

SHIRE OF AUGUSTA MARGARET RIVER
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
41 Wallcliffe Road
PO Box 61
Margaret River WA 6285

**SHIRE OF AUGUSTA MARGARET RIVER
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 26th day of September 2017


Gary Evershed
Chief Executive Officer

SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	22	19,582,298	19,342,075	18,668,300
Operating grants, subsidies and contributions	29	3,135,966	2,028,505	1,569,932
Fees and charges	28	9,274,105	9,035,549	9,246,727
Service charges	25	4,333	4,333	4,333
Interest earnings	2(a)	968,544	810,705	779,131
Other revenue	2(a)	222,299	16,500	262,417
		<u>33,187,545</u>	<u>31,237,667</u>	<u>30,530,840</u>
Expenses				
Employee costs		(13,672,157)	(14,100,468)	(13,510,877)
Materials and contracts		(6,894,724)	(9,064,244)	(7,452,535)
Utility charges		(1,150,145)	(1,180,543)	(1,173,270)
Depreciation on non-current assets	2(a)	(8,805,609)	(8,209,428)	(8,107,587)
Interest expenses	2(a)	(504,213)	(502,557)	(547,925)
Insurance expenses		(605,141)	(620,743)	(599,771)
Other expenditure		(456,760)	(456,354)	(393,675)
		<u>(32,088,749)</u>	<u>(34,134,337)</u>	<u>(31,785,640)</u>
		1,098,796	(2,896,670)	(1,254,800)
Non-operating grants, subsidies and contributions	29	9,819,155	9,556,764	9,601,817
Profit on asset disposals	20	42,817	40,498	22,409
(Loss) on asset disposals	20	(1,485,558)	(208,968)	(495,832)
Net result		9,475,210	6,491,624	7,873,594
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	6,860,411	0	896,693
Total other comprehensive income		6,860,411	0	896,693
Total comprehensive income		16,335,621	6,491,624	8,770,287

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

**SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		603,829	357,668	423,587
General purpose funding		22,935,496	21,717,207	20,516,608
Law, order, public safety		832,785	626,357	679,659
Health		110,417	104,788	112,292
Education and welfare		325,641	283,379	291,124
Community amenities		4,960,650	4,714,198	4,759,866
Recreation and culture		1,054,298	1,051,250	1,141,403
Transport		147,451	124,200	277,131
Economic services		2,206,743	2,218,620	2,275,705
Other property and services		10,235	40,000	53,465
		<u>33,187,545</u>	<u>31,237,667</u>	<u>30,530,840</u>
Expenses	2(a)			
Governance		(6,234,254)	(6,647,929)	(6,241,247)
General purpose funding		(905,840)	(892,977)	(1,008,663)
Law, order, public safety		(1,816,965)	(1,694,733)	(1,488,484)
Health		(534,046)	(549,426)	(518,235)
Education and welfare		(399,709)	(306,864)	(339,706)
Community amenities		(3,110,725)	(4,254,066)	(2,994,239)
Recreation and culture		(7,992,389)	(8,256,247)	(8,036,159)
Transport		(9,259,431)	(9,434,869)	(9,223,707)
Economic services		(1,286,420)	(1,500,336)	(1,357,534)
Other property and services		(44,757)	(94,333)	(29,741)
		<u>(31,584,536)</u>	<u>(33,631,780)</u>	<u>(31,237,715)</u>
Finance costs	2(a)			
Governance		(362,600)	(358,887)	(378,022)
Community amenities		(7,961)	(8,086)	(10,513)
Recreation and culture		(82,775)	(84,249)	(97,499)
Transport		0	0	(1,872)
Economic services		(50,877)	(51,335)	(60,019)
		<u>(504,213)</u>	<u>(502,557)</u>	<u>(547,925)</u>
		1,098,796	(2,896,670)	(1,254,800)
Non-operating grants, subsidies and contributions	29	9,819,155	9,556,764	9,601,817
Profit on disposal of assets	20	42,817	40,498	22,409
(Loss) on disposal of assets	20	(1,485,558)	(208,968)	(495,832)
Net result		<u>9,475,210</u>	<u>6,491,624</u>	<u>7,873,594</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current asset	12	6,860,411	0	896,693
Total other comprehensive income		<u>6,860,411</u>	<u>0</u>	<u>896,693</u>
Total comprehensive income		<u><u>16,335,621</u></u>	<u><u>6,491,624</u></u>	<u><u>8,770,287</u></u>

This statement is to be read in conjunction with the accompanying note:

SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	29,992,450	24,790,348
Trade and other receivables	4	1,727,333	978,966
Inventories	5	91,789	318,934
TOTAL CURRENT ASSETS		<u>31,811,572</u>	<u>26,088,248</u>
NON-CURRENT ASSETS			
Other receivables	4	83,457	119,220
Inventories	5	586,000	585,000
Property, plant and equipment	6	83,856,717	78,790,642
Infrastructure	7	300,317,755	295,073,738
TOTAL NON-CURRENT ASSETS		<u>384,843,929</u>	<u>374,568,600</u>
TOTAL ASSETS		<u>416,655,501</u>	<u>400,656,848</u>
CURRENT LIABILITIES			
Trade and other payables	8	2,490,479	2,145,366
Current portion of long term borrowings	9	636,806	600,922
Provisions	10	1,661,012	1,775,192
TOTAL CURRENT LIABILITIES		<u>4,788,297</u>	<u>4,521,480</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	7,241,982	7,878,788
Provisions	10	459,166	426,145
TOTAL NON-CURRENT LIABILITIES		<u>7,701,148</u>	<u>8,304,933</u>
TOTAL LIABILITIES		<u>12,489,445</u>	<u>12,826,413</u>
NET ASSETS		<u>404,166,056</u>	<u>387,830,435</u>
EQUITY			
Retained surplus		198,014,443	192,009,926
Reserves - cash backed	11	24,977,201	21,506,508
Revaluation surplus	12	181,174,412	174,314,001
TOTAL EQUITY		<u>404,166,056</u>	<u>387,830,435</u>

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

**SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		194,367,044	11,275,796	173,417,308	379,060,148
Comprehensive income					
Net result		7,873,594	0	0	7,873,594
Changes on revaluation of assets	12	0	0	896,693	896,693
Total comprehensive income		7,873,594	0	896,693	8,770,287
Transfers from/(to) reserves		(10,230,712)	10,230,712	0	0
Balance as at 30 June 2016		192,009,926	21,506,508	174,314,001	387,830,435
Comprehensive income					
Net result		9,475,210	0	0	9,475,210
Changes on revaluation of assets	12	0	0	6,860,411	6,860,411
Total comprehensive income		9,475,210	0	6,860,411	16,335,621
Transfers from/(to) reserves		(3,470,693)	3,470,693	0	0
Balance as at 30 June 2017		<u>198,014,443</u>	<u>24,977,201</u>	<u>181,174,412</u>	<u>404,166,056</u>

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

**SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		19,355,582	19,242,075	18,567,720
Operating grants, subsidies and contributions		3,050,933	2,008,505	1,692,242
Fees and charges		9,274,105	9,035,549	9,246,727
Service charges		4,333	4,333	4,333
Interest earnings		968,544	810,705	779,131
Goods and services tax		1,256,730	0	801,795
Other revenue		222,299	16,500	262,417
		<u>34,132,526</u>	<u>31,117,667</u>	<u>31,354,365</u>
Payments				
Employee costs		(14,116,578)	(14,460,468)	(12,833,589)
Materials and contracts		(6,038,832)	(8,788,515)	(6,878,521)
Utility charges		(1,150,145)	(1,180,543)	(1,173,270)
Interest expenses		(506,334)	(472,557)	(550,992)
Insurance expenses		(605,141)	(620,743)	(599,771)
Goods and services tax		(1,598,221)	0	(683,289)
Other expenditure		(456,760)	(456,354)	(393,675)
		<u>(24,472,011)</u>	<u>(25,979,180)</u>	<u>(23,113,107)</u>
Net cash provided by (used in) operating activities	13(b)	9,660,515	5,138,487	8,241,258
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(2,837,379)	(9,678,223)	(1,482,340)
Payments for construction of infrastructure		(11,333,036)	(10,807,336)	(6,386,424)
Advances to community groups		0	0	(50,000)
Non-operating grants, subsidies and contributions		9,819,155	9,556,764	9,601,817
Proceeds from sale of fixed assets		472,384	644,153	1,126,783
Net cash provided by (used in) investment activities		<u>(3,878,876)</u>	<u>(10,284,642)</u>	<u>2,809,836</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(600,922)	(600,922)	(644,994)
Proceeds from self supporting and interest free loans		21,385	15,386	46,528
Proceeds from new debentures		0	1,450,000	0
Net cash provided by (used in) financing activities		<u>(579,537)</u>	<u>864,464</u>	<u>(598,466)</u>
Net increase (decrease) in cash held		5,202,102	(4,281,691)	10,452,628
Cash at beginning of year		24,790,348	24,648,736	14,337,720
Cash and cash equivalents at the end of the year	13(a)	<u>29,992,450</u>	<u>20,367,045</u>	<u>24,790,348</u>

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

**SHIRE OF AUGUSTA MARGARET RIVER
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at July 1 b/fwd - surplus/(deficit)		2,420,988	2,187,703	3,430,813
		<u>2,420,988</u>	<u>2,187,703</u>	<u>3,430,813</u>
Revenue from operating activities (excluding rates)				
Governance		603,829	357,668	423,587
General purpose funding		3,353,198	2,375,132	1,848,308
Law, order, public safety		832,785	626,357	679,659
Health		110,417	104,788	112,292
Education and welfare		325,641	283,379	291,124
Community amenities		4,960,650	4,714,198	4,759,866
Recreation and culture		1,078,772	1,051,250	1,141,403
Transport		165,794	164,698	299,540
Economic services		2,206,743	2,218,620	2,275,705
Other property and services		10,235	40,000	53,465
		<u>13,648,064</u>	<u>11,936,090</u>	<u>11,884,949</u>
Expenditure from operating activities				
Governance		(6,596,854)	(7,006,816)	(6,621,989)
General purpose funding		(905,840)	(892,977)	(1,008,663)
Law, order, public safety		(2,872,551)	(1,694,733)	(1,629,080)
Health		(534,046)	(549,426)	(518,235)
Education and welfare		(399,709)	(306,864)	(339,706)
Community amenities		(3,118,686)	(4,262,152)	(3,004,752)
Recreation and culture		(8,252,291)	(8,340,496)	(8,150,081)
Transport		(9,332,276)	(9,463,837)	(9,275,551)
Economic services		(1,337,297)	(1,551,671)	(1,417,553)
Other property and services		(224,757)	(274,333)	(315,862)
		<u>(33,574,307)</u>	<u>(34,343,305)</u>	<u>(32,281,472)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	20	(42,817)	(40,498)	(22,409)
Loss on disposal of assets	20	1,485,558	208,968	495,832
Movement in deferred pensioner rates (non-current)		17,378	0	(4,888)
Movement in employee benefit provisions		(81,159)	0	172,618
Depreciation and amortisation on assets	2(a)	8,805,609	8,209,428	8,107,587
Gain on revaluation of land held for resale		(1,000)	0	(11,000)
Amount attributable to operating activities		<u>(7,321,686)</u>	<u>(11,841,614)</u>	<u>(8,227,970)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		9,819,155	9,556,764	9,601,817
Proceeds from disposal of assets	20	472,384	644,153	1,126,783
Purchase of property, plant and equipment	6(b)	(2,837,379)	(9,678,223)	(1,482,340)
Purchase and construction of infrastructure	7(b)	(11,333,036)	(10,807,336)	(6,386,424)
Amount attributable to investing activities		<u>(3,878,876)</u>	<u>(10,284,642)</u>	<u>2,859,836</u>
FINANCING ACTIVITIES				
Advances to community groups (interest free loans)		0	0	(50,000)
Proceeds from self supporting and interest free loans		21,385	15,386	46,528
Repayment of debentures	21(a)	(600,922)	(600,922)	(644,994)
Proceeds from new debentures	21(a)	0	1,450,000	0
Transfers to reserves (restricted assets)	11	(4,399,431)	(1,041,129)	(10,404,106)
Transfers from reserves (restricted assets)	11	928,738	2,960,846	173,394
Amount attributable to financing activities		<u>(4,050,230)</u>	<u>2,784,181</u>	<u>(10,879,178)</u>
Surplus(deficiency) before general rates		<u>(15,250,792)</u>	<u>(19,342,075)</u>	<u>(16,247,312)</u>
Total amount raised from general rates	22	<u>19,582,298</u>	<u>19,342,075</u>	<u>18,668,300</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	23	<u><u>4,331,506</u></u>	<u><u>0</u></u>	<u><u>2,420,988</u></u>

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

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19 to these financial statements

(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) 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 of changes in value and bank overdrafts

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) Inventories

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. 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.

(e) 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.

Mandatory requirement to revalue non-current assets

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

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

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.

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given a 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 asset 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 detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above

Revaluation

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

Land under roads

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

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

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

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

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

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

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount;
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Buildings	up to 50 years
Furniture and equipment	up to 10 years
Plant and equipment	up to 20 years
Sealed roads and streets formation	not depreciated
pavement	up to 50 years
seal	
- bituminous seals	up to 20 years
- asphalt surfaces	up to 20 years
Gravel roads formation	not depreciated
pavement	up to 50 years
Formed roads (unsealed) formation	not depreciated
pavement	up to 50 years
Paths - concrete	up to 40 years
Paths - asphalt	up to 20 years
Bridges	up to 50 years
Carparks (sealed)	up to 40 years
Culverts	up to 50 years
Drainage systems	up to 80 years
Jetties and boatramps	up to 30 years
Waste management	up to 40 years
Public utilities	up to 40 years
Parks and Ovals (infrastructure)	up to 50 years
Playground equipment	up to 10 years

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

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

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

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

Fair Value is the price that the Shire would receive to sell the asset or would have to pay to transfer 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

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities (Continued)

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as

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

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(h) Impairment of Assets

In accordance with Australian Accounting Standards the Shire's assets, other than inventories are assessed at each reporting date to determine whether there is any indication 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 assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset

(i) 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 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

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 their (undiscounted) amounts expected to be paid when the obligation is settled.

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

Other long-term employee benefits

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

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

(k) 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.

(l) 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.

(m) 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 lease.

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

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

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

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

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

(p) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were not discharged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

(q) 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.

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) Budget Comparative Figures

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Notes:

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

(w) 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 mand 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:

<p>(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</p> <p>[AASB 10, 124 & 1049]</p>	<p>The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES	2017	2016
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	27,775	27,138
- Assistance with the finalisation of the Annual Financial Report	6,000	7,090
- Audit of grant reports and acquittals	2,200	9,400
Depreciation		
Buildings - specialised	1,408,582	1,374,321
Furniture and equipment	207,464	194,342
Plant and equipment	1,118,110	727,008
Infrastructure - Roads	3,404,111	3,279,525
Infrastructure - Road Bridges	183,151	171,578
Infrastructure - Car Parks	127,010	126,468
Infrastructure - Paths	377,187	337,590
Infrastructure - Drainage	716,441	695,447
Infrastructure - Caravan and Camping	44,609	43,450
Infrastructure - Parks and Reserves	918,236	867,773
Infrastructure - Aerodromes	110,583	104,421
Infrastructure - Boat Ramps and Jetties	112,509	113,543
Infrastructure - Waste Management Facilities	37,552	32,057
Infrastructure - Public Utilities	40,064	40,064
	<u>8,805,609</u>	<u>8,107,587</u>
Interest expenses (finance costs)		
Debentures (refer Note 21 (a))	504,213	547,925
	<u>504,213</u>	<u>547,925</u>
Rental charges		
- Operating leases	587,752	711,689
	<u>587,752</u>	<u>711,689</u>
(ii) Crediting as revenue:		
Other revenue		
Reimbursements and recoveries	151,095	137,375
Other	71,204	125,042
	<u>222,299</u>	<u>262,417</u>
	<u>8,805,609</u>	<u>8,107,587</u>
	<u>9,310,818</u>	<u>8,870,004</u>
	<u>968,544</u>	<u>779,131</u>
	<u>968,544</u>	<u>779,131</u>

	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Loans receivable - clubs/institutions	630	630	1,863
- Reserve funds	423,262	478,575	244,208
- Other funds	294,148	144,000	328,566
Other interest revenue (refer note 27)	250,504	187,500	204,494
	<u>968,544</u>	<u>810,705</u>	<u>779,131</u>

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

A prosperous and connected community that values its natural environment and character as it grows sustainably into the future.

Our mission "To protect the natural environment, strengthen our communities, foster local economic prosperity, and responsibly manage the community's infrastructure and assets."

Our values are Respect, Honesty, Commitment and Courage.

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

GOVERNANCE

Objective:

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

Activities:

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer and environmentally conscious community.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

Objective:

To provide services to disadvantaged persons, the elderly, children and youth.

Activities:

Care of families and children, contributions to education and other welfare.

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

HOUSING

Objective:

To provide rental and staff housing.

Activities:

Provision of staff and rental housing. However, the Shire has no housing of this nature.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish collection and disposal services, recycling, septic tank inspection services, environmental protection initiatives, administration of town planning and regional development services and the operation of other community amenities.

RECREATION AND CULTURE

Objective:

To establish and effectively manage infrastructure and resource which will help the social wellbeing of the community.

Activities:

Provision and maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens, reserves and playgrounds. Operation and support of libraries, museum and other cultural facilities.

TRANSPORT

Objective:

To provide safe, effective and efficient transport services to the community.

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Tourism and area promotion including the maintenance and operation of caravan parks and a camping ground. Provision of rural services including weed control, vermin control and standpipes.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

Private works operation, plant repair and operation costs and engineering operation costs.

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/15	2015/16	2015/16	Balance ⁽¹⁾ 30/06/16	2016/17	2016/17	Balance 30/06/17
	\$	\$	\$	\$	\$	\$	\$
Governance							
Regional Youth Collaboration Project	20,529	0	(17,752)	2,777	0	0	2,777
General purpose funding							
WALGGC Advance Payment for 2015-16	651,156	0	(651,156)	0	0	0	0
Law, order, public safety							
WA Police - CCTV for Cowaramup Skatepark	289	0	(289)	0	0	0	0
WAPOL Crime Prevention grant for Safer Communities project	3,642	0	(3,642)	0	0	0	0
DFES - Treatment works, Bushfire Risk Management Planning	28,297	0	(24,493)	3,804	0	0	3,804
DFES - Bushfire Risk Planning Coordinator	0	154,749	(57,182)	97,567	69,885	(124,074)	43,378
DFES - Bushfire Mitigation Program	0	10,000	0	10,000	0	(10,000)	0
Community amenities							
Tourism WA Grant for Cowaramup WTS	26,450	0	0	26,450	0	0	26,450
Recreation and culture							
Department of Sports & Recreation - Kidsport grant	0	40,000	(40,000)	0	0	0	0
Rotary Club - Nature Play playground design	0	13,636	0	13,636	1,364	0	15,000
Culture and the Arts - Regional Venues Improvement Fund Grant	0	0	0	0	500,000	0	500,000
Department of Sports & Recreation - Kidsport grant	0	0	0	0	40,000	(28,403)	11,597
Transport							
Waterwise CIF - Recycled Wastewater Scheme Extension	10,000	0	(10,000)	0	0	0	0
MRWA contribution to asphalt surfacing for Cowaramup	154,000	0	(154,000)	0	0	0	0
Bridge Grant	0	495,276	(410,899)	84,377	420,000	(4,377)	500,000
RfR - Main Street project	0	5,490,000	0	5,490,000	0	(200,000)	5,290,000
Friends of the Cape to Cape Track - Boardwalk	0	0	0	0	20,000	0	20,000
Friends of the South West Communities - Winter Diversion trail	0	0	0	0	9,091	0	9,091
Roads to Recovery grant for 2016-17	0	0	0	0	1,503,500	(1,199,500)	304,000
Total	894,363	6,203,661	(1,369,413)	5,728,611	2,563,840	(1,566,354)	6,726,097

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.
- (4) - For the closing balance at 30/6/16, the unspent balance of \$5,490,000 pertaining to the Royalties for Regions grant was transferred to the Margaret River CBD Redevelopment reserve and the balance of unspent grants of \$238,611 is shown as restricted funds in Note 3.
- (5) - For the closing balance at 30/6/17, the unspent balance of \$5,290,000 pertaining to the Royalties for Regions grant was held in the Margaret River CBD Redevelopment reserve and the unspent balance of \$500,000 pertaining to the Regional Venues Improvement Fund grant was transferred to the Community Facilities reserve. The balance of unspent grants of \$936,097 is shown as restricted funds in Note 3.

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		4,079,152	3,045,229
Restricted		<u>25,913,298</u>	<u>21,745,119</u>
		<u>29,992,450</u>	<u>24,790,348</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	11	396,869	389,017
Margaret River CBD Redevelopment Reserve	11	6,697,946	6,489,840
Public Open Space Reserve	11	225,567	81,337
Caravan Parks Upgrade Reserve	11	1,518,141	1,488,105
Limesand Pits Reserve	11	62,375	61,243
Cemeteries Reserve	11	10,558	10,249
Community Loan Reserve	11	170,805	151,199
Cedarvale Reserve	11	225,393	220,934
Waste Management Reserve	11	7,133,988	5,375,812
Parking Reserve	11	151,517	148,519
Road Asset Reserve	11	1,478,615	1,743,249
Biodiversity Reserve	11	10,187	10,000
Community Facilities Reserve	11	3,390,521	2,332,177
Plant Reserve	11	1,810,035	1,774,709
Affordable Housing Fund Reserve	11	60,238	49,212
Gravel Pits Reserve	11	368,365	361,075
Self Insurance Reserve	11	263,021	257,817
Recreation Centres Reserve	11	15,784	6,928
Old Settlement Reserve	11	29,834	29,244
Developer Contributions Reserve	11	753,453	467,888
Community Grants Reserve	11	15,641	10,000
Emergency Services Reserve	11	188,348	47,954
Unspent grants	2(c)	<u>936,097</u>	<u>238,611</u>
		<u>25,913,298</u>	<u>21,745,119</u>

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	666,136	422,042
Sundry debtors	240,861	181,471
GST receivable	341,491	0
Loans receivable - clubs/institutions	12,386	15,386
Accrued Interest Receivable	332,074	306,431
Prepayments	134,385	53,636
	<u>1,727,333</u>	<u>978,966</u>
Non-current		
Rates outstanding - pensioners	39,196	56,574
Loans receivable - clubs/institutions	44,261	62,646
	<u>83,457</u>	<u>119,220</u>
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	<u>666,136</u>	<u>422,042</u>
Includes:		
Past due and not impaired	666,136	422,042
Impaired	<u>0</u>	<u>0</u>
Sundry debtors	<u>240,861</u>	<u>181,471</u>
Includes:		
Past due and not impaired	101,638	27,479
Impaired	<u>0</u>	<u>0</u>
5. INVENTORIES		
Current		
Fuel and materials	<u>91,789</u>	<u>318,934</u>
	<u>91,789</u>	<u>318,934</u>
Non-current		
Land held for resale - fair value		
Cost of acquisition	<u>586,000</u>	<u>585,000</u>
	<u>586,000</u>	<u>585,000</u>

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land - freehold at:		
- Independent valuation 2017 - level 2	2,572,000	0
- Management valuation 2017 - level 3	8,520,000	0
- Independent valuation 2014 - level 2	0	1,792,000
- Independent valuation 2014 - level 3	0	9,718,500
- Additions after valuation - cost	0	909,091
	<u>11,092,000</u>	<u>12,419,591</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	5,092,300	0
- Independent valuation 2014 - level 3	0	3,715,750
	<u>5,092,300</u>	<u>3,715,750</u>
	<u>16,184,300</u>	<u>16,135,341</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	59,452,555	0
- Independent valuation 2014 - level 3	0	55,919,159
- Additions after valuation - cost	0	1,967,530
Less: accumulated depreciation	0	(3,282,346)
	<u>59,452,555</u>	<u>54,604,343</u>
	<u>59,452,555</u>	<u>54,604,343</u>
Total land and buildings	<u>75,636,855</u>	<u>70,739,684</u>
Furniture and equipment at:		
- Management valuation 2016 - level 2	148,345	148,345
- Management valuation 2016 - level 3	1,531,604	1,531,604
- Additions after valuation - cost	48,484	0
Less: accumulated depreciation	(207,464)	0
	<u>1,520,969</u>	<u>1,679,949</u>
Plant and equipment at:		
- Independent valuation 2016 - level 2	2,867,213	3,060,463
- Independent valuation 2016 - level 3	3,300,650	3,310,546
- Additions after valuation - cost	1,570,346	0
Less: accumulated depreciation	(1,039,316)	0
	<u>6,698,893</u>	<u>6,371,009</u>
	<u>83,856,717</u>	<u>78,790,642</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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.

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	12,419,591	0	(480,000)	(847,591)	0	0	0	0	11,092,000
Land - vested in and under the control of Council	3,715,750	0	0	1,376,550	0	0	0	0	5,092,300
Total land	16,135,341	0	(480,000)	528,959	0	0	0	0	16,184,300
Buildings - specialised	54,604,343	1,218,549	(1,293,207)	6,331,452	0	0	(1,408,582)	0	59,452,555
Total buildings	54,604,343	1,218,549	(1,293,207)	6,331,452	0	0	(1,408,582)	0	59,452,555
Total land and buildings	70,739,684	1,218,549	(1,773,207)	6,860,411	0	0	(1,408,582)	0	75,636,855
Furniture and equipment	1,679,949	48,484	0	0	0	0	(207,464)	0	1,520,969
Plant and equipment	6,371,009	1,570,346	(124,352)	0	0	0	(1,118,110)	0	6,698,893
Total property, plant and equipment	78,790,642	2,837,379	(1,897,559)	6,860,411	0	0	(2,734,156)	0	83,856,717

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land - freehold	Level 2 and Level 3	Market approach using recent observable market data for similar properties. Current replacement cost using both observable and unobservable inputs	Independent Registered Valuers and Management Valuation	June 2017	Price per hectare, current zoning of land. Market values were used (level 2 inputs) unless there were some restrictions or other factors associated with the land which resulted in land being deemed to be valued using Level 3 inputs
Land - vested in and under the control of Council	Level 3	Improvements to land valued using cost approach.	Independent Registered Valuers	June 2017	Improvements to land using estimated construction costs (Level 2 inputs).
Buildings - specialised	Level 3	Current replacement cost using both observable and unobservable inputs.	Independent Registered Valuers	June 2017	Construction costs based on recent contract prices and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Furniture and equipment	Level 2 and Level 3	Market approach using recent observable market data. Current replacement cost using both observable and unobservable inputs.	Independent Registered Valuers	June 2016	Open market values of similar assets adjusted for condition and comparability (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Plant and equipment	Level 2 and Level 3	Market approach using recent observable market data. Current replacement cost using both observable and unobservable inputs.	Independent Registered Valuers	June 2016	Open market values of similar assets adjusted for condition and comparability (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).

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

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

Freehold land that is the location of the the Augusta Museum has been valued on a highest and best use basis, which differs from its current use, as the possible relocation of the museum will allow the land to be sold for commercial purposes.

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	209,568,252	209,568,252
- Additions after valuation - cost	8,765,117	3,203,974
Less: accumulated depreciation	<u>(6,683,636)</u>	<u>(3,279,525)</u>
	211,649,733	209,492,701
Infrastructure - Road Bridges		
- Management valuation 2015 - level 3	6,091,899	6,091,899
- Additions after valuation - cost	542,475	410,899
Less: accumulated depreciation	<u>(354,729)</u>	<u>(171,578)</u>
	6,279,645	6,331,220
Infrastructure - Car Parks		
- Management valuation 2015 - level 3	4,945,301	4,945,301
- Additions after valuation - cost	212,161	22,880
Less: accumulated depreciation	<u>(253,478)</u>	<u>(126,468)</u>
	4,903,984	4,841,713
Infrastructure - Paths		
- Management valuation 2015 - level 3	9,506,555	9,506,555
- Additions after valuation - cost	1,632,917	539,445
Less: accumulated depreciation	<u>(714,777)</u>	<u>(337,590)</u>
	10,424,695	9,708,410
Infrastructure - Drainage		
- Management valuation 2015 - level 3	36,059,366	36,059,366
- Additions after valuation - cost	4,028,574	961,708
Less: accumulated depreciation	<u>(1,411,888)</u>	<u>(695,447)</u>
	38,676,052	36,325,627
Infrastructure - Caravan and Camping		
- Management valuation 2015 - level 3	1,797,059	1,797,059
- Additions after valuation - cost	155,523	28,927
Less: accumulated depreciation	<u>(88,059)</u>	<u>(43,450)</u>
	1,864,523	1,782,536
Infrastructure - Parks and Reserves		
- Management valuation 2015 - level 3	19,073,000	19,092,800
- Additions after valuation - cost	1,528,590	767,470
Less: accumulated depreciation	<u>(1,783,775)</u>	<u>(867,773)</u>
	18,817,815	18,992,497
Infrastructure - Aerodromes		
- Management valuation 2015 - level 3	2,421,170	2,421,170
- Additions after valuation - cost	100,943	97,393
Less: accumulated depreciation	<u>(215,004)</u>	<u>(104,421)</u>
	2,307,109	2,414,142

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE (Continued)		
Infrastructure - Boat Ramps and Jetties		
- Management valuation 2015 - level 3	1,330,930	1,330,930
- Additions after valuation - cost	12,928	7,942
Less: accumulated depreciation	<u>(226,052)</u>	<u>(113,543)</u>
	1,117,806	1,225,329
Infrastructure - Waste Management Facilities		
- Management valuation 2015 - level 3	672,122	672,122
- Additions after valuation - cost	673,955	333,089
Less: accumulated depreciation	<u>(69,609)</u>	<u>(32,057)</u>
	1,276,468	973,154
Infrastructure - Public Utilities		
- Management valuation 2015 - level 3	3,013,776	3,013,776
- Additions after valuation - cost	66,277	12,697
Less: accumulated depreciation	<u>(80,128)</u>	<u>(40,064)</u>
	2,999,925	2,986,409
	<u>300,317,755</u>	<u>295,073,738</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. 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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	209,492,701	5,561,143	0	0	0	0	(3,404,111)	0	211,649,733
Infrastructure - Road Bridges	6,331,220	131,576	0	0	0	0	(183,151)	0	6,279,645
Infrastructure - Car Parks	4,841,713	189,281	0	0	0	0	(127,010)	0	4,903,984
Infrastructure - Paths	9,708,410	1,093,472	0	0	0	0	(377,187)	0	10,424,695
Infrastructure - Drainage	36,325,627	3,066,866	0	0	0	0	(716,441)	0	38,676,052
Infrastructure - Caravan and Camping	1,782,536	126,596	0	0	0	0	(44,609)	0	1,864,523
Infrastructure - Parks and Reserves	18,992,497	761,120	(17,566)	0	0	0	(918,236)	0	18,817,815
Infrastructure - Aerodromes	2,414,142	3,550	0	0	0	0	(110,583)	0	2,307,109
Infrastructure - Boat Ramps and Jetties	1,225,329	4,986	0	0	0	0	(112,509)	0	1,117,806
Infrastructure - Waste Management Facilities	973,154	340,866	0	0	0	0	(37,552)	0	1,276,468
Infrastructure - Public Utilities	2,986,409	53,580	0	0	0	0	(40,064)	0	2,999,925
Total infrastructure	295,073,738	11,333,036	(17,566)	0	0	0	(6,071,453)	0	300,317,755

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Road Bridges	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Car Parks	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Paths	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Caravan and Camping	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Parks and Reserves	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Aerodromes	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Boat Ramps and Jetties	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Waste Management Facilities	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Public Utilities	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).

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

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

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	2,009,047	1,256,043
Accrued interest on debentures	10,803	12,924
Accrued salaries and wages	377,063	323,582
ATO liabilities	10,213	426,956
Income received in advance	83,353	125,861
	<u>2,490,479</u>	<u>2,145,366</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	636,806	600,922
	<u>636,806</u>	<u>600,922</u>
Non-current		
Secured by floating charge		
Debentures	7,241,982	7,878,788
	<u>7,241,982</u>	<u>7,878,788</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Personal Leave Reward Scheme \$	Total \$
Opening balance at 1 July 2016				
Current provisions	1,077,084	505,461	192,647	1,775,192
Non-current provisions	0	426,145	0	426,145
	<u>1,077,084</u>	<u>931,606</u>	<u>192,647</u>	<u>2,201,337</u>
Additional provision	984,351	164,565	0	1,148,916
Amounts used	(1,037,299)	(185,541)	(7,235)	(1,230,075)
Balance at 30 June 2017	<u>1,024,136</u>	<u>910,630</u>	<u>185,412</u>	<u>2,120,178</u>
Comprises				
Current	1,024,136	451,464	185,412	1,661,012
Non-current	0	459,166	0	459,166
	<u>1,024,136</u>	<u>910,630</u>	<u>185,412</u>	<u>2,120,178</u>

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

11. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Leave Reserve	389,017	7,852	0	396,869	389,017	10,309	0	399,326	381,383	7,634	0	389,017
Margaret River CBD Redevelopment Reserve	6,489,840	408,106	(200,000)	6,697,946	6,489,840	416,496	(200,000)	6,706,336	0	6,489,840	0	6,489,840
Public Open Space Reserve	81,337	144,230	0	225,567	81,337	2,155	0	83,492	79,742	1,595	0	81,337
Caravan Parks Upgrade Reserve	1,488,105	30,036	0	1,518,141	1,488,105	69,435	(700,000)	857,540	1,188,308	299,797	0	1,488,105
Limesand Pits Reserve	61,243	1,132	0	62,375	61,243	1,623	0	62,866	60,041	1,202	0	61,243
Cemeteries Reserve	10,249	309	0	10,558	10,249	272	0	10,521	10,047	202	0	10,249
Community Loan Reserve	151,199	19,606	0	170,805	151,199	14,561	0	165,760	137,359	63,840	(50,000)	151,199
Cedarvale Reserve	220,934	4,459	0	225,393	220,934	5,855	0	226,789	216,599	4,335	0	220,934
Waste Management Reserve	5,375,812	1,858,176	(100,000)	7,133,988	5,375,812	117,459	(686,846)	4,806,425	3,673,172	1,702,640	0	5,375,812
Parking Reserve	148,519	2,998	0	151,517	148,519	3,936	0	152,455	145,605	2,914	0	148,519
Road Asset Reserve	1,743,249	64,104	(328,738)	1,478,615	1,743,249	46,196	(20,000)	1,769,445	1,388,139	355,110	0	1,743,249
Biodiversity Reserve	10,000	187	0	10,187	10,000	0	0	10,000	0	10,000	0	10,000
Community Facilities Reserve	2,332,177	1,058,344	0	3,390,521	2,132,176	56,503	(300,000)	1,888,679	1,947,944	432,027	(47,794)	2,332,177
Plant Reserve	1,774,709	335,326	(300,000)	1,810,035	1,574,709	41,730	(1,000,000)	616,439	1,347,735	426,974	0	1,774,709
Affordable Housing Fund Reserve	49,212	11,026	0	60,238	49,212	1,304	(49,000)	1,516	48,246	966	0	49,212
Gravel Pits Reserve	361,075	7,290	0	368,365	361,076	9,569	0	370,645	353,989	7,086	0	361,075
Self Insurance Reserve	257,817	5,204	0	263,021	257,817	6,832	0	264,649	201,129	56,688	0	257,817
Recreation Centres Reserve	6,928	8,856	0	15,784	6,928	184	0	7,112	6,794	134	0	6,928
Old Settlement Reserve	29,244	590	0	29,834	29,244	775	0	30,019	13,964	15,280	0	29,244
Developer Contributions Reserve	467,888	285,565	0	753,453	467,888	212,399	0	680,287	0	467,888	0	467,888
Community Grants Reserve	10,000	5,641	0	15,641	10,000	22,265	(5,000)	27,265	0	10,000	0	10,000
Emergency Services Reserve	47,954	140,394	0	188,348	47,954	1,271	0	49,225	0	47,954	0	47,954
Margaret River CBD Reserve	0	0	0	0	0	0	0	0	75,600	0	(75,600)	0
	<u>21,506,508</u>	<u>4,399,431</u>	<u>(928,738)</u>	<u>24,977,201</u>	<u>21,106,508</u>	<u>1,041,129</u>	<u>(2,960,846)</u>	<u>19,186,791</u>	<u>11,275,796</u>	<u>10,404,106</u>	<u>(173,394)</u>	<u>21,506,508</u>

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

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

11. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	To be used to fund annual and long service leave requirements.
Margaret River CBD Redevelopment Reserve	Ongoing	To be used for funding capital projects in the Margaret River townsite.
Public Open Space Reserve	Ongoing	To be used to fund future public open space requirements.
Caravan Parks Upgrade Reserve	Ongoing	To be used for the upgrading of Caravan Parks and Camping Grounds.
Limesand Pits Reserve	Ongoing	Rehabilitation and development of the Boranup, Redgate and any other Shire limesand pits.
Cemeteries Reserve	Ongoing	To be used for the upgrade of Cemeteries.
Community Loan Reserve	Ongoing	Interest free funding for eligible groups associated with sporting and cultural activities.
Cedarvale Reserve	Ongoing	To meet obligations in respect of the Cedarvale agreement for the Gnarabup site and future foreshore rehabilitation at Prevelly and Gnarabup.
Waste Management Reserve	Ongoing	To fund future waste facility and plant requirements.
Parking Reserve	Ongoing	To be used to fund future car parking requirements.
Road Asset Reserve	Ongoing	To be used to fund future road and drainage maintenance and construction requirements.
Biodiversity Reserve	Ongoing	To be used for the funding of biodiversity initiatives
Community Facilities Reserve	Ongoing	To be used for the construction and major maintenance of community buildings and facilities.
Plant Reserve	Ongoing	To be used for the purchase of plant, vehicles and equipment.
Affordable Housing Fund Reserve	Ongoing	Infrastructure and capital improvements within the Cowaramup townsite and area covered by the West Cowaramup townsite strategy.
Gravel Pits Reserve	Ongoing	Rehabilitation and development of the Shire's gravel and other related resource reserves.
Self Insurance Reserve	Ongoing	To fund self insurance, workers compensation performance risk, risk management and other related employee and organisational activities.
Recreation Centres Reserve	Ongoing	Income from advertising signs is reserved for future improvements to facilities.
Old Settlement Reserve	Ongoing	Income from the lease of the Old Settlement site is reserved for future improvements to facilities.
Developer Contributions Reserve	Ongoing	Funds received and used in accordance with the Developer Contributions Plan.
Community Grants Reserve	Ongoing	Funds received from sale of special services vehicle registration plates and other initiatives are provided as community grants.
Emergency Services Reserve	Ongoing	To be used to support the provision of emergency services in the Shire.
Margaret River CBD Reserve	Ongoing	Balance of reserve transferred to the Margaret River CBD Redevelopment Reserve in 2015-16.

SHIRE OF AUGUSTA MARGARET RIVER
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12. REVALUATION SURPLUS

	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	Opening	Revaluation	Revaluation	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	43,420,519	7,708,002	(847,591)	6,860,411	50,280,930	43,420,519	0	0	0	43,420,519
Revaluation surplus - Plant and equipment	2,346,679	0	0	0	2,346,679	1,449,986	896,693	0	896,693	2,346,679
Revaluation surplus - Infrastructure - Roads	79,903,207	0	0	0	79,903,207	79,903,207	0	0	0	79,903,207
Revaluation surplus - Infrastructure - Road Bridges	5,510,485	0	0	0	5,510,485	5,510,485	0	0	0	5,510,485
Revaluation surplus - Infrastructure - Car Parks	3,585,853	0	0	0	3,585,853	3,585,853	0	0	0	3,585,853
Revaluation surplus - Infrastructure - Paths	4,347,247	0	0	0	4,347,247	4,347,247	0	0	0	4,347,247
Revaluation surplus - Infrastructure - Drainage	30,481,607	0	0	0	30,481,607	30,481,607	0	0	0	30,481,607
Revaluation surplus - Infrastructure - Caravan and Camping	1,173,470	0	0	0	1,173,470	1,173,470	0	0	0	1,173,470
Revaluation surplus - Infrastructure - Parks and Reserves	805,694	0	0	0	805,694	805,694	0	0	0	805,694
Revaluation surplus - Infrastructure - Aerodromes	2,073,263	0	0	0	2,073,263	2,073,263	0	0	0	2,073,263
Revaluation surplus - Infrastructure - Boat Ramps and Jetties	568,997	0	0	0	568,997	568,997	0	0	0	568,997
Revaluation surplus - Infrastructure - Waste Management Facilities	36,288	0	0	0	36,288	36,288	0	0	0	36,288
Revaluation surplus - Infrastructure - Public Utilities	60,692	0	0	0	60,692	60,692	0	0	0	60,692
	174,314,001	7,708,002	(847,591)	6,860,411	181,174,412	173,417,308	896,693	0	896,693	174,314,001

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 by AASB 166 Aus 40.1.

SHIRE OF AUGUSTA MARGARET RIVER
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13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>29,992,450</u>	<u>20,367,045</u>	<u>24,790,348</u>

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

Net result	9,475,210	6,491,624	7,873,594
Non-cash flows in Net result:			
Depreciation	8,805,609	8,209,428	8,107,587
(Profit)/Loss on sale of asset	1,442,741	168,470	473,423
Gain on revaluation of land held for resale	(1,000)	0	(11,000)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(733,989)	(120,000)	140,236
(Increase)/Decrease in inventories	227,145	10,000	423,879
Increase/(Decrease) in payables	345,113	(284,271)	662,738
Increase/(Decrease) in provisions	(81,159)	220,000	172,618
Grants contributions for the development of assets	<u>(9,819,155)</u>	<u>(9,556,764)</u>	<u>(9,601,817)</u>
Net cash from operating activities	<u>9,660,515</u>	<u>5,138,487</u>	<u>8,241,258</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	34,000	34,000
Credit card balance at balance date	<u>(7,344)</u>	<u>(9,439)</u>
Total amount of credit unused	<u>26,656</u>	<u>24,561</u>
Loan facilities		
Loan facilities - current	636,806	600,922
Loan facilities - non-current	<u>7,241,982</u>	<u>7,878,788</u>
Total facilities in use at balance date	<u>7,878,788</u>	<u>8,479,710</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

14. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2017.

15. CAPITAL AND LEASING COMMITMENTS	2017	2016
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	329,632	466,841
- later than one year but not later than five years	442,841	772,473
- later than five years	<u>0</u>	<u>0</u>
	<u><u>772,473</u></u>	<u><u>1,239,314</u></u>

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	1,306,239	0
- plant & equipment purchases	194,800	62,300
Payable:		
- not later than one year	1,501,039	62,300

The capital expenditure projects outstanding at the end of the current reporting period represents the construction of chalets and electrical works at Turner Caravan Park, architectural design works for the redevelopment of the Cultural Centre. The plant and equipment purchases represents the contracted purchase of a Roller and Trailer.

The prior year commitment relates to the contracted purchase of a small truck.

**SHIRE OF AUGUSTA MARGARET RIVER
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FOR THE YEAR ENDED 30TH JUNE 2017**

16. JOINT VENTURE ARRANGEMENTS

The Shire is not involved with any joint venture arrangements.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	28,059,413	22,291,118
General purpose funding	5,905,000	5,905,000
Law, order, public safety	2,758,855	3,477,532
Health	67,050	71,036
Education and welfare	1,265,629	1,264,009
Housing	95,866	95,866
Community amenities	17,470,930	17,121,817
Recreation and culture	64,087,073	59,392,317
Transport	294,199,961	288,201,925
Economic services	2,630,085	1,672,178
Other property and services	94,188	1,142,599
Unallocated	21,451	21,451
	<u>416,655,501</u>	<u>400,656,848</u>

SHIRE OF AUGUSTA MARGARET RIVER
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	2017	2016	2015
18. FINANCIAL RATIOS			
Current ratio	1.34	1.05	1.21
Asset sustainability ratio	0.81	0.73	0.57
Debt service cover ratio	8.11	5.81	7.81
Operating surplus ratio	(0.01)	(0.06)	0.04
Own source revenue coverage ratio	0.89	0.89	0.91

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 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:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 60 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$677,329.

Two of the 2016 and three of the 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$651,156.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.19	1.05	1.01
Debt service cover ratio	7.50	6.35	7.23
Operating surplus ratio	(0.03)	(0.04)	0.02

SHIRE OF AUGUSTA MARGARET RIVER
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19. TRUST FUNDS

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

	1 July 2016 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2017 \$
Unclaimed Monies	2,808	0	0	2,808
Fire Protection	321	2,792	(3,113)	0
BCITF Levy	12,196	100,476	(107,288)	5,384
DPI Licencing	52,204	3,242,504	(3,189,091)	105,617
BRB Levy	11,893	134,505	(137,420)	8,978
ESL Levy	(1,522)	794,479	(795,508)	(2,551)
Community Arts Events	3,308	0	0	3,308
TRANSWA Agency	0	5,859	(5,560)	299
Public Open Space	278,274	0	(140,000)	138,274
Bonds	1,270,778	312,835	(390,481)	1,193,132
	<u>1,630,260</u>			<u>1,455,249</u>

20. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment								
Transport								
Mower/Slasher	17,111	7,591	0	(9,520)	21,676	10,909	0	(10,767)
Road Broom	1,527	1,138	0	(389)	848	848	0	0
Low Loader	0	0	0	0	9,241	9,241	0	0
Roller	0	0	0	0	19,251	19,251	0	0
Mower/Slasher	0	0	0	0	1,032	1,000	0	(32)
Truck	36,149	38,700	2,551	0	32,124	32,124	0	0
Tractor	0	0	0	0	13,792	13,636	0	(156)
Mower/Slasher	1,831	2,653	822	0	1,818	1,818	0	0
Truck	0	0	0	0	16,364	16,364	0	0
Excavator	0	0	0	0	25,681	18,182	0	(7,499)
Truck	0	0	0	0	54,545	54,545	0	0
Trailer	10,038	14,748	4,710	0	0	0	0	0
Trailer	10,038	10,914	876	0	0	0	0	0
Truck	0	0	0	0	54,389	45,455	0	(8,934)
Utility	4,068	4,820	752	0	8,955	15,600	6,645	0
Utility	5,167	4,729	0	(438)	9,091	15,600	6,509	0
Utility	0	0	0	0	17,180	15,600	0	(1,580)
Utility	0	0	0	0	10,909	20,670	9,761	0
Utility	7,936	15,865	7,929	0	10,909	20,670	9,761	0
Utility	11,526	9,956	0	(1,570)	10,909	14,820	3,911	0
Utility	11,526	12,229	703	0	10,909	14,820	3,911	0
Utility	7,435	7,001	0	(434)	0	0	0	0
Land and Buildings								
Law, order, public safety								
SES building	1,045,000	0	0	(1,045,000)	0	0	0	0
BFB Brigade Shed	10,586	0	0	(10,586)	0	0	0	0
Equipment	0	0	0	0	3,000	3,000	0	0
Recreation and culture								
Forest Grove buildings	177,127	0	0	(177,127)	0	0	0	0
Transport								
Depot Vehicle Shed	60,494	0	0	(60,494)	0	0	0	0
Other property and services								
Land	480,000	300,000	0	(180,000)	480,000	300,000	0	(180,000)
Infrastructure								
Recreation and culture								
Playground Equipment	17,566	42,040	24,474	0	0	0	0	0
	<u>1,915,125</u>	<u>472,384</u>	<u>42,817</u>	<u>(1,485,558)</u>	<u>812,623</u>	<u>644,153</u>	<u>40,498</u>	<u>(208,968)</u>

SHIRE OF AUGUSTA MARGARET RIVER
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21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Loan No.	Expiry	Principal	New	Principal		Principal		Interest	
			1 July		Loans	Actual	Budget	Actual	Budget	Actual
			2016					30 June 2017		
			\$	\$	\$	\$	\$	\$	\$	\$
Governance										
Civic and Administration Building	191	2032	6,332,801	0	274,705	274,705	6,058,096	6,058,096	362,600	358,887
Community amenities										
Augusta Town Toilets	184	2019	32,283	0	10,183	10,183	22,100	22,100	1,676	1,750
Margaret River Memorial Toilet Block	186	2019	65,570	0	20,575	20,575	44,995	44,995	3,802	3,853
Augusta Water Wheel Toilets	188	2020	40,270	0	9,859	9,859	30,411	30,411	2,483	2,483
Recreation and culture										
Aquatic Centre	164	2020	365,140	0	76,426	76,426	288,714	288,714	24,539	25,830
Cowaramup Recreation Centre	174	2024	269,751	0	27,856	27,856	241,895	241,895	17,879	18,120
MR Recreation Centre Solar Power	185	2019	25,109	0	7,920	7,920	17,189	17,189	1,303	1,362
MR Recreation Centre Stage 1	187	2024	311,227	0	30,500	30,500	280,727	280,727	22,020	21,903
MR Recreation Centre Stage 2	189	2020	265,335	0	64,957	64,957	200,378	200,378	16,358	16,359
Economic services										
Augusta Rural Transaction Centre	173	2024	409,556	0	41,482	41,482	368,074	368,074	27,321	27,616
Gnarabup Café	179	2024	221,434	0	21,939	21,939	199,495	199,495	14,878	14,960
Gnarabup Café	181	2026	129,917	0	9,688	9,688	120,229	120,229	8,678	8,759
			8,468,393	0	596,090	596,090	7,872,303	7,872,303	503,537	501,882
Self Supporting Loans										
Recreation and culture										
Augusta Bowling Club	183	2018	11,317	0	4,832	4,832	6,485	6,485	676	675
			11,317	0	4,832	4,832	6,485	6,485	676	675
			8,479,710	0	600,922	600,922	7,878,788	7,878,788	504,213	502,557

Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

**SHIRE OF AUGUSTA MARGARET RIVER
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21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

The Shire did not have any overdraft facility as at 30 June 2017.

SHIRE OF AUGUSTA MARGARET RIVER
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FOR THE YEAR ENDED 30TH JUNE 2017

22. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
Residential GRV	0.098932	4,038	69,053,005	6,831,552	86,431	12,965	6,930,948	6,772,942	40,000	10,000	6,822,942
Residential GRV Vacant	0.189520	343	4,329,290	820,487	57,120	8,290	885,897	776,418	0	0	776,418
Rural Residential GRV	0.094770	636	12,872,400	1,219,917	3,303	(779)	1,222,441	1,220,631	0	0	1,220,631
Rural Residential GRV Vacant	0.184473	161	2,007,000	370,237	(8,344)	(11,926)	349,967	369,867	0	0	369,867
Industrial, Commercial & Tourism	0.117183	1,016	36,283,730	4,251,836	47,408	11,212	4,310,456	4,251,393	0	10,000	4,261,393
Unimproved value valuations											
UV Rural	0.004544	775	498,086,000	2,263,303	(6,949)	(1,766)	2,254,588	2,268,015	0	0	2,268,015
UV Strata Title Vineyard	0.004544	0	0	0	0	0	0	0	0	0	0
UV 1 (one non rural use)	0.005680	114	71,481,000	406,012	4,709	(5,558)	405,163	397,884	0	0	397,884
UV 2 (two non rural uses)	0.006816	19	12,513,000	85,289	0	0	85,289	85,289	0	0	85,289
UV 3 (over two non rural uses)	0.007952	17	13,238,000	105,269	0	0	105,269	100,839	0	0	100,839
UV Conservation	0.004366	72	58,430,000	255,105	(136)	0	254,969	255,725	0	0	255,725
Sub-Total		7,191	778,293,425	16,609,007	183,542	12,438	16,804,987	16,499,003	40,000	20,000	16,559,003
Minimum payment	\$										
Gross rental value valuations											
Residential GRV	1,227	847	9,000,469	1,039,269	0	0	1,039,269	1,038,042	0	0	1,038,042
Residential GRV Vacant	1,227	753	3,265,625	923,931	1,227	0	925,158	949,698	0	0	949,698
Rural Residential GRV	1,494	137	1,877,624	204,678	0	0	204,678	203,184	0	0	203,184
Rural Residential GRV Vacant	1,494	10	59,640	14,940	0	0	14,940	14,940	0	0	14,940
Industrial, Commercial & Tourism	1,318	232	1,802,052	305,776	0	0	305,776	309,730	0	0	309,730
Unimproved value valuations											
UV Rural	1,377	151	31,502,063	207,927	0	0	207,927	212,058	0	0	212,058
UV Strata Title Vineyard	809	37	2,700,000	29,933	0	0	29,933	29,933	0	0	29,933
UV 1 (one non rural use)	1,377	6	1,214,000	8,262	0	0	8,262	8,262	0	0	8,262
UV 2 (two non rural uses)	1,377	0	0	0	0	0	0	0	0	0	0
UV 3 (over two non rural uses)	1,377	0	0	0	0	0	0	0	0	0	0
UV Conservation	1,325	14	3,371,000	18,550	0	0	18,550	17,225	0	0	17,225
Sub-Total		2,187	54,792,473	2,753,266	1,227	0	2,754,493	2,783,072	0	0	2,783,072
		9,378	833,085,898	19,362,273	184,769	12,438	19,559,480	19,282,075	40,000	20,000	19,342,075
Movement in Excess Rates							22,818				0
Total amount raised from general rate							19,582,298				19,342,075
Totals							19,582,298				19,342,075

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. NET CURRENT ASSETS

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
Surplus/(Deficit)	4,331,506	2,420,988	2,420,988
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	4,079,152	3,045,229	3,045,229
Restricted - Reserve	24,977,201	21,506,508	21,506,508
Restricted - Unspent Grant	936,097	238,611	238,611
Receivables			
Rates outstanding	666,136	422,042	422,042
Sundry debtors	240,861	181,471	181,471
GST receivable	341,491	0	0
Loans receivable - clubs/institutions	12,386	15,386	15,386
Accrued Interest Receivable	332,074	306,431	306,431
Prepayments	134,385	53,636	53,636
Inventories			
Fuel and materials	91,789	318,934	318,934
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,009,047)	(1,256,043)	(1,256,043)
Accrued interest on debentures	(10,803)	(12,924)	(12,924)
Accrued salaries and wages	(377,063)	(323,582)	(323,582)
ATO liabilities	(10,213)	(426,956)	(426,956)
Income received in advance	(83,353)	(125,861)	(125,861)
Current portion of long term borrowings			
Secured by floating charge	(636,806)	(600,922)	(600,922)
Provisions			
Provision for annual leave	(1,024,136)	(1,077,084)	(1,077,084)
Provision for personal leave reward scheme	(185,412)	(192,647)	(192,647)
Provision for long service leave	(451,464)	(505,461)	(505,461)
Unadjusted net current assets	27,023,275	21,566,768	21,566,768
Adjustments			
Less: Reserves	(24,977,201)	(21,506,508)	(21,506,508)
Less: Loans receivable - clubs/institutions	(12,386)	(15,386)	(15,386)
Add: Secured by floating charge	636,806	600,922	600,922
Add: Leave component backed by cash reserve	396,869	389,017	389,017
Add: Leave component not required to be funded	1,264,143	1,386,175	1,386,175
Adjusted net current assets - surplus/(deficit)	4,331,506	2,420,988	2,420,988

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

24. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the Shire during the year ended 2017

25. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

	Amount of Charge	Revenue Raised	Budget Revenue	Charges Applied to Costs	Charges Set Aside to Reserve	Reserve Applied to Costs	Budget Charges Applied to Costs	Budget Charges Set Aside to Reserve	Budget Reserve Applied to Costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Service Charges									
Cowaramup Underground Power	333	4,333	4,333	4,333	0	0	4,333	0	0
		<u>4,333</u>	<u>4,333</u>	<u>4,333</u>	<u>0</u>	<u>0</u>	<u>4,333</u>	<u>0</u>	<u>0</u>

Nature of the Service Charge

Council imposed a service charge in 2011-12 for undergrounding of electricity in Cowaramup.

Objects of the Charge

Properties in the defined area are charged an equal annual amount for 10 years.

Reasons for the Charge

To recover the cost of the service from the rateable properties benefiting from the improved service.

Area/Properties Charge Imposed

13 rateable properties located on Bussell Hwy between Peake Street and 30 metres south of Bottrill Street.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR**

Rates Discounts

No discounts for receiving rates payments on time are offered by the Shire

Rates Incentives

Ratepayers are provided with a rate incentive prize for payments received by the due date

Waivers or Concessions

No rate concessions were approved by Council in 2016-17.

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

27. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	16/09/2016	0	0.00%	11.00%
Option Three				
First Instalment	16/09/2016	0	5.50%	11.00%
Second Instalment	18/11/2016	7.50	5.50%	11.00%
Third Instalment	20/01/2017	7.50	5.50%	11.00%
Fourth Instalment	24/03/2017	7.50	5.50%	11.00%
			Revenue	Budgeted Revenue
			\$	\$
Interest on unpaid rates			113,372	55,000
Interest on instalment plan			131,668	130,000
Charges on instalment plan			75,157	70,000
Pensioner Deferred Interest			1,482	1,000
ESL Penalty Interest			3,982	1,500
			<u>325,661</u>	<u>257,500</u>

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

28. FEES & CHARGES	2017	2016
	\$	\$
Governance	290,396	243,071
General purpose funding	203,081	207,342
Law, order, public safety	195,760	174,179
Health	110,417	112,292
Education and welfare	325,641	276,124
Community amenities	4,930,671	4,745,862
Recreation and culture	920,019	1,008,048
Transport	125,036	212,540
Economic services	2,173,084	2,265,807
Other property and services	0	1,462
	<u>9,274,105</u>	<u>9,246,727</u>

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

29. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	258,783	66,474
General purpose funding	2,026,146	720,127
Law, order, public safety	637,025	505,480
Education and welfare	0	15,000
Community amenities	29,978	14,004
Recreation and culture	134,279	133,355
Transport	22,416	64,591
Economic services	23,441	9,898
Other property and services	3,898	41,003
	<u>3,135,966</u>	<u>1,569,932</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	412,301	0
Community amenities	415,788	467,888
Recreation and culture	535,371	98,808
Transport	8,455,695	9,035,121
	<u>9,819,155</u>	<u>9,601,817</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>161</u>	<u>161</u>
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**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

31. ELECTED MEMBERS REMUNERATION	2017	2017	2016
	\$	Budget	\$
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	132,282	132,252	130,380
President's allowance	38,352	38,400	37,884
Deputy President's allowance	9,600	9,600	9,368
Travelling expenses	15,340	19,040	11,833
Telecommunications allowance	24,499	24,500	24,510
	220,073	223,792	213,975

32. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

2017
\$

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

Short-term employee benefits	751,180
Post-employment benefits	71,277
Other long-term benefits	19,818
Termination benefits	24,489
	866,764

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 31.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP and for 2016-17 represents accrued leave paid.

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

32. RELATED PARTY TRANSACTIONS (Continued)

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

Transactions with related parties

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

The following transactions occurred with related parties:

2017
\$

Associated companies/individuals:

Purchase of goods and services	136,811
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Joint venture entities:	0
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Amounts outstanding from related parties:	0
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Amounts payable to related parties:	0
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Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2016/17 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

If the Shire did participate in any trading undertakings or major trading undertakings during the 2016/17 financial year.

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	29,992,450	24,790,348	29,992,450	24,790,348
Receivables	1,810,790	1,098,186	1,810,790	1,098,186
	<u>31,803,240</u>	<u>25,888,534</u>	<u>31,803,240</u>	<u>25,888,534</u>
Financial liabilities				
Payables	2,490,479	2,145,366	2,490,479	2,145,366
Borrowings	7,878,788	8,479,710	7,355,134	7,938,259
	<u>10,369,267</u>	<u>10,625,076</u>	<u>9,845,613</u>	<u>10,083,625</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

35. 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 with the assistance of independent advisers (where applicable). The Shire 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*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash.

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	310,160	215,306
- Statement of Comprehensive Income	310,160	215,306

Notes:

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

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	90.42%	95.07%
- Overdue	9.58%	4.93%

SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	2,490,479	0	0	2,490,479	2,490,479
Borrowings	909,408	3,848,254	5,847,020	10,604,682	7,878,788
	<u>3,399,887</u>	<u>3,848,254</u>	<u>5,847,020</u>	<u>13,095,161</u>	<u>10,369,267</u>
<u>2016</u>					
Payables	2,145,366	0	0	2,145,366	2,145,366
Borrowings	1,059,399	3,941,657	6,663,025	11,664,081	8,479,710
	<u>3,204,765</u>	<u>3,941,657</u>	<u>6,663,025</u>	<u>13,809,447</u>	<u>10,625,076</u>

**SHIRE OF AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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:

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	0	90,769	230,789	288,714	0	7,268,516	7,878,788	5.44%
Weighted average Effective interest rate		5.78%	6.12%	6.95%		5.35%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	0	134,279	305,605	365,140	7,674,686	8,479,710	5.46%
Weighted average Effective interest rate			5.79%	6.12%	6.95%	5.36%		

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF AUGUSTA MARGARET RIVER

Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the Shire of Augusta Margaret River (the Shire), which comprises the statement of financial position as at 30 June 2017, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

In our opinion, the financial report of the Shire of Augusta Margaret River is in accordance with *the Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended), including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

Basis for Opinion

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

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 60 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF AUGUSTA MARGARET RIVER (CONTINUED)**

Responsibilities of Management and Council for the Financial Report

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

In preparing the financial report, management 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



WEN-SHIEN CHAI
PARTNER

Date: 27 September 2017
Perth, WA

**SHIRE OF AUGUSTA MARGARET RIVER
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2017	2016	2015
Asset consumption ratio	0.97	0.99	0.75
Asset renewal funding ratio	1.36	1.28	1.18

The above ratios are calculated as follows:

Asset consumption ratio $\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$

Asset renewal funding ratio $\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$