assertion level.</li> <li>• Substantive analytical review was performed to analyse the expenditure against the underlying contracts conducted during the year.</li> </ul>
<p><b>Cash at Bank and Short Term Investments</b></p>	<ul style="list-style-type: none"> <li>• The bank reconciliations were reviewed throughout the year for any unusual reconciling items and the year end bank reconciliation was tested in detail in accordance with our Standard program.</li> <li>• Third party confirmation of all cash and investment bank accounts was obtained. We analytically reviewed Investments to ensure all interest income was brought to account and investments were made with authorised institutions.</li> </ul>
<p><b>Receivables and Prepayments</b></p>	<ul style="list-style-type: none"> <li>• The general ledger balances were agreed to the sub-ledgers.</li> <li>• A sample of invoices raised was checked to supporting documents (private works to works costing records). Collectability of material outstanding items was assessed by reference to subsequent receipts.</li> </ul>



	<ul style="list-style-type: none"> <li>• We assessed reasonableness of provision for doubtful debts and checked that bad debts written off had been made in accordance with The Shire's resolutions.</li> <li>• The nature and detail of other receivables was established and suitable supporting documents was obtained in order to determine that they were genuine assets to the shire and that collectability was not an issue.</li> </ul>
<p><b>Property, Plant and Equipment</b></p>	<ul style="list-style-type: none"> <li>• We obtained and reviewed the Shire's fixed assets register and agreed the balances of the register to the general ledger.</li> <li>• A sample of additions and disposals was checked against relevant supporting documentation such as invoice, contracts and procurement guidelines and policies.</li> <li>• We also reviewed related repairs and maintenance accounts to ensure that relevant transactions of a capital nature had not been omitted from being capitalised.</li> <li>• Valuation reports were reviewed to ensure assets were valued appropriately and the methods and assumptions used by the valuers was sound and robust according to ASA620 and ensured completeness and accuracy of the data provided to the valuer.</li> <li>• Fixed asset useful lives and depreciation rates, depreciation and amortisation accounts was reviewed to ascertain their accuracy and reasonableness.</li> <li>• We conducted a review of depreciation methods and assumptions used (e.g., reasonableness of residual values) in calculating depreciation and amortisation.</li> <li>• We also reviewed management's assessment of impairment which included a review of minutes of the Shire for any reference to indicators of impairment.</li> </ul>
<p><b>Trade and Other Payables</b></p>	<ul style="list-style-type: none"> <li>• The general ledger balances were agreed to the creditor's sub-ledger. A sample of these balances was checked to either supplier statements or invoices making up the balance combined with payment of these invoices after the balance sheet date.</li> </ul>



	<ul style="list-style-type: none"><li>• A list of accruals was obtained and significant balances was checked to subsequent invoice and cut-off calculations were re-checked.</li><li>• A sample of payments subsequent to year end was tested to supporting documentation to assess completeness of accounts payable and accruals recorded at year end.</li></ul>
<b>Provision</b>	<ul style="list-style-type: none"><li>• A breakdown of employee leave entitlements by employee was obtained. Recalculations were performed to ensure that the provision was complete and accurate and included payroll on costs such as superannuation.</li><li>• A sample of employees was tested to ensure the leave accrued in the year was correct and that leave taken was supported by authorised leave forms and wages rate used in the calculation was correct.</li><li>• For provision for long service leave, discount rate used to derive present value of the obligation was assessed for reasonableness.</li><li>• Current and non-current portion of the provision was checked to ensure correct classification.</li></ul>
<b>Borrowings</b>	<ul style="list-style-type: none"><li>• We obtained third party confirmation of all loan balances at year end and interest paid.</li></ul>
<b>Restricted Reserves</b>	<ul style="list-style-type: none"><li>• We obtained and reviewed the Shire's support over restricted cash and reserve accounts. We checked movement of reserve accounts to relevant support/approvals for use of the restricted reserves and ensured reserve funds were expended in accordance with the approved purpose.</li></ul>

## 6.2 COMPLIANCE AUDIT RETURN 2018

<b>File Reference</b>	14.1.1
<b>Disclosure of Interest</b>	Neither the Author nor Authorising Officer have any Impartiality, Financial or Proximity Interest that requires disclosure.
<b>Applicant</b>	Shire of Narrogin
<b>Previous Item Numbers</b>	None
<b>Date</b>	29 January 2019
<b>Author</b>	Niel Mitchell – Governance Officer
<b>Authorising Officer</b>	Frank Ludovico – Executive Manager Corporate & Community Services
<b>Attachments</b>	1. Compliance Audit Return 2018

### Summary

The completed Annual Compliance Return for 2018 is presented to the Committee for consideration.

### Background

It is a requirement of all local governments to complete the Annual Compliance Audit Return as part of its regulatory obligations to the Department of Local Government, Sport and Cultural Industries.

### Comment

The Compliance Audit Return has been completed for the 2018 year and is submitted for review. There are no issues of noncompliance identified for further attention.

As per the Local Government (Audit) Regulations, this item is presented to the Audit Committee to make appropriate recommendation to Council.

### Consultation

Discussed the agenda item with the Chief Executive Officer and Executive Manager Corporate & Community Services and Executive Manager Technical & Rural Services.

### Statutory Environment

Local Government (Audit) Regulations 1996 –

- Regulation.14 – Compliance audit return to be reviewed by Audit Committee and report to Council
- Regulation 15 – once considered by Council, the return is to be signed by President and CEO and lodged with the Department by 31 March

### Policy Implications

Nil

## Financial Implications

Nil

## Strategic Implications

Shire of Narrogin Strategic Community Plan 2017-2027	
Objective	4. Civic Leadership Objective (Continually enhance the Shire's organisational capacity to service the needs of a growing community)
Outcome:	4.1 An efficient and effective organisation
Strategy:	4.1.1 Continually improve operational efficiencies and provide effective services
Strategy:	4.1.2 Continue to enhance communication and transparency

## Voting Requirements

Simple Majority

### **OFFICERS' RECOMMENDATION & COMMITTEE'S RESOLUTION**

Moved: Cr Ward      Seconded: Cr Wiese

That, with respect to the Compliance Audit Return 2018, the Committee recommend its acceptance to Council, for approval to lodge with the Department of Local Government, Sporting and Cultural Industries.

**CARRIED 7/0**



## Narrogin - Compliance Audit Return 2018

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2018.	N/A		Niel Mitchell
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2018.	N/A		Niel Mitchell
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2018.	N/A		Niel Mitchell
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2018.	N/A		Niel Mitchell
5	s3.59(5)	Did the Council, during 2018, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Niel Mitchell



<b>Delegation of Power / Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Niel Mitchell
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Niel Mitchell
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Niel Mitchell
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Niel Mitchell
5	s5.18	Has Council reviewed delegations to its committees in the 2017/2018 financial year.	N/A		Niel Mitchell
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Niel Mitchell
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Niel Mitchell
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Niel Mitchell
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Niel Mitchell
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Niel Mitchell
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Niel Mitchell
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2017/2018 financial year.	Yes	In June 2017 to apply to 2017/2018 financial year	Niel Mitchell
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Niel Mitchell

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Carolyn Thompson
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Carolyn Thompson



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Carolyn Thompson
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A		Carolyn Thompson
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Carolyn Thompson
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2018.	Yes		Carolyn Thompson
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2018.	Yes		Carolyn Thompson
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Carolyn Thompson
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Carolyn Thompson
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Carolyn Thompson
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Carolyn Thompson
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Carolyn Thompson
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Carolyn Thompson
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Carolyn Thompson



No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Carolyn Thompson
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Carolyn Thompson

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes	Complied with Function & General Reg.11(2)(b)	Frank Ludovico
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes	Complied with Function & General Reg.11(2)(b)	Frank Ludovico

### Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Niel Mitchell
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Niel Mitchell
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	N/A	Office of Auditor General responsible for 2017/2018 audit	Frank Ludovico
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A		Frank Ludovico
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government within 30 days of completion of the audit.	Yes		Nicole Bryant
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government by 31 December 2018.	Yes		Nicole Bryant
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9(1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	No matters raised	Nicole Bryant



No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A	No matters raised	Nicole Bryant
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A	No matters raised	Nicole Bryant
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	N/A	Office of Auditor General	Frank Ludovico
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	N/A		Frank Ludovico
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	N/A		Frank Ludovico
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	N/A		Frank Ludovico
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	N/A		Frank Ludovico
15	Audit Reg 17	Has the CEO reviewed the appropriateness and effectiveness of the local government's systems and procedures in accordance with regulation 17 of the Local Government (Audit) Regulations 1996.	No	To be completed February 2019	Nicole Bryant
16	Audit Reg 17	If the CEO has not undertaken a review in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, is a review proposed and when.	Yes	February 2019	Nicole Bryant



<b>Integrated Planning and Reporting</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	27 June 2018	Frank Ludovico	
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No		Frank Ludovico	
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	24 May 2017	Niel Mitchell	
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No		Frank Ludovico	
5	S5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A		Frank Ludovico	
6	S5.56	Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A		Niel Mitchell	
7	S5.56	Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A		Niel Mitchell	



<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	Yes		Niel Mitchell
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes		Niel Mitchell
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	Yes		Niel Mitchell
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	Yes		Niel Mitchell
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Niel Mitchell



<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Niel Mitchell
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Carolyn Thompson
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Carolyn Thompson
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Carolyn Thompson
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Carolyn Thompson
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Carolyn Thompson

<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Frank Ludovico
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Torre Evans
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Frank Ludovico
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Frank Ludovico



No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	N/A		Torre Evans
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Frank Ludovico
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	N/A		Torre Evans
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Frank Ludovico
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	No	Advertisement not placed in the register. This has now occurred.	Frank Ludovico
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Frank Ludovico
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A	No EOI issued	Torre Evans
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Torre Evans
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Torre Evans
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Torre Evans
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A	No panel created	Torre Evans
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Torre Evans



No	Reference	Question	Response	Comments	Respondent
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Torre Evans
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Torre Evans
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Torre Evans
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Torre Evans
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Torre Evans
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Torre Evans
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Torre Evans
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A	Policy adopted 26 April 2017	Niel Mitchell
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes	Policy adopted 2017	Niel Mitchell



Department of  
**Local Government, Sport  
and Cultural Industries**

I certify this Compliance Audit return has been adopted by Council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed President, Narrogin

\_\_\_\_\_  
Signed CEO, Narrogin

**7. NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE PERSON PRESIDING OR BY DECISION OF THE MEETING**

Nil

**8. CLOSURE OF MEETING**

There being no further business to discuss, the Presiding Member declared the meeting closed at 5:44 pm.