



Financial Report

2016 - 2017



SHIRE OF SERPENTINE JARRAHDALE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
6 Paterson Street
Mundijong WA 6123

**SHIRE OF SERPENTINE JARRAHDALE
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 27th day of October 2017



KR Donohoe
Chief Executive Officer

SHIRE OF SERPENTINE JARRAHDALÉ
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
Rates	23	20,383,470	19,901,753	18,407,251
Operating grants, subsidies and contributions	30	4,639,865	4,158,336	2,422,830
Fees and charges	29	5,651,354	5,483,809	5,755,055
Interest earnings	2(a)	834,114	640,000	798,910
Other revenue	2(a)	1,038,644	0	837,007
		<u>32,547,447</u>	<u>30,183,898</u>	<u>28,221,053</u>
Expenses				
Employee costs		(12,602,161)	(13,678,632)	(11,522,258)
Materials and contracts		(12,348,600)	(12,805,437)	(10,730,814)
Utility charges		(1,154,264)	(1,083,456)	(1,165,473)
Depreciation on non-current assets	2(a)	(5,601,257)	(9,099,827)	(5,540,027)
Interest expenses	2(a)	(85,681)	(125,014)	(106,277)
Insurance expenses		(449,482)	(465,278)	(434,288)
Other expenditure		(133,046)	(91,239)	(119,127)
		<u>(32,374,491)</u>	<u>(37,348,883)</u>	<u>(29,618,264)</u>
		172,956	(7,164,985)	(1,397,211)
Non-operating grants, subsidies and contributions	30	4,839,778	3,271,241	6,854,731
Profit on asset disposals	21	5,553	24,330	11,253
(Loss) on asset disposals	21	(77,430)	(20,906)	(57,603)
Net result		<u>4,940,857</u>	<u>(3,890,320)</u>	<u>5,411,170</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13(a)	(1,732,314)	0	(96,856)
Changes on subsequent measurement of available-for-sale financial assets	13(b)	(3,780)	0	(1,740)
Total other comprehensive income		<u>(1,736,094)</u>	<u>0</u>	<u>(98,596)</u>
Total comprehensive income		<u><u>3,204,763</u></u>	<u><u>(3,890,320)</u></u>	<u><u>5,312,574</u></u>

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

SHIRE OF SERPENTINE JARRAHDALÉ
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
General purpose funding		25,567,779	23,504,857	21,007,700
Law, order, public safety		559,042	541,630	650,156
Health		174,811	127,050	81,408
Education and welfare		621	200	146,785
Community amenities		4,120,029	4,048,514	4,042,909
Recreation and culture		400,371	306,862	525,924
Transport		487,904	420,300	476,555
Economic services		774,114	844,485	885,139
Other property and services		462,776	390,000	404,477
		<u>32,547,447</u>	<u>30,183,898</u>	<u>28,221,053</u>
Expenses	2(a)			
Governance		(2,615,830)	(2,833,243)	(3,991,534)
General purpose funding		(750,706)	(678,699)	(592,298)
Law, order, public safety		(2,054,997)	(2,330,854)	(1,981,545)
Health		(854,845)	(923,318)	(621,841)
Education and welfare		(21,526)	(25,126)	(967,505)
Community amenities		(8,216,396)	(8,655,340)	(6,256,222)
Recreation and culture		(6,198,806)	(6,627,809)	(4,642,528)
Transport		(8,751,358)	(12,120,093)	(9,008,256)
Economic services		(2,385,050)	(2,531,410)	(1,086,292)
Other property and services		(439,296)	(497,977)	(363,966)
		<u>(32,288,810)</u>	<u>(37,223,869)</u>	<u>(29,511,987)</u>
Finance costs	2(a)			
Governance		(36,337)	0	0
Community amenities		0	(1,706)	0
Recreation and culture		(49,344)	(85,791)	(106,277)
Transport		0	(37,517)	0
		<u>(85,681)</u>	<u>(125,014)</u>	<u>(106,277)</u>
		172,956	(7,164,985)	(1,397,211)
Non-operating grants, subsidies and contributions	30	4,839,778	3,271,241	6,854,731
Profit on disposal of assets	21	5,553	24,330	11,253
(Loss) on disposal of assets	21	(77,430)	(20,906)	(57,603)
Net result		<u>4,940,857</u>	<u>(3,890,320)</u>	<u>5,411,170</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13(a)	(1,732,314)	0	(96,856)
Changes on subsequent measurement of available-for-sale financial assets	13(b)	(3,780)	0	(1,740)
Total other comprehensive income		<u>(1,736,094)</u>	<u>0</u>	<u>(98,596)</u>
Total comprehensive income		<u>3,204,763</u>	<u>(3,890,320)</u>	<u>5,312,574</u>

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

SHIRE OF SERPENTINE JARRAHDALE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	24,589,346	18,874,210
Trade and other receivables	5	1,960,726	2,505,839
Inventories	6	61,421	8,878
TOTAL CURRENT ASSETS		<u>26,611,493</u>	<u>21,388,927</u>
NON-CURRENT ASSETS			
Investments	4	22,925	26,705
Other receivables	5	149,784	143,032
Property, plant and equipment	7	43,124,169	44,799,706
Infrastructure	8	214,921,372	215,835,923
TOTAL NON-CURRENT ASSETS		<u>258,218,250</u>	<u>260,805,366</u>
TOTAL ASSETS		<u>284,829,743</u>	<u>282,194,293</u>
CURRENT LIABILITIES			
Trade and other payables	9	2,123,421	2,614,434
Current portion of long term borrowings	10	408,519	386,723
Provisions	11	1,926,618	1,612,470
TOTAL CURRENT LIABILITIES		<u>4,458,558</u>	<u>4,613,627</u>
NON-CURRENT LIABILITIES			
Long term borrowings	10	955,439	1,363,958
Provisions	11	252,336	258,061
TOTAL NON-CURRENT LIABILITIES		<u>1,207,775</u>	<u>1,622,019</u>
TOTAL LIABILITIES		<u>5,666,333</u>	<u>6,235,646</u>
NET ASSETS		<u>279,163,410</u>	<u>275,958,647</u>
EQUITY			
Retained surplus		92,336,281	100,646,210
Reserves - cash/investment backed	12	19,354,297	6,103,511
Revaluation surplus	13(a)	167,482,132	169,214,446
Financial assets revaluation surplus	13(b)	(9,300)	(5,520)
TOTAL EQUITY		<u>279,163,410</u>	<u>275,958,647</u>

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

**SHIRE OF SERPENTINE JARRAHDALÉ
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RESERVES		FINANCIAL ASSETS		TOTAL EQUITY
		RETAINED SURPLUS	CASH/INVESTMENT BACKED	REVALUATION SURPLUS	REVALUATION SURPLUS	
		\$	\$	\$	\$	\$
Balance as at 1 July 2015		95,477,688	5,860,863	169,311,302	(3,780)	270,646,073
Comprehensive income						
Net result		5,411,170	0	0	0	5,411,170
Changes on revaluation of assets						
Total comprehensive income	13	0	0	(96,856)	(1,740)	(98,596)
		5,411,170	0	(96,856)	(1,740)	5,312,574
Transfers from/(to) reserves	12	(242,648)	242,648	0	0	0
Balance as at 30 June 2016		100,646,210	6,103,511	169,214,446	(5,520)	275,958,647
Comprehensive income						
Net result		4,940,857	0	0	0	4,940,857
Changes on revaluation of assets						
Total comprehensive income	13	0	0	(1,732,314)	(3,780)	(1,736,094)
		4,940,857	0	(1,732,314)	(3,780)	3,204,763
Transfers from/(to) reserves	12	(13,250,786)	13,250,786	0	0	0
Balance as at 30 June 2017		92,336,281	19,354,297	167,482,132	(9,300)	279,163,410

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

**SHIRE OF SERPENTINE JARRAHDALE
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		20,022,881	20,201,753	18,311,376
Operating grants, subsidies and contributions		5,565,139	4,638,336	2,109,467
Fees and charges		5,651,354	5,483,809	5,755,055
Interest earnings		834,114	640,000	798,910
Goods and services tax		1,331,399	12,970	1,307,397
Other revenue		1,032,863	0	837,007
		<u>34,437,750</u>	<u>30,976,868</u>	<u>29,119,212</u>
Payments				
Employee costs		(13,041,879)	(13,678,632)	(10,878,800)
Materials and contracts		(12,112,023)	(12,802,737)	(10,534,574)
Utility charges		(1,154,264)	(1,083,456)	(1,165,473)
Interest expenses		(85,791)	(125,014)	(106,396)
Insurance expenses		(449,482)	(465,278)	(434,288)
Goods and services tax		(1,351,942)	0	(1,322,503)
Other expenditure		(133,047)	(91,239)	(119,127)
		<u>(28,328,428)</u>	<u>(28,246,356)</u>	<u>(24,561,161)</u>
Net cash provided by (used in) operating activities	14(b)	<u>6,109,322</u>	<u>2,730,512</u>	<u>4,558,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,529,000)	(1,325,406)	(7,051,981)
Payments for construction of infrastructure		(3,626,581)	(11,152,027)	(4,333,594)
Non-operating grants, subsidies and contributions		4,839,778	3,271,241	6,854,731
Proceeds from sale of fixed assets		308,340	493,000	514,614
Net cash provided by (used in) investment activities		<u>(7,463)</u>	<u>(8,713,192)</u>	<u>(4,016,230)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(386,723)	(506,744)	(366,109)
Proceeds from new debentures		0	1,986,057	0
Net cash provided by (used in) financing activities		<u>(386,723)</u>	<u>1,479,313</u>	<u>(366,109)</u>
Net increase (decrease) in cash held		5,715,136	(4,503,367)	175,712
Cash at beginning of year		18,874,210	15,834,163	18,698,498
Cash and cash equivalents at the end of the year	14(a)	<u><u>24,589,346</u></u>	<u><u>11,330,796</u></u>	<u><u>18,874,210</u></u>

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

**SHIRE OF SERPENTINE JARRAHDALE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)		2,235,294	1,064,265	2,456,991
		<u>2,235,294</u>	<u>1,064,265</u>	<u>2,456,991</u>
Revenue from operating activities (excluding rates)				
Governance		0	6,132	4,368
General purpose funding		5,184,309	3,603,104	2,600,448
Law, order, public safety		559,042	553,826	655,720
Health		174,811	127,050	81,408
Education and welfare		621	200	146,932
Community amenities		4,120,029	4,048,514	4,043,553
Recreation and culture		400,371	306,862	526,454
Transport		488,536	421,125	476,555
Economic services		774,114	844,485	885,139
Other property and services		467,697	395,177	404,477
		<u>12,169,530</u>	<u>10,306,475</u>	<u>9,825,054</u>
Expenditure from operating activities				
Governance		(2,653,532)	(2,833,243)	(4,007,683)
General purpose funding		(750,706)	(678,699)	(592,298)
Law, order, public safety		(2,108,167)	(2,333,973)	(1,994,470)
Health		(854,845)	(923,318)	(624,711)
Education and welfare		(21,526)	(25,126)	(967,505)
Community amenities		(8,216,396)	(8,657,046)	(6,260,417)
Recreation and culture		(6,248,150)	(6,713,600)	(4,748,805)
Transport		(8,767,840)	(12,159,457)	(9,020,675)
Economic services		(2,385,050)	(2,531,410)	(1,089,032)
Other property and services		(445,708)	(513,916)	(370,270)
		<u>(32,451,920)</u>	<u>(37,369,788)</u>	<u>(29,675,866)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(5,553)	(24,330)	(11,253)
Loss on disposal of assets	21	77,430	20,906	57,603
Movement in deferred pensioner rates (non-current)		(6,752)	0	5,243
Movement in employee benefit provisions (non-current)		(5,725)	0	38,673
Depreciation on assets	2(a)	5,601,257	9,099,827	5,540,027
Amount attributable to operating activities		<u>(12,386,439)</u>	<u>(16,902,645)</u>	<u>(11,763,528)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		4,839,778	3,271,241	6,854,731
Proceeds from disposal of assets	21	308,340	493,000	514,614
Purchase of property, plant and equipment	7(b)	(1,529,000)	(1,325,406)	(7,051,981)
Purchase and construction of infrastructure	8(b)	(3,626,581)	(11,152,027)	(4,333,594)
Amount attributable to investing activities		<u>(7,463)</u>	<u>(8,713,192)</u>	<u>(4,016,230)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(386,723)	(506,744)	(366,109)
Proceeds from new debentures	22(a)	0	1,986,057	0
Increase / (decrease) in financial asset	13(b)	(3,780)	0	(1,740)
Transfers to reserves (restricted assets)	12	(14,951,556)	(3,295,932)	(1,838,982)
Transfers from reserves (restricted assets)	12	1,700,770	1,932,589	1,596,334
Transfers to restricted cash	2(c)	(1,980,439)	(93,900)	(1,922,131)
Transfers from restricted cash	2(c)	10,737,695	5,732,884	2,140,429
Amount attributable to financing activities		<u>(4,884,033)</u>	<u>5,754,954</u>	<u>(392,199)</u>
Surplus(deficiency) before general rates		<u>(17,277,935)</u>	<u>(19,860,883)</u>	<u>(16,171,957)</u>
Total amount raised from general rates	23	<u>20,383,470</u>	<u>19,901,753</u>	<u>18,407,251</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>3,105,535</u></u>	<u><u>40,870</u></u>	<u><u>2,235,294</u></u>

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

**SHIRE OF SERPENTINE JARRAHDALE
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 Australian 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 20 to these financial statements.

(b) 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.

(c) 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.

(d) Trade and Other Receivables

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

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

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.

**SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) 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.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework 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.

**SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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.

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; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

**SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation (continued)

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

Land	Not depreciated
Buildings	
Structural	50 years
Internal Fit-Out	15 - 25 years
Mechanical Services	25 – 35 years
Security	15 years
Fire systems	15 years
Other Building Structures	15 – 25 years
Plant and Equipment	5 – 15 years
Motor Vehicles	2 – 5 years
Furniture and Equipment	4 – 10 years
Computer Equipment	2 – 5 years
Roads	
Subgrade	Not depreciated
Pavement	
Unsealed	10 years
Urban and Regional	60 - 100 years
Surface	5 – 20 years
Surface Water Channel	
Kerbing	40 years
Drains	8 - 15 years
Drainage	
Culvert	80 years
Stormwater Drainage	100 years
Footpaths	40 – 80 years
Parks and Reserves	
Land	Not depreciated
Softscapes	50 years
Hardscapes	40 – 80 years
Reticulation	20 years
Parks Furniture	10 – 20 years
Lighting	15 – 25 years
Other Structures	10 – 40 years

The asset's 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.

Capitalisation threshold

Land	\$1
Artworks	\$5,000
Buildings	\$10,000
Computer Equipment	\$10,000
Furniture	\$10,000
Plant & Equipment	\$10,000
Motor Vehicles	\$10,000
Roads	\$1
Drainage	\$1
Footpaths	\$1
Parks and Reserves	\$10,000

SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset 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 SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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 assets.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the 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 SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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 continual involvement in the risks and benefits associated with the asset.

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

(i) Impairment of Assets

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

(j) 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 SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations 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.

(l) Borrowing Costs

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

(m) Provisions

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

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

(n) Leases

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

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

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 SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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.

(p) Interests in Joint Arrangements

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

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

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) 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 SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

**SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASE 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 SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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.

(x) Adoption of New and Revised Accounting Standards

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

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

- (i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit sector entities.

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.

SHIRE OF SERPENTINE JARRAHDALÉ
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	30,820	27,813	
- Consultancy Services	61,664	0	
- Other Services	7,571	14,333	
	<u>100,055</u>	<u>42,146</u>	
Depreciation			
Buildings	523,496	388,665	
Furniture and equipment	14,712	3,504	
Plant and equipment	292,770	309,335	
Motor Vehicles	122,250	230,407	
Computer Equipment	1,200	5,676	
Roads	3,915,278	3,872,434	
Footpaths	178,957	176,269	
Drainage	273,624	273,581	
Parks and Ovals	278,970	280,156	
	<u>5,601,257</u>	<u>5,540,027</u>	
Interest expenses (finance costs)			
Debentures (refer Note 22 (a))	85,681	106,277	
	<u>85,681</u>	<u>106,277</u>	
Rental charges			
- Operating leases	864,282	707,922	
	<u>864,282</u>	<u>707,922</u>	
(ii) Crediting as revenue:			
Other revenue			
Reimbursements and recoveries	925,032	766,403	
Other	113,612	70,604	
	<u>1,038,644</u>	<u>837,007</u>	
	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Restricted funds	140,317	1,000	163,772
- Reserve funds	164,578	125,000	124,619
- Other funds	201,653	264,000	224,697
Other interest revenue (refer note 28)	327,566	250,000	285,822
	<u>834,114</u>	<u>640,000</u>	<u>798,910</u>

**SHIRE OF SERPENTINE JARRAHDALE
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

The Shire's six vision categories, Governance and Leadership, Built Environment, Natural Environment, Financial Sustainability, Local Economy, and Community Wellbeing, will come together to unite, creating a community which is sustainable, connected and thriving.

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:

Members of Council, Chief Executive Office, public relations and subscriptions.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rate revenue, late payment penalty, general purpose grants, untied road grants, commissions, interest on investments, reimbursements and banking costs.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

Volunteer bushfire brigades, fire prevention, animal control, emergency management and public safety.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Health services including infant health, inspection of premises, pest control, and preventative maintenance.

EDUCATION AND WELFARE

Objective:

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

Activities:

Pre-schools, community services and family centres.

SHIRE OF SERPENTINE JARRAHDALÉ
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)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Waste management including household refuse and recycling, bulk verge green and hard waste collections, environmental and sustainability, town planning, public conveniences and cemeteries.

RECREATION AND CULTURE

Objective:

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

Activities:

Provision of facilities and support of organisations with leisure activities and sport including halls, sports grounds, parks and gardens, community development and the Mundijong Library.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, bridges, footpaths, Council depot, purchases of plant and equipment and engineering design.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Rural services such as weed control of reserves, tourism and area promotion, management of building applications and economic development.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

Private works, public works overheads, plant operation, Jarrahdale Heritage Park development, finance and administration costs.

SHIRE OF SERPENTINE JARRAHDALE
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 Balance ⁽¹⁾ 1/07/15	Received ⁽²⁾ 2015/16	Expended ⁽³⁾ 2015/16	Closing Balance ⁽¹⁾ 30/06/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance 30/06/17
	\$	\$	\$	\$	\$	\$	\$
Governance							
Byford Youth Forum	9,075	248	0	9,323	134	0	9,457
Law, order, public safety							
Emerg. Services - Cadets	3,906	0	0	3,906	0	0	3,906
Emerg. Services - Family Fun Day	5,844	0	0	5,844	1,800	0	7,644
FESA Operating Grant Q1	108,900	97,593	(108,900)	97,593	0	(97,593)	0
Fire Contributions from Developers	40,977	29,891	0	70,868	0	(30,000)	40,868
Royalties for Regions - Peel Development Commission	0	0	0	0	116,350	0	116,350
Community amenities							(40,868)
Environmental Works - TREE Transfer	85,374	0	(15,818)	69,556	0	0	69,556
Recreation and culture							
Royalties for Regions - BDCC 14/15	221,708	0	(221,708)	0	0	0	0
Byford & Districts Country Club	0	0	0	0	5,836	0	5,836
Country Local Government - Whitley Falls	26,908	0	(26,908)	0	0	0	0
Committed Capital Projects	406,117	0	(406,117)	0	0	0	0
Darling Downs Developer Cont	12,892	310	(2,000)	11,202	216	(11,416)	0
SJ Rec Centre - Byford Sports & Rec Council	2,079	0	0	2,079	0	0	2,079
Transport							
17 Clifford St. Byford - Laneway Cont	22,726	618	0	23,344	598	0	23,942
Blackspot Funding	4,800	28,000	(4,427)	28,373	0	(25,865)	2,408
Byford by the Scarp	253,125	0	(44,136)	208,989	0	(7,985)	201,004
Byford Central Stage 6A	13,181	346	0	13,527	353	0	13,880
Committed Capital Projects	274,800	0	(274,800)	0	0	0	0
Developer Contributions	6,376,337	1,294,813	(715,908)	6,955,242	602,880	(77,460)	7,480,762
Drainage Cont - Thomas Road (Rivermoon)	64,565	1,765	0	66,330	1,716	0	68,046
L3 Thomas Road, Byford - Maint Landscaping	27,534	749	0	28,283	725	0	29,008
L3 Thomas Road, Byford - Maint Water Quality	71,172	1,937	0	73,109	1,873	0	74,982
L40 Beenyp Road, Byford - Laneway cont	28,963	761	0	29,724	775	0	30,499
L7 Beenyp Road, Byford - Laneway cont	29,093	785	0	29,878	777	0	30,655
L86 South West Hwy - Laneway cont	29,235	795	0	30,030	770	0	30,800
Thomas Road Design - Main Roads Grant	186,446	0	(168,733)	17,713	0	(11,869)	5,844
Mundijong Landowners Dev Cont	66,219	0	(31,979)	34,240	0	0	34,240
Regional Road Group Funding	129,709	448,168	(75,095)	402,782	0	(324,088)	115,194
Rivermoon Drainage Contribution	446,532	3,563	0	450,095	3,422	0	453,517
Rivermoon Landscape Contribution	0	11,828	0	11,828	11,973	0	23,801
Special Projects - Bridges	0	0	0	0	917,208	0	917,208
Roads to Recovery Medulla Road	0	0	0	0	48,946	0	48,946
Roads to Recovery Killin Road	0	0	0	0	73,000	0	73,000
Roads to Recovery Linton Street	0	0	0	0	85,000	0	85,000
Roads to Recovery Gossage Road	0	0	0	0	84,299	0	84,299
Megara Fifteen - Turning Point Soldiers/Abemethy Road	0	0	0	0	21,688	0	21,688
Economic services							
Committed Capital Projects Economic	43,900	0	(43,900)	0	0	0	0
Tourism WA Camping Dump Point	44,100	0	0	44,100	0	(44,100)	0
Total	9,866,196	1,922,131	(2,140,429)	8,649,898	1,980,439	(630,476)	10,199,859

Note

Portion of unexpended grants held in Reserve Funds
 Portion of unexpended grants held in Municipal Funds

0
 3

8,649,898
 8,649,898

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 manner specified by the contributor.

SHIRE OF SERPENTINE JARRAHDALÉ
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		5,165,307	3,947,481
Restricted		<u>19,424,039</u>	<u>14,926,729</u>
		<u>24,589,346</u>	<u>18,874,210</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Administration Building	12	296,173	1,809
Briggs Park	12	162,431	0
Asset Management	12	851,169	761,687
Byford BMX Track	12	330,594	330,787
Byford Developer Contribution Fund	12	7,480,765	0
Byford Locality Funding	12	33,505	3,414
Committed Works	12	1,212,470	0
Community Facilities	12	278,176	270,938
Footpaths Asset Management	12	0	0
Investment	12	651,419	633,625
Jarrahdale Communications Tower	12	157,358	141,135
Jarrahdale Locality Funding	12	96,455	64,726
Keysbrook Locality Funding	12	63,461	32,590
Leave Reserve	12	309,978	459,652
Light Fleet & Plant Acquisition	12	1,023,081	800,699
Miscellaneous Developer Contribution	12	1,150,683	0
Multi Use Trails	12	17,448	16,994
Mundijong Locality Funding	12	93,915	62,252
Mundijong Whitby Shire Contribution	12	100,000	0
Natural Disaster Recovery Management Account	12	250,000	130,024
Oakford Locality Funding	12	128,530	95,966
Parks & Gardens Asset Management	12	65,630	0
Renewable Energy	12	32,559	31,712
Road Asset Management	12	365,726	0
Serpentine Jarrahdale Locality Funding	12	26,788	26,091
Serpentine Jarrahdale Sporting Precinct	12	385,831	302,744
Serpentine Locality Funding	12	100,572	77,161
Tourism	12	8,156	0
Unspent Grants & Contributions	12	1,475,773	0
Waste	12	2,122,674	1,774,311
Workers Compensation Premium	12	60,077	58,514
Unspent grants	2(c)	<u>92,642</u>	<u>8,849,898</u>
		<u>19,424,039</u>	<u>14,926,729</u>

4. INVESTMENTS

Available for Sale Financial Assets Comprises of:

Unlisted Investments		10,025	10,025
Listed Investments		<u>12,900</u>	<u>16,680</u>
		<u>22,925</u>	<u>26,705</u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Investment	12	10,000	10,000
Tourism	12	<u>12,900</u>	<u>16,680</u>
		<u>22,900</u>	<u>26,680</u>

**SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

	2017	2016
	\$	\$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	1,454,439	1,100,602
Sundry debtors	214,907	1,140,181
GST receivable	238,882	218,339
Prepaid Expenses	52,498	46,717
	<u>1,960,726</u>	<u>2,505,839</u>
Non-current		
Rates outstanding - pensioners	149,784	143,032
	<u>149,784</u>	<u>143,032</u>
Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	<u>1,454,439</u>	<u>1,100,602</u>
Includes:		
Past due and not impaired	1,454,439	1,100,602
Impaired	<u>0</u>	<u>0</u>
Sundry debtors	<u>214,907</u>	<u>1,140,181</u>
Includes:		
Past due and not impaired	46,635	73,770
Impaired	<u>0</u>	<u>0</u>
6. INVENTORIES		
Current		
Fuel and materials	9,562	4,988
History Books	2,321	3,890
Inventory		
Transferred from Works in Progress	31,881	0
Current year additions	<u>17,657</u>	<u>0</u>
	<u>61,421</u>	<u>8,878</u>

SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land freehold at:		
- Independent valuation 2014 - level 2	0	3,428,250
- Independent valuation 2014 - level 3	0	3,265,500
- Independent valuation 2017 - level 3	5,870,000	0
- Independent valuation 2017 - level 2	<u>280,000</u>	<u>0</u>
	6,150,000	6,693,750
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	0	907,628
- Independent valuation 2017 - level 3	<u>760,000</u>	<u>0</u>
	760,000	907,628
	<u>6,910,000</u>	<u>7,601,378</u>
Buildings - specialised at:		
- Independent valuation 2014 - level 3	0	26,669,849
- Independent valuation 2017 - level 3	31,597,125	0
- Management valuation 2017 - level 3	115,440	7,030,014
Less: accumulated depreciation	<u>0</u>	<u>(742,111)</u>
	31,712,565	32,957,752
	<u>31,712,565</u>	<u>32,957,752</u>
Total land and buildings	<u>38,622,565</u>	<u>40,559,130</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	14,712	14,712
Less: accumulated depreciation	<u>(14,712)</u>	<u>0</u>
	0	14,712
Plant and equipment at:		
- Management valuation 2016 - level 3	461,220	523,983
- Independent valuation 2016 - level 2	590,400	543,400
- Independent valuation 2016 - level 3	1,289,101	1,362,100
- Additions after valuation - cost	1,053,861	0
Less: accumulated depreciation	<u>(284,062)</u>	<u>0</u>
	3,110,520	2,429,483
Motor Vehicles at:		
- Management valuation 2016 - level 2	781,299	1,009,328
- Independent valuation 2016 - level 2	120,000	167,000
- Independent valuation 2016 - level 3	411,000	443,000
- Additions after valuation - cost	194,169	0
Less: accumulated depreciation	<u>(115,384)</u>	<u>0</u>
	1,391,084	1,619,328
Computer Equipment at:		
- Management valuation 2016 - level 3	1,200	1,200
Less: accumulated depreciation	<u>(1,200)</u>	<u>0</u>
	0	1,200
Capital Works in Progress at cost:	<u>0</u>	<u>175,853</u>
	0	175,853
	<u>43,124,169</u>	<u>44,799,706</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 SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year	Additions	(Disposals)	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 land	6,693,750	0	0	(543,750)	0	0	0	0	6,150,000
Land - vested in and under the control of Council	907,628	0	0	(147,628)	0	0	0	0	760,000
Total land	7,601,378	0	0	(691,378)	0	0	0	0	6,910,000
Buildings - specialised	32,957,752	280,970	0	(1,040,936)	0	0	(523,496)	38,275	31,712,565
Total buildings	32,957,752	280,970	0	(1,040,936)	0	0	(523,496)	38,275	31,712,565
Total land and buildings	40,559,130	280,970	0	(1,732,314)	0	0	(523,496)	38,275	38,622,565
Furniture and equipment	14,712	0	0	0	0	0	(14,712)	0	0
Plant and equipment	2,429,483	1,053,861	(127,054)	0	0	0	(292,770)	47,000	3,110,520
Motor Vehicles	1,619,328	194,169	(253,163)	0	0	0	(122,250)	(47,000)	1,391,084
Computer Equipment	1,200	0	0	0	0	0	(1,200)	0	0
Capital Works in Progress	175,853	0	0	0	0	0	0	(175,853)	0
Total property, plant and equipment	44,799,706	1,529,000	(380,217)	(1,732,314)	0	0	(954,428)	(137,578)	43,124,169

Note:

The balance of transfers between Property, Plant & Equipment and Infrastructure of \$31,881 was transferred to inventory.

**SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land freehold at:					
Land - freehold land	3	Cost approach using depreciated replacement cost	Independent Valuers	June 2017	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent Valuers	June 2017	Price per hectare
Land - vested in and under the control of Council	3	Cost approach using depreciated replacement cost	Independent Valuers	June 2017	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent Valuers	June 2017	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Plant and equipment	3	Cost approach using depreciated replacement cost	Management Valuation / Independent Valuation	June 2016	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Plant and equipment	2	Sales comparison approach	Independent Valuers	June 2016	Comparison to sales of similar items that have been transacted in the market
Motor Vehicles	2	Market approach using recent observable market data for similar assets	Management Valuation / Independent Valuation	June 2016	Price per item
Computer Equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs

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

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

SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8 (a). INFRASTRUCTURE		
Roads		
- Management valuation 2015 - level 3	172,375,211	172,375,211
- Additions after valuation - cost	7,468,192	4,080,709
Less: accumulated depreciation	<u>(7,787,712)</u>	<u>(3,872,434)</u>
	172,055,691	172,583,486
Footpaths		
- Management valuation 2015 - level 3	10,593,448	10,593,448
- Additions after valuation - cost	405,890	204,232
Less: accumulated depreciation	<u>(355,226)</u>	<u>(176,269)</u>
	10,644,112	10,621,411
Drainage		
- Management valuation 2015 - level 3	18,751,878	18,751,878
- Additions after valuation - cost	4,058	4,058
Less: accumulated depreciation	<u>(547,205)</u>	<u>(273,581)</u>
	18,208,731	18,482,355
Parks and Ovals		
- Management valuation 2015 - level 3	14,384,232	14,384,232
- Additions after valuation - cost	187,732	44,595
Less: accumulated depreciation	<u>(559,126)</u>	<u>(280,156)</u>
	14,012,838	14,148,671
	<u>214,921,372</u>	<u>215,835,923</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 SERPENTINE JARRAHDALÉ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Revaluation 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
	\$	\$	\$	\$	\$	\$	\$	\$
Roads	172,583,486	3,387,483	0	0	0	(3,915,278)	0	172,055,691
Footpaths	10,621,411	201,658	0	0	0	(178,957)	0	10,644,112
Drainage	18,482,355	0	0	0	0	(273,624)	0	18,208,731
Parks and Ovals	14,148,671	37,440	0	0	0	(278,970)	105,697	14,012,838
Total infrastructure	215,835,923	3,626,581	0	0	0	(4,646,829)	105,697	214,921,372

**SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Parks and Ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs

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

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

SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	2,122,872	1,865,634
Accrued interest on debentures	549	659
Accrued salaries and wages	0	748,141
	2,123,421	2,614,434

10. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	408,519	386,723
	408,519	386,723
Non-current		
Secured by floating charge		
Debentures	955,439	1,363,958
	955,439	1,363,958

Additional detail on borrowings is provided in Note 22.

The Shire did not have any long term borrowings at the reporting date.

11. PROVISIONS

	Provision for Sick Leave	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$	\$
Opening balance at 1 July 2016				
Current provisions	113,957	859,482	639,031	1,612,470
Non-current provisions	0	0	258,061	258,061
	113,957	859,482	897,092	1,870,531
Additional provision	30,614	1,067,519	289,711	1,387,844
Amounts used	(18,711)	(845,022)	(46,711)	(910,444)
Amounts paid out / other movements	4,141	(92,071)	(169,709)	(257,639)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	0	88,662	88,662
Balance at 30 June 2017	130,001	989,908	1,059,045	2,178,954
Comprises				
Current	130,001	989,908	806,709	1,926,618
Non-current	0	0	252,336	252,336
	130,001	989,908	1,059,045	2,178,954

SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH / INVESTMENT 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 \$
Administration Building	1,809	324,389	(30,025)	296,173	1,802	100,038	0	101,840	1,772	37	0	1,809
Briggs Park	0	180,813	(18,382)	162,431	0	100,000	0	100,000	0	0	0	0
Building Asset Management	761,687	120,348	(30,866)	851,169	658,297	113,787	(33,523)	738,561	622,458	188,453	(49,224)	761,687
Byford BMX	330,787	8,636	(9,029)	330,394	330,787	6,928	0	337,715	0	330,787	0	330,787
Byford Developer Contribution	0	7,480,765	0	7,480,765	0	0	0	0	0	0	0	0
Byford Locality Funding	3,414	30,091	0	33,505	3,403	30,071	(3,359)	30,115	2,634	33,414	(32,634)	3,414
Committed Works	0	1,212,470	0	1,212,470	0	0	0	0	0	0	0	0
Community Facilities	270,938	7,238	0	278,176	207,473	4,345	0	211,818	656,398	13,830	(399,290)	270,938
Footpaths Asset Management	0	125,000	(125,000)	0	0	125,000	(100,000)	25,000	0	0	0	0
Investment	643,625	17,794	0	661,419	640,393	13,413	0	653,806	629,767	13,858	0	643,625
Jarrahdale Communications Tower	141,135	58,071	(41,848)	157,358	135,415	57,836	(45,100)	148,151	123,618	59,008	(41,491)	141,135
Jarrahdale Locality Funding	64,726	31,729	0	96,455	81,098	31,699	(7,085)	105,712	33,215	63,125	(31,614)	64,726
Keysbrook Locality Funding	32,590	30,871	0	63,461	32,580	30,682	0	63,262	2,537	30,053	0	32,590
Leave	459,652	12,279	(161,953)	309,978	553,587	11,594	(50,393)	514,788	629,658	13,267	(183,273)	459,652
Light Fleet & Plant Acquisition	800,699	436,409	(214,027)	1,023,081	735,488	534,505	(510,483)	759,510	897,847	558,655	(655,603)	800,699
Millbrace Bridge Preservation	0	0	0	0	0	0	0	0	11,686	246	(11,932)	0
Miscellaneous Developer Contribution	0	1,150,683	0	1,150,683	0	0	0	0	0	0	0	0
Multi Use Trails	16,994	454	0	17,448	16,924	354	0	17,278	16,643	351	0	16,994
Mundijong Locality Funding	62,252	31,663	0	93,915	62,180	31,302	(15,539)	77,943	17,162	45,901	(811)	62,252
Mundijong Whitby - Shire Contribution	0	100,000	0	100,000	0	100,000	0	100,000	0	0	0	0
Emergency Management	130,024	119,976	0	250,000	131,954	101,283	0	233,237	220,564	92,316	(182,856)	130,024
Oakford Locality Funding	95,966	32,564	0	128,530	95,695	32,004	0	127,699	64,605	31,361	0	95,966
Parks & Gardens Asset Management	0	105,000	(39,370)	65,630	0	105,000	(80,000)	25,000	0	0	0	0
Renewable Energy	31,712	847	0	32,559	31,582	661	0	32,243	31,058	654	0	31,712
Road Asset Management	0	1,387,346	(1,021,620)	365,728	0	1,387,346	(970,107)	417,239	0	0	0	0
Serpentine Jarrahdale Locality Funding	26,091	697	0	26,788	25,984	544	0	26,528	25,553	538	0	26,091
Serpentine Jarrahdale Sporting Precinct	302,744	83,087	0	385,831	301,500	6,315	(100,000)	207,815	296,497	6,247	0	302,744
Serpentine Locality Funding	77,161	32,061	(8,650)	100,572	77,037	31,613	(17,000)	91,650	29,539	47,622	0	77,161
Tourism	16,680	4,376	0	21,056	18,763	393	0	19,156	20,316	3,970	(7,606)	16,680
Unspent Grants & Contributions	0	1,475,773	0	1,475,773	0	0	0	0	0	0	0	0
Waste	1,774,311	348,363	0	2,122,674	1,768,138	337,999	0	2,106,137	1,470,229	304,082	0	1,774,311
Workers Compensation Premium	56,514	1,563	0	60,077	58,274	1,220	0	59,494	57,307	1,207	0	56,514
	6,103,511	14,951,556	(1,700,770)	19,354,296	5,968,354	3,295,932	(1,932,589)	7,331,697	5,860,863	1,838,982	(1,596,334)	6,103,511

All of the reserve accounts are supported by money held in financial institutions and shares, and match are included in the amount shown as restricted cash in Note 3 and the investments shown in Note 4 to this financial report.

SHIRE OF SERPENTINE JARRAHDALÉ
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FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH / INVESTMENT 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
Administration Building	Ongoing	To provide for the employee accommodation requirements.
Briggs Park Reserve	Ongoing	To provide for the future requirements of Briggs Park master plan.
Building Asset Management	Ongoing	To provide for the refurbishment of assets when they have reached their useful life and require extensive work to restore them back to original condition.
Byford BMX	Ongoing	To provide for the future Byford BMX track.
Byford Developer Contribution	Ongoing	To contribute towards the infrastructure within the Byford area.
Byford Locality Funding	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Committed Works	Ongoing	To transfer unspent Municipal funded expenditure on specific project, to enable identification of carryover expenditure into the next financial year.
Community Facilities	Ongoing	To transfer unspent Municipal funded expenditure on specific project, to enable identification of carryover expenditure into the next financial year.
Footpaths Asset Management	Ongoing	To ensure minimal funding gap to asset management plan requirements.
Investment	Ongoing	These funds are to be used to leverage opportunities that may present themselves to Council from time to time.
Jarrahdale Communications Tower	Ongoing	To provide for the upgrades and maintenance of the tower when required.
Jarrahdale Locality Funding	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Keysbrook Locality Funding	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Leave	Ongoing	To be used to fund annual, sick (including depot EBA) and long service leave requirements.
Light Fleet & Plant Acquisition	Ongoing	To provide for the replacement of Light Fleet, Plant and Equipment as required under the replacement and acquisition program.
Miscellaneous Developer Contribution	Ongoing	To be contributed towards future infrastructure within the Shire.
Multi Use Trails	Ongoing	To allow for the construction of Multi Use Trails.
Mundijong Locality Funding	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Mundijong Whitby - Shire Contribution	Ongoing	To provide towards the future contribution requirements of the Mundijong Whitby Community Development Contribution Scheme.
Emergency Management	Ongoing	To provide for unanticipated significant emergency services events or plant repairs.
Oakford Locality Funding	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Parks & Gardens Asset Management	Ongoing	To ensure minimal funding gap to asset management plan requirements
Renewable Energy	Ongoing	This reserve is to allow Council to undertake renewable energy projects.
Road Asset Management	Ongoing	To ensure minimal funding gap to asset management plan requirements.
Serpentine Jarrahdale Locality Funding	Ongoing	Council initiated townscape related projects in the Serpentine Jarrahdale Shire.
Serpentine Jarrahdale Sporting Precinct	Ongoing	To provide funds for the Serpentine Jarrahdale Regional Sporting Precinct when grant applications require contribution funding.
Serpentine Locality Funding	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Tourism	Ongoing	This reserve has been modified to include the implementation of the tourism strategy and development of tourism throughout the district and region.
Unspent Grants & Contributions	Ongoing	To restrict unspent grants & contributions.
Waste	Ongoing	To provide for waste management requirements.
Workers Compensation Premium	Ongoing	To transfer any surplus funds returned to the Shire as a result of good performance from the workers compensation insurer to assist in funding possible future compensation claims that exceed budget allocation.

SHIRE OF SERPENTINE JARRAHDALÉ
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13. (a) REVALUATION SURPLUS

	2017				2016					
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	6,072,592	0	(691,378)	(691,378)	5,381,214	6,072,592	0	0	0	6,072,592
Buildings	13,122,126	0	(1,040,936)	(1,040,936)	12,081,190	13,122,126	0	0	0	13,122,126
Plant and equipment	17,648	0	0	0	17,648	114,504	67,940	(164,796)	(96,856)	17,648
Furniture and equipment	45,243	0	0	0	45,243	45,243	0	0	0	45,243
Computer Equipment	6,246	0	0	0	6,246	6,246	0	0	0	6,246
Infrastructure - Roads	114,062,446	0	0	0	114,062,446	114,062,446	0	0	0	114,062,446
Infrastructure - footpaths	8,103,689	0	0	0	8,103,689	8,103,689	0	0	0	8,103,689
Infrastructure - drainage	17,051,509	0	0	0	17,051,509	17,051,509	0	0	0	17,051,509
Infrastructure - parks and ovals	10,732,947	0	0	0	10,732,947	10,732,947	0	0	0	10,732,947
	169,214,446	0	(1,732,314)	(1,732,314)	167,482,132	169,311,302	67,940	(164,796)	(96,856)	169,214,446

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40 1.

13. (b) FINANCIAL ASSETS REVALUATION SURPLUS

	2017				2016					
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets	(5,520)	0	(3,780)	(3,780)	(9,300)	(3,780)	0	(1,740)	(1,740)	(5,520)
	(5,520)	0	(3,780)	(3,780)	(9,300)	(3,780)	0	(1,740)	(1,740)	(5,520)

SHIRE OF SERPENTINE JARRAHDALE
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FOR THE YEAR ENDED 30TH JUNE 2017

14. 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>24,589,346</u>	<u>11,330,796</u>	<u>18,874,210</u>

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

Net result	4,940,857	(3,890,320)	5,411,170
Non-cash flows in Net result:			
Depreciation	5,601,257	9,099,827	5,540,027
(Profit)/Loss on sale of asset	71,877	(3,424)	46,350
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	538,361	792,970	(424,344)
(Increase)/Decrease in inventories	(20,662)	2,700	11,198
Increase/(Decrease) in payables	(491,013)	0	703,416
Increase/(Decrease) in provisions	308,423	0	124,965
Grants contributions for the development of assets	<u>(4,839,778)</u>	<u>(3,271,241)</u>	<u>(6,854,731)</u>
Net cash from operating activities	<u>6,109,322</u>	<u>2,730,512</u>	<u>4,558,051</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	29,000	29,000
Credit card balance at balance date	<u>(2,089)</u>	<u>(3,573)</u>
Total amount of credit unused	<u>126,911</u>	<u>125,427</u>
Loan facilities		
Loan facilities - current	408,519	386,723
Loan facilities - non-current	<u>955,439</u>	<u>1,363,958</u>
Total facilities in use at balance date	<u>1,363,958</u>	<u>1,750,681</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF SERPENTINE JARRAHDALÉ
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FOR THE YEAR ENDED 30TH JUNE 2017

15. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities.

16. 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	603,164	752,880
- later than one year but not later than five years	576,866	865,399
- later than five years	0	0
	<u>1,180,029</u>	<u>1,618,279</u>

(b) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects	12,111,635	134,843
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Payable:

- not later than one year	12,111,635	134,843
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The capital expenditure contracted for but not yet spent at the end of the current reporting period relates to the following projects;

Byford Country Club	0	2,028
Abernethy Road Design	0	15,595
Byford Central Half Basketball Court & BBQ	0	12,213
Byford Tennis Court Resurface	0	15,015
Percy's Park Toilet	25,546	31,332
Abernethy Road - SW Hwy to Soldiers Road	0	58,660
Abernethy Road - relocation of services (Telstra)	2,569,575	0
Briggs Park Skate Park	315,043	0
Abernethy Road Upgrade Construction - WBHO Tender	9,201,471	0
	<u>12,111,635</u>	<u>134,843</u>

SHIRE OF SERPENTINE JARRAHDALE
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17. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	3,487,951	231,243
General purpose funding	12,753,734	15,878,214
Law, order, public safety	4,019,525	3,319,256
Health	500,000	525,000
Education and welfare	25,035	26,050
Community amenities	3,349,332	494,602
Recreation and culture	41,395,758	44,600,268
Transport	215,519,806	213,314,518
Economic services	614,511	701,738
Other property and services	3,164,091	3,103,404
	<u>284,829,743</u>	<u>282,194,293</u>

SHIRE OF SERPENTINE JARRAHDALÉ
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	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	1.73	1.55	1.46
Asset sustainability ratio	0.64	0.71	0.84
Debt service cover ratio	12.25	8.90	6.36
Operating surplus ratio	0.00	(0.06)	0.09
Own source revenue coverage ratio	0.86	0.87	0.90

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 57 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 \$1,334,613.

Two of the 2016 and 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 \$1,229,318.

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	1.41	1.55	1.46
Debt service cover ratio	9.43	11.50	4.89
Operating surplus ratio	(0.04)	(0.01)	0.04

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20. TRUST FUNDS

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

	1 July 2016 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2017 \$
Maintenance Bonds	37,264	30,467	0	67,731
Builders Registration Board Levy	0	263,652	(248,612)	15,040
BCTIF Collections	0	266,903	(256,241)	10,662
Footpath Bonds	115,385	421,709	(119,326)	417,768
Halls / Ovals Bonds	23,535	43,252	(41,752)	25,035
Sundry Bonds	20,963	9,636	(8,798)	21,801
Road Closures / Street Events	0	2,180	0	2,180
Fence Bonds	0	906	0	906
Excavation Bonds	27,949	293	0	28,242
Cash in Lieu of Public Open Space	296,470	3,057	0	299,527
Capital Projects Retention Funds	80,619	150,391	(74,512)	156,498
Temporary Accommodation	2,000	0	(1,000)	1,000
Development Assessment Panel	6,557	7,306	(13,863)	0
Subdivision Clearance Bonds	0	86,065	(82,465)	3,600
SJ Tourism Association Trust	4,519	47	0	4,566
	<u>615,261</u>	<u>1,285,864</u>	<u>(846,569)</u>	<u>1,054,556</u>

21. 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 \$
Motor Vehicles / Plant & Equipment								
Governance	67,328	65,964	0	(1,364)	82,868	89,000	6,132	0
Law, order, public safety	113,351	60,182	0	(53,169)	52,923	62,000	12,196	(3,119)
Transport	76,332	60,480	632	(16,484)	65,023	64,000	825	(1,848)
Other property and services	123,206	121,714	4,921	(6,413)	288,762	278,000	5,177	(15,939)
	<u>380,217</u>	<u>308,340</u>	<u>5,553</u>	<u>(77,430)</u>	<u>489,576</u>	<u>493,000</u>	<u>24,330</u>	<u>(20,906)</u>

SHIRE OF SERPENTINE JARRAHDALÉ
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22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2016		Transfers		New Loans		Principal Repayments		Principal 30 June 2017		Interest Repayments	
	\$	\$	\$	\$	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Governance												
Loan 117 Council Chambers Refurbishment	0	861,540	0	0	0	0	107,738	0	753,802	0	36,337	0
Community amenities												
Loan 122 - Serpentine Developer Contribution Plan	0	0	0	0	20,000	0	0	2,000	0	18,000	0	341
Loan 123 - Cardup Business Plan Developer Contribution Plan	0	0	0	0	30,000	0	0	3,000	0	27,000	0	512
Loan 124 - West Mundijong Industrial Area Developer Contribution Plan	0	0	0	0	50,000	0	0	5,000	0	45,000	0	853
Recreation and culture												
Loan 91 Recreation Centre	889,141	0	0	0	0	0	278,985	278,986	610,156	610,155	49,344	49,390
Loan 117 Council Chambers Refurbishment	861,540	(861,540)	0	0	0	0	0	107,738	0	753,802	0	36,401
Transport												
Loan 121 Abernethy Road	0	0	0	0	1,886,057	0	0	110,020	0	1,776,037	0	37,517
	1,750,681	0	0	0	1,986,057	0	386,723	506,744	1,363,958	3,229,994	85,681	125,014

All loan repayments were financed by general purpose revenue.

22. 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

Council has not utilised an overdraft facility during the financial year although an overdraft facility of \$100,000 with the ANZ bank existed as at 30 June 2016 (\$100,000).

SHIRE OF SERPENTINE JARRAHDALÉ
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23. 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												
GRV Residential improved	9.1413	6,249	103,906,208	9,498,376	411,624	0	9,910,000	9,500,754	140,000	0	9,640,754	
GRV Residential vacant	15.0615	163	3,883,030	584,843	391,468	0	976,311	624,379	50,000	0	674,379	
GRV Commercial/Industrial	8.6906	90	7,082,503	615,512	99,879	0	715,391	615,512	10,000	0	625,512	
Unimproved value valuations												
UV Rural	0.3480	1,312	1,207,945,000	3,951,452	71,110	0	4,022,562	4,203,648	0	0	4,203,648	
UV Rural Living	0.3480	1,416	667,095,000	2,321,491	1,464	0	2,322,955	2,321,491	0	0	2,321,491	
UV Intensive Farming	1.1117	18	15,590,000	173,314	0	0	173,314	173,314	0	0	173,314	
Sub-Total		9,248	2,005,501,741	17,144,988	975,545	0	18,120,533	17,439,098	200,000	0	17,639,098	
Minimum payment												
Gross rental value valuations												
GRV Residential improved	1,102	145	1,650,808	159,790	0	0	159,790	159,790	0	0	159,790	
GRV Residential vacant	1,160	1,134	5,355,481	1,315,440	0	0	1,315,440	1,317,760	0	0	1,317,760	
GRV Commercial/Industrial	1,301	28	316,616	36,428	0	0	36,428	36,428	0	0	36,428	
Unimproved value valuations												
UV Rural	1,301	297	77,173,721	386,397	0	0	386,397	383,795	0	0	383,795	
UV Rural Living	1,301	282	94,087,000	366,882	0	0	366,882	366,882	0	0	366,882	
UV Intensive Farming	1,301	0	0	0	0	0	0	0	0	0	0	
Sub-Total		1,886	178,583,626	2,264,937	0	0	2,264,937	2,264,655	0	0	2,264,655	
Discounts/concessions (refer note 27)												
Total amount raised from general rate		11,134	2,184,085,367	19,409,925	975,545	0	20,385,470	19,703,753	200,000	0	19,903,753	(2,000)
												19,901,753

SHIRE OF SERPENTINE JARRAHDALE
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24. 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) 1 July 16 brought forward	<u>3,105,535</u>	<u>2,235,294</u>	<u>2,235,294</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	5,165,307	3,947,481	3,947,481
Restricted - Reserves	19,331,397	6,076,831	6,076,831
Restricted cash	92,642	8,849,898	8,849,898
Receivables			
Rates outstanding	1,454,439	1,100,602	1,100,602
Sundry debtors	214,907	1,140,181	1,140,181
GST receivable	238,882	218,339	218,339
Prepaid Expenses	52,498	46,717	46,717
Inventories			
Fuel and materials	9,562	4,988	4,988
History Books	2,321	3,890	3,890
Inventory	17,657	0	0
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,122,871)	(1,865,634)	(1,865,634)
Accrued interest on debentures	(549)	(659)	(659)
Accrued salaries and wages	0	(748,141)	(748,141)
Current portion of long term borrowings			
Secured by floating charge	(408,519)	(386,723)	(386,723)
Provisions			
Provision for annual leave	(989,908)	(859,482)	(859,482)
Provision for sick leave	(130,001)	(113,957)	(113,957)
Provision for long service leave	(806,709)	(639,031)	(639,031)
Unadjusted net current assets	<u>22,121,055</u>	<u>16,775,300</u>	<u>16,775,300</u>
Adjustments			
Less: Restricted Cash	(92,642)	(8,849,898)	(8,849,898)
Less: Reserves	(19,331,397)	(6,076,831)	(6,076,831)
Add: Current portion of long term borrowings			0
Secured by floating charge	408,519	386,723	386,723
Adjusted net current assets - surplus/(deficit)	<u>3,105,535</u>	<u>2,235,294</u>	<u>2,235,294</u>

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 SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

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

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Shire during the year ended 2017

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

Rates Discounts

Rate or Fee Discount Granted	Type	Discount \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
General Rates	Discount	2,000	2,000	2,000	Two payments of \$1,000 each, for payment of rates in full by 4.30pm on 7th September 2016. By paying on time ratepayers automatically went in the draw to win
Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Discount \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Rural rates - Farmland concession	Where properties meet the Council SEG1 farmland Concession Policy criteria.				<p>Objects of the Waiver or Concession Council considers ratepayers eligible for the concession and maintain the rural character of the area in line with the strategic goals of Council.</p> <p>Reasons for the Waiver or Concession This concession is in line with the vision category Financial Sustainability. Council provides a rate concession to properties maintaining genuine farming interests. It ensures that Council is protecting and developing appropriate agricultural and horticultural industries and pursuits within the Shire.</p>
Rural rates - Conservation Concession	Where properties meet the conservation eligibility criteria.				<p>Objects of the Waiver or Concession Conservation zoning allows landowners with areas of high conservation value to receive reductions in council rates. The initiative has been established by Council to reward landowners who have retained and maintained bushland and wetland.</p> <p>Reasons for the Waiver or Concession Council recognises that nature conservation on private land is essential to maintaining the quality of life that all residents of the Shire and Serpentine River Catchment area enjoy. Landowners must demonstrate to Council that their bush land and/or wetland area is of high conservation value by meeting the criteria.</p>

**SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

Instalment Options	Date Due	Instalment Plan		Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
		Admin Charge \$	Interest Rate %		
Option One					
Single full payment	7th September 2016	0	0.00%	0.00%	0.00%
Option Two					
First Instalment	7th September 2016	10	0.00%	0.00%	0.00%
Second Instalment	9th November 2016	0	5.50%	11.00%	11.00%
Option Three					
First Instalment	7th September 2016	30	0.00%	0.00%	0.00%
Second Instalment	9th November 2016	0	5.50%	11.00%	11.00%
Third Instalment	9th January 2017	0	5.50%	11.00%	11.00%
Fourth Instalment	9th March 2017	0	5.50%	11.00%	11.00%

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	234,713	150,000
Interest on instalment plan	92,853	100,000
Charges on instalment plan	127,644	100,000
	<u>455,210</u>	<u>350,000</u>

SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

29. FEES & CHARGES	2017	2016
	\$	\$
General purpose funding	235,069	241,537
Law, order, public safety	152,183	175,282
Health	63,311	45,975
Education and welfare	621	554
Community amenities	4,114,762	4,025,418
Recreation and culture	71,499	65,502
Transport	237,294	307,906
Economic services	764,921	871,696
Other property and services	11,694	21,185
	<u>5,651,354</u>	<u>5,755,055</u>

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

30. 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		
General purpose funding	3,846,202	1,285,653
Law, order, public safety	403,114	469,349
Education and welfare	0	146,231
Community amenities	5,266	18,000
Recreation and culture	125,883	324,788
Transport	250,207	165,366
Economic services	9,193	13,443
	<u>4,639,865</u>	<u>2,422,830</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	753,470	0
Community amenities	520,542	0
Recreation and culture	296,468	3,787,000
Transport	3,269,298	3,067,731
	<u>4,839,778</u>	<u>6,854,731</u>
	<u>9,479,643</u>	<u>9,277,561</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

144	140
-----	-----

32. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	150,375	154,731	152,440
President's allowance	36,591	36,591	36,050
Deputy President's allowance	9,148	9,148	9,012
Travelling expenses	17,763	35,000	38,326
Telecommunications allowance	30,632	31,500	31,581
	<u>244,509</u>	<u>266,970</u>	<u>267,409</u>

SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

33. 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	830,913
Post-employment benefits	146,544
Other long-term benefits	10,996
Termination benefits	341,175
	1,329,628

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 32.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

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:	
Sale of goods and services	187,190
Purchase of goods and services	66,965

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.

34. MAJOR LAND TRANSACTIONS

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

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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	24,589,346	18,874,210	24,589,346	18,874,210
Investments	22,925	26,705	22,925	26,705
Receivables	2,110,510	2,648,871	2,110,510	2,648,871
	<u>26,722,781</u>	<u>21,549,786</u>	<u>26,722,781</u>	<u>21,549,786</u>
Financial liabilities				
Payables	2,123,421	2,614,434	2,123,421	2,614,434
Borrowings	1,363,958	1,750,681	1,437,102	1,875,878
	<u>3,487,379</u>	<u>4,365,115</u>	<u>3,560,523</u>	<u>4,490,312</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Available-for-sale financial assets

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

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

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

Another risk associated with cash 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 and investments.

	2017	2016
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	2,293	2,671
- Statement of Comprehensive Income	2,293	2,671
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	245,893	188,742
- Statement of Comprehensive Income	245,893	188,742

Notes:

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

**SHIRE OF SERPENTINE JARRAHDALE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

36. 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	78.30%	93.53%
- Overdue	21.70%	6.47%

SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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:

	<u>2017</u>				
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	2,123,421	0	0	2,123,421	2,123,421
Borrowings	473,183	907,604	144,807	1,525,594	1,363,958
	<u>2,596,604</u>	<u>907,604</u>	<u>144,807</u>	<u>3,649,015</u>	<u>3,487,379</u>
	<u>2016</u>				
Payables	2,614,434	0	0	2,614,434	2,614,434
Borrowings	472,514	1,377,446	144,139	1,994,099	1,750,681
	<u>3,086,948</u>	<u>1,377,446</u>	<u>144,139</u>	<u>4,608,533</u>	<u>4,365,115</u>

SHIRE OF SERPENTINE JARRAHDALÉ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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
	\$	\$	\$	\$	\$	\$	\$	%
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Debtentures	0	610,156	0	0	0	753,802	1,363,958	5.10%
Weighted average Effective interest rate	0.00%	6.02%	0.00%	0.00%	0.00%	4.36%		
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debtentures	0	0	889,141	0.00	0.00	861,540	1,750,681	5.20%
Weighted average Effective interest rate	0.00%	0.00%	6.02%	0.00%	0.00%	4.36%		

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF SERPENTINE-JARRAHDAL

Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the Shire of Serpentine-Jarrahdale (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 Serpentine-Jarrahdale 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

During the course of the audit we became aware of the following instance where the Shire did not comply with the *Local Government Act (as amended) 1995*:

Annual Financial Report

The Annual Financial Report for the year ended 30 June 2016 was not sent to the Department of Local Government and Communities (DLGC) within 30 days of receiving the audit report as required by Local Government (Financial Management) Regulation 51(2).

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) Except as detailed above, no other 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 57 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not supported by:
 - i. verifiable information; and
 - ii. reasonable assumptions.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF SERPENTINE-JARRAHDAL (CONTINUED)

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.

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



GREG GODWIN
PARTNER

Date: 30 October 2017
Perth, WA

**SHIRE OF SERPENTINE JARRAHDALE
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	0.96	0.98	0.74
Asset renewal funding ratio	0.67	0.56	0.44

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