

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	56
Supplementary Ratio Information	58

Principal place of business:
1 Donnan Street
TAMMIN WA 6409

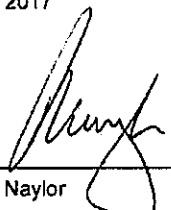
**SHIRE OF TAMMIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

**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 17th day of November 2017



Peter Naylor
Chief Executive Officer

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	950,941 0	942,285 0	873,780
Operating grants, subsidies and contributions	30	1,663,953	1,178,620	768,011
Fees and charges	29	139,794	158,680	138,098
Interest earnings	2(a)	41,179	26,500	42,727
Other revenue	2(a)	39,398	0	16,259
		<u>2,835,265</u>	<u>2,306,085</u>	<u>1,838,875</u>
Expenses				
Employee costs		(524,228)	(658,130)	(757,030)
Materials and contracts		(1,230,688)	(1,143,970)	(766,944)
Utility charges		(86,884)	(111,890)	(93,522)
Depreciation on non-current assets	2(a)	(1,286,514)	(1,366,030)	(1,366,031)
Interest expenses	2(a)	(14,826)	(16,110)	(13,304)
Insurance expenses		(61,655)	(71,240)	(56,638)
Other expenditure		(62,223)	(38,490)	(38,874)
		<u>(3,267,018)</u>	<u>(3,405,860)</u>	<u>(3,092,343)</u>
		(431,753)	(1,099,775)	(1,253,468)
Non-operating grants, subsidies and contributions	30	559,637	617,240	744,468
Profit on asset disposals	21	0	0	949
(Loss) on asset disposals	21	(154,337)	(4,500)	(500,835)
Net result		<u>(26,453)</u>	<u>(487,035)</u>	<u>(1,008,888)</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	(2,422,538)	0	(8,272)
Total other comprehensive income		<u>(2,422,538)</u>	<u>0</u>	<u>(8,272)</u>
Total comprehensive income		<u>(2,448,991)</u>	<u>(487,035)</u>	<u>(1,017,160)</u>

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

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		0	0	50,000
General purpose funding		2,585,168	2,010,635	1,421,953
Law, order, public safety		3,059	1,500	1,375
Health		236	650	174
Education and welfare		56,589	56,770	61,253
Housing		38,931	49,880	33,501
Community amenities		29,123	45,110	78,097
Recreation and culture		10,643	50,740	65,848
Transport		76,532	77,100	72,669
Economic services		1,006	700	908
Other property and services		33,978	13,000	53,096
		<u>2,835,265</u>	<u>2,306,085</u>	<u>1,838,874</u>
Expenses	2(a)			
Governance		(265,726)	(354,140)	(195,721)
General purpose funding		(57,297)	(73,040)	(43,607)
Law, order, public safety		(14,599)	(32,280)	(28,189)
Health		(7,238)	(11,860)	(16,742)
Education and welfare		(103,730)	(115,370)	(92,137)
Housing		(49,290)	(80,755)	(13,529)
Community amenities		(174,760)	(260,945)	(195,940)
Recreation and culture		(450,957)	(633,240)	(500,075)
Transport		(1,789,851)	(1,753,180)	(1,673,569)
Economic services		(46,602)	(60,225)	(59,992)
Other property and services		(292,142)	(14,715)	(259,535)
		<u>(3,252,192)</u>	<u>(3,389,750)</u>	<u>(3,079,036)</u>
Finance costs	2(a)			
Housing		(6,726)	(7,900)	(7,826)
Recreation and culture		(3,429)	(3,620)	(9)
Transport		(4,671)	(4,590)	(5,470)
		<u>(14,826)</u>	<u>(16,110)</u>	<u>(13,305)</u>
		<u>(431,753)</u>	<u>(1,099,775)</u>	<u>(1,253,467)</u>
Non-operating grants, subsidies and contributions	30	559,637	617,240	744,468
Profit on disposal of assets	21	0	0	949
(Loss) on disposal of assets	21	(154,337)	(4,500)	(500,838)
Net result		<u>(26,453)</u>	<u>(487,035)</u>	<u>(1,008,888)</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	(2,422,538)	0	(8,272)
Total other comprehensive income		<u>(2,422,538)</u>	<u>0</u>	<u>(8,272)</u>
Total comprehensive income		<u><u>(2,448,991)</u></u>	<u><u>(487,035)</u></u>	<u><u>(1,017,160)</u></u>

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

SHIRE OF TAMMIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	1,772,187	1,596,403
Trade and other receivables	4	<u>224,912</u>	<u>191,550</u>
TOTAL CURRENT ASSETS		1,997,099	1,787,953
NON-CURRENT ASSETS			
Other receivables	4	13,073	0
Property, plant and equipment	6	7,424,117	11,293,256
Infrastructure	7	<u>62,925,587</u>	<u>61,900,553</u>
TOTAL NON-CURRENT ASSETS		70,362,777	73,193,809
TOTAL ASSETS		<u>72,359,876</u>	<u>74,981,762</u>
CURRENT LIABILITIES			
Trade and other payables	8	73,741	215,002
Current portion of long term borrowings	9	49,537	47,639
Provisions	10	<u>86,347</u>	<u>92,140</u>
TOTAL CURRENT LIABILITIES		209,625	354,781
NON-CURRENT LIABILITIES			
Long term borrowings	9	302,978	352,515
Provisions	10	<u>42,592</u>	<u>20,794</u>
TOTAL NON-CURRENT LIABILITIES		345,570	373,309
TOTAL LIABILITIES		<u>555,195</u>	<u>728,090</u>
NET ASSETS		<u>71,804,681</u>	<u>74,253,672</u>
EQUITY			
Retained surplus		3,428,250	3,934,548
Reserves - cash backed	12	1,305,310	825,465
Revaluation surplus	13	<u>67,071,121</u>	<u>69,493,659</u>
TOTAL EQUITY		<u>71,804,681</u>	<u>74,253,672</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		4,916,108	852,793	69,501,931	75,270,831
Comprehensive income					
Net result		(1,008,888)	0	0	(1,008,888)
Changes on revaluation of assets	13	0	0	(8,272)	(8,272)
Total comprehensive income		(1,008,888)	0	(8,272)	(1,017,160)
Transfers from/(to) reserves		27,328	(27,328)	0	0
Balance as at 30 June 2016		3,934,548	825,465	69,493,659	74,253,672
Comprehensive income					
Net result		(26,453)	0	0	(26,453)
Changes on revaluation of assets	13	0	0	(2,422,538)	(2,422,538)
Total comprehensive income		(26,453)	0	(2,422,538)	(2,448,991)
Transfers from/(to) reserves		(479,845)	479,845	0	0
Balance as at 30 June 2017		<u>3,428,250</u>	<u>1,305,310</u>	<u>67,071,121</u>	<u>71,804,681</u>

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

SHIRE OF TAMMIN
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		918,983	942,285	893,279
Operating grants, subsidies and contributions		1,686,996	1,178,620	571,436
Fees and charges		139,794	158,680	138,098
Service charges		0	0	0
Interest earnings		42,397	26,500	42,303
Goods and services tax		99,877	0	(9,556)
Other revenue		39,398	0	16,259
		<u>2,927,445</u>	<u>2,306,085</u>	<u>1,651,819</u>
Payments				
Employee costs		(509,157)	(658,130)	(791,535)
Materials and contracts		(1,353,050)	(1,143,970)	(536,293)
Utility charges		(86,884)	(111,890)	(93,522)
Interest expenses		(14,791)	(16,110)	(13,299)
Insurance expenses		(61,655)	(71,240)	(56,638)
Goods and services tax		(156,614)	0	0
Other expenditure		(62,223)	(38,490)	(38,874)
		<u>(2,244,374)</u>	<u>(2,039,830)</u>	<u>(1,530,161)</u>
Net cash provided by (used in)				
operating activities	14(b)	<u>683,072</u>	<u>266,255</u>	<u>121,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of				
Land held for resale		0	0	0
Payments for purchase of				
property, plant & equipment		(301,317)	(457,500)	(615,622)
Payments for construction of				
infrastructure		(734,512)	(761,020)	(689,138)
Advances to community groups		0	0	0
Non-operating grants,				
subsidies and contributions		559,637	617,240	744,468
Proceeds from sale of fixed assets		16,543	8,000	147,722
Proceeds from disposal of investments		0	0	0
Proceeds from advances		0	0	0
Net cash provided by (used in)				
investment activities		<u>(459,649)</u>	<u>(593,280)</u>	<u>(412,570)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(47,639)	(47,638)	(34,626)
Proceeds from self supporting loans		0	0	0
Proceeds from new debentures		0	0	130,000
Net cash provided by (used in)				
financing activities		<u>(47,639)</u>	<u>(47,638)</u>	<u>95,374</u>
Net increase (decrease) in cash held		175,784	(374,663)	(195,538)
Cash at beginning of year		1,596,403	1,541,974	1,791,941
Cash and cash equivalents				
at the end of the year	14(a)	<u><u>1,772,187</u></u>	<u><u>1,167,311</u></u>	<u><u>1,596,403</u></u>

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

**SHIRE OF TAMMIN
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)		655,348	696,709	837,178
		<u>655,348</u>	<u>696,709</u>	<u>837,178</u>
Revenue from operating activities (excluding rates)				
Governance		0	0	50,000
General purpose funding		1,640,869	1,074,351	548,173
Law, order, public safety		3,059	1,500	1,375
Health		236	650	174
Education and welfare		56,589	56,770	61,253
Housing		38,931	49,880	33,501
Community amenities		29,123	45,110	78,097
Recreation and culture		10,643	50,740	158,691
Transport		76,532	77,100	724,294
Economic services		1,006	700	908
Other property and services		33,978	13,000	54,047
		<u>1,890,966</u>	<u>1,369,801</u>	<u>1,710,513</u>
Expenditure from operating activities				
Governance		(265,726)	(354,140)	(195,721)
General purpose funding		(57,297)	(73,040)	(43,607)
Law, order, public safety		(14,599)	(32,280)	(28,189)
Health		(7,238)	(11,860)	(16,742)
Education and welfare		(103,730)	(115,370)	(92,137)
Housing		(210,353)	(88,655)	(106,878)
Community amenities		(174,760)	(260,945)	(195,940)
Recreation and culture		(454,386)	(636,860)	(771,624)
Transport		(1,794,522)	(1,757,770)	(1,683,948)
Economic services		(46,602)	(60,225)	(59,992)
Other property and services		(292,142)	(19,215)	(398,400)
		<u>(3,421,355)</u>	<u>(3,410,360)</u>	<u>(3,593,178)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	0	0	0
Loss on disposal of assets	21	154,337	4,500	499,889
Movement in deferred pensioner rates (non-current)		(13,073)	0	6,400
Movement in employee benefit provisions (non-current)		21,797	0	(10,929)
Depreciation and amortisation on assets	2(a)	1,286,514	1,366,030	1,366,031
Amount attributable to operating activities		<u>574,534</u>	<u>26,680</u>	<u>815,904</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		559,637	617,240	0
Proceeds from disposal of assets	21	16,543	8,000	147,722
Purchase of land held for resale		0	0	0
Purchase of property, plant and equipment	6(b)	(301,315)	(457,500)	(615,622)
Purchase and construction of infrastructure	7(b)	(734,512)	(761,020)	(689,723)
Amount attributable to investing activities		<u>(459,647)</u>	<u>(593,280)</u>	<u>(1,157,623)</u>
FINANCING ACTIVITIES				
Advances to community groups		0	0	0
Repayment of advances to community groups		0	0	0
Repayment of debentures	22(a)	(47,639)	(47,638)	(34,626)
Proceeds from new debentures	22(a)	0	0	130,000
Proceeds from self supporting loans		0	0	0
Transfers to reserves (restricted assets)	12	(714,845)	(705,436)	(20,672)
Transfers from reserves (restricted assets)	12	235,000	385,000	48,000
Amount attributable to financing activities		<u>(527,484)</u>	<u>(368,074)</u>	<u>122,702</u>
Surplus(deficiency) before general rates		<u>(412,597)</u>	<u>(934,675)</u>	<u>(219,017)</u>
Total amount raised from general rates	23	<u>944,299</u>	<u>936,285</u>	<u>873,780</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>531,702</u></u>	<u><u>1,610</u></u>	<u><u>697,853</u></u>

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

SHIRE OF TAMMIN
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 effect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

(a) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

(b) Cash and Cash Equivalents

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade and Other Receivables

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

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

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

(d) Inventories

General

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

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

Land held for sale

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

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

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

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given 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.

Revaluation

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

Land under roads

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	Not Depreciated
pavement seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	Not Depreciated
pavement	50 years
gravel sheet	12 years
Formed roads (unsealed) formation	Not Depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	Not Applicable
Water supply piping and drainage systems	Not Applicable
Other Infrastructure	10 to 50 years

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

When performing a revaluation, the Shire uses a mix of both independent and management 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 TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire commits itself to either the purchase or sale of the asset (i.e. trade date accounting 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 TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current 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 TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire no longer has any significant 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.

(h) Impairment of Assets

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

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

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

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

(i) Trade and Other Payables

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

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

(k) Borrowing Costs

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

(l) Provisions

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

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

(m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance 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 TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as 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

(p) Rates, Grants, Donations and Other Contributions

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

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

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

(q) Superannuation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1059 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

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

(w) Adoption of New and Revised Accounting Standards

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became 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 TAMMIN
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	19,800	0
- Other Audit Services	1,000	13,790
Depreciation		
Buildings - non-specialised	221,282	218,308
Furniture and equipment	8,104	48,473
Plant and equipment	140,044	217,367
Infrastructure - Roads	851,616	819,277
Footpaths	16,959	14,096
Other Infrastructure	48,509	48,509
	<u>1,286,514</u>	<u>1,366,031</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	14,826	13,304
	<u>14,826</u>	<u>13,304</u>
(ii) Crediting as revenue:		
Other revenue		
Reimbursements and recoveries	27,579	0
Other	11,819	16,259
	<u>39,398</u>	<u>16,259</u>
	<u><u>1,286,514</u></u>	<u><u>1,366,031</u></u>
	2017	2017
	Actual	Budget
	\$	\$
Interest earnings		2016
- Reserve funds	22,099	20,644
- Other funds	11,088	15,116
Other interest revenue (refer note 28)	7,992	6,967
	<u>41,179</u>	<u>42,727</u>
	<u><u>41,179</u></u>	<u><u>42,727</u></u>

SHIRE OF TAMMIN
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. The Shire of Tammin is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

COMMUNITY VISION

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

GOVERNANCE

Objective:

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

Activities:

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

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

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

EDUCATION AND WELFARE

Objective:

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

Activities:

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

HOUSING

Objective:

To provide housing to staff.

Activities:

Staff housing, provision of general rental accommodation when buildings not required by staff.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

Objective:

To establish and effectively manage infrastructure and resources which help the social well being of the community.

Activities:

Maintenance of public halls, civic centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycleways and parking facilities.

ECONOMIC SERVICES

Objective:

To help promote the Shire and its economic wellbeing.

Activities:

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

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Council's overhead operating accounts.

Activities:

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

SHIRE OF TAMMIN
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

<u>Grant/Contribution</u>	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							
DLG CEO Sharing Grant	0	50,000	(49,193)	807	0	(807)	0
Recreation and culture							
Dept. Sport & Recreation - Bowling Grant	0	0	0	0	34,241	(34,241)	0
Lotterywest	17,926	0	(17,926)	0	0	0	0
Transport							
R4R Footpath Grant	0	37,000	(37,000)	0	0	0	0
MRWA Regional Road Group (RRG) - Specific	0	230,500	(230,500)	0	160,396	(160,396)	0
Roads to Recovery	0	384,125	(316,017)	68,108	365,000	(433,108)	0
Other property and services							
Workforce Plan	60	0	0	60	0	(60)	0
Awake Grant	882	0	0	882	0	(882)	0
Red Card Grant	750	0	0	750	0	(750)	0
Community Amenities							
Waste Site Identification Grant	0	50,000	0	50,000	0	(50,000)	0
Total	<u>19,618</u>	<u>751,625</u>	<u>(650,636)</u>	<u>120,607</u>	<u>559,637</u>	<u>(680,244)</u>	<u>0</u>

Notes:

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

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

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

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

SHIRE OF TAMMIN
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		466,877	650,332
Restricted		<u>1,305,310</u>	<u>946,071</u>
		<u><u>1,772,187</u></u>	<u><u>1,596,403</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves Plant Replacement	12	243,287	319,916
Reserves Staff Entitlements	12	25,910	25,239
Reserves Information & Technology	12	11,428	11,133
Reserves Tamma Village Upgrade & Improvements	12	19,293	18,795
Sports, Recreation & Community Facilities Upgrades	12	993,063	450,382
Bowling Green Replacement Reserve	12	12,329	0
Unspent grants	2(c)	<u>0</u>	<u>120,607</u>
		<u><u>1,305,310</u></u>	<u><u>946,071</u></u>

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

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	47,874	46,989
Sundry debtors	105,657	127,200
GST receivable	73,816	17,081
Provision for Doubful Debts	(2,435)	(2,435)
Prepayments	0	1,500
Accrued Interest	0	1,216
	<u>224,912</u>	<u>191,550</u>
Non-current		
Rates outstanding - pensioners	<u>13,073</u>	<u>0</u>
	<u>13,073</u>	<u>0</u>
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	<u>47,874</u>	<u>46,989</u>
Includes:		
Past due and not impaired	47,874	46,989
Impaired	<u>0</u>	<u>0</u>
Sundry debtors	<u>105,657</u>	<u>127,200</u>
Includes:		
Past due and not impaired	105,657	127,200
Impaired	<u>0</u>	<u>0</u>
5. INVENTORIES		
Current	<u>0</u>	<u>0</u>
Non-current	<u>0</u>	<u>0</u>

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

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land (Independent Valuation 2017) - Level 2	138,800	0
- Management valuation 2017 - level 3	240,000	0
- Independent valuation 2014 - level 2	0	475,000
- Additions after valuation - cost	0	27,952
	378,800	502,952
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	12,000	0
	12,000	0
	390,800	502,952
Buildings - non-specialised at:		
Buildings (Independent Valuation 2017)	5,967,950	0
- Independent valuation 2014 - level 3	0	9,760,695
- Additions after valuation - cost	0	529,135
Buildings - non-specialised - Less: accumulated depreciation	0	(411,726)
	5,967,950	9,878,104
	5,967,950	9,878,104
Total land and buildings	6,358,750	10,381,056
Furniture and equipment at:		
Furniture & Equipment (Management Valuation 2016)	37,700	37,700
Furniture and equipment - Less: accumulated depreciation	(8,104)	0
	29,596	37,700
Plant and equipment at:		
Plant & Equipment (Management Valuation 2016)	874,500	874,500
- Additions after valuation - cost	301,315	0
Plant and equipment - Less: accumulated depreciation	(140,044)	0
	1,035,771	874,500
	7,424,117	11,293,256

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar items (Net revaluation method)	Independent Registered Valuer	2017	Price per hectare/market borrowing rate
Land - vested in and under the control of Council	3	Market approach using recent observable market data for similar items (Net revaluation method)	Independent Registered Valuer	2017	Improvements to buildings using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - non-specialised	3	Market approach using recent observable market data for similar items (Net revaluation method)	Independent Registered Valuer	2017	Improvements to buildings using 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 (Net revaluation method)	Management Valuation	2016	Construction/Purchase costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3) inputs.
Plant and equipment					
Plant & Equipment (Management	3	Cost approach using depreciated replacement cost (Net revaluation method)	Independent and Management Valuation	2016	Construction/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 TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements In Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	502,952	0	(28,000)	(96,152)	0	0	378,800
Land - vested in and under the control of Council	0	0	0	12,000	0	0	12,000
Total land	502,952	0	(28,000)	(84,152)	0	0	390,800
Buildings - non-specialised	9,878,104	0	(142,880)	(2,338,386)	(221,282)	(1,207,606)	5,967,950
Total buildings	9,878,104	0	(142,880)	(2,338,386)	(221,282)	(1,207,606)	5,967,950
Total land and buildings	10,381,056	0	(170,880)	(2,422,538)	(221,282)	(1,207,606)	6,358,750
Furniture and equipment	37,700	0	0	0	(8,104)	0	29,596
Plant and equipment	874,500	301,315	0	0	(140,044)	0	1,035,771
Total property, plant and equipment	11,293,256	301,315	(170,880)	(2,422,538)	(369,430)	(1,207,606)	7,424,117

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

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
Roads (Management Valuation 2015)	60,041,257	60,041,257
- Additions after valuation - cost	1,364,206	646,775
Infrastructure - Roads - Less: accumulated depreciation	<u>(1,670,893)</u>	<u>(819,277)</u>
	59,734,570	59,868,755
Footpaths		
Footpaths (Management Valuation 2015)	211,456	211,455
- Additions after valuation - cost	42,948	42,948
Accumulated Depreciation Footpaths	<u>(31,056)</u>	<u>(14,096)</u>
	223,348	240,307
Other Infrastructure		
Other Infrastructure - Management Valuation 2015	1,840,000	1,840,000
- Cost	1,315,297	0
- Additions after valuation - cost	17,082	0
Accumulated Depreciation Other Infrastructure	<u>(204,710)</u>	<u>(48,509)</u>
	2,967,669	1,791,491
	<u>62,925,587</u>	<u>61,900,553</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 TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(b) Movements In Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	59,868,755	717,431	0	0	(851,616)	0	59,734,570
Footpaths	240,307	0	0	0	(16,959)		223,348
Other Infrastructure	1,791,491	17,081	0	0	(48,509)	1,207,606	2,987,669
Total Infrastructure	61,900,553	734,512	0	0	(917,084)	1,207,606	62,925,587

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Management Valuation	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 (Gross revaluation method)	Management Valuation	2015	Construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3) inputs.
Other Infrastructure	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Management Valuation	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 TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	51,931	173,387
Accrued interest on debentures	75	40
Other Agencies	13,349	10,194
ATO liabilities	8,328	12,416
Prepaid Rates	0	18,000
GST Payable	0	0
Payroll Creditors	58	964
	<u>73,741</u>	<u>215,002</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures (Current)	49,537	47,639
	<u>49,537</u>	<u>47,639</u>
Non-current		
Secured by floating charge		
Debentures (Non Current)	302,978	352,515
	<u>302,978</u>	<u>352,515</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	48,466	43,674	92,140
Non-current provisions	0	20,794	20,794
	<u>48,466</u>	<u>64,468</u>	<u>112,934</u>
Additional provision	30,128	37,027	67,154
Amounts used	(36,857)	(14,293)	(51,150)
Balance at 30 June 2017	<u>41,737</u>	<u>87,202</u>	<u>128,939</u>
Comprises			
Current	41,737	44,610	86,347
Non-current	0	42,592	42,592
	<u>41,737</u>	<u>87,202</u>	<u>128,939</u>

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

12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Reserves Plant Replacement	319,916	158,371	(235,000)	243,287	319,627.00	155,000	(235,000)	239,627	312,212.00	7,704		319,916
Reserves Staff Entitlements	25,240	670		25,910	25,217.00	400	0	25,617	24,632.00	608		25,240
Reserves Information & Technology	11,133	295		11,428	11,122.00	100	0	11,222	10,864.00	269		11,133
Reserves Tamma Village Upgrade & Improvemen	18,795	498		19,293	18,778.00	300	0	19,078	26,210.00	585	(8,000)	18,755
Sports, Recreation & Community Facilities Upgra	450,382	542,681		993,063	449,975.00	537,076	(150,000)	837,051	478,875.00	11,507	(40,000)	450,382
Bowling Green Replacement Reserve	0	12,329		12,329	12,000.00	12,560	0	24,560	0	0	0	0
	825,465	714,845	(235,000)	1,305,310	836,719	705,436	(385,000)	1,157,155	852,793	20,672	(48,000)	825,465

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

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

12. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Reserves Plant Replacement	Ongoing	- To purchase major plant and machinery
Reserves Staff Entitlements	Ongoing	- To fund long service leave requirements
Reserves Information & Technology	Ongoing	- To fund IT requirements
Reserves Tamma Village Upgrade & Improvements	Ongoing	- For maintenance and upgrades of Tamma Village units
Sports, Recreation & Community Facilities Upgrades	Ongoing	- For improvements of Tammin's sport, recreations & community facilities
Bowling Green Replacement Reserve	Ongoing	- For replacement of the synthetic playing surface at the end of its useful life

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

13. REVALUATION SURPLUS

	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land & Buildings	8,415,211	0	(2,422,538)	(2,422,538)	5,992,673	8,415,211	0	0	0	8,415,211
Revaluation surplus - Furniture and equipment	151,711	0	0	0	151,711	159,455		(7,744)	(7,744)	151,711
Revaluation surplus - Plant and equipment	700,276	0	0	0	700,276	700,804		(528)	(528)	700,276
Revaluation surplus - Infrastructure - Roads	58,832,713	0	0	0	58,832,713	58,832,713		0	0	58,832,713
Revaluation surplus - Infrastructure - Other	1,393,748	0	0	0	1,393,748	1,393,748		0	0	1,393,748
	69,493,659	0	(2,422,538)	(2,422,538)	67,071,121	69,501,931	0	(8,272)	(8,272)	69,493,659

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.

SHIRE OF TAMMIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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>1,772,187</u>	<u>1,167,311</u>	<u>1,596,403</u>

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

Net result	(26,453)	(487,035)	(1,008,888)
Non-cash flows in Net result:			
Depreciation	1,286,514	1,366,030	1,366,031
(Profit)/Loss on sale of asset	154,337	4,500	499,889
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(46,434)	0	6,693
Increase/(Decrease) in payables	(141,261)	0	995
Increase/(Decrease) in provisions	16,005	0	1,405
Grants contributions for the development of assets	<u>(559,637)</u>	<u>(617,240)</u>	<u>(744,468)</u>
Net cash from operating activities	<u>683,072</u>	<u>266,255</u>	<u>121,658</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	20,000	20,000
Credit card balance at balance date	<u>(251)</u>	<u>(397)</u>
Total amount of credit unused	<u>119,749</u>	<u>119,603</u>
Loan facilities		
Loan facilities - current	49,537	34,626
Loan facilities - non-current	<u>302,978</u>	<u>365,528</u>
Total facilities in use at balance date	<u>352,515</u>	<u>400,154</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

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

15. CONTINGENT LIABILITIES

The Shire is not aware of any reportable contingent liability.

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

The Shire did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments at the reporting date.

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

17. JOINT VENTURE ARRANGEMENTS

The Shire has a Joint Venture arrangement in place with the Shire of Cunderdin which relates to a 50/50 contribution to CEO employment contract.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	0	3,662
General purpose funding	504,215	0
Law, order, public safety	14,152	1,837,970
Education and welfare	1,272,114	1,762,585
Housing	988,793	0
Community amenities	321,327	717,551
Recreation and culture	6,120,501	5,936,659
Transport	61,395,598	61,430,354
Economic services	72,149	79,502
Other property and services	1,433,194	1,425,526
Unallocated	237,833	1,787,953
	<u>72,359,876</u>	<u>74,981,762</u>

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

	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	5.61	2.56	2.87
Asset sustainability ratio	0.35	0.99	0.88
Debt service cover ratio	11.45	(7.80)	10.60
Operating surplus ratio	(0.51)	(1.66)	(0.02)
Own source revenue coverage ratio	0.34	0.34	0.41

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 59 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 \$1,037,068.

	2017
Current ratio	(2.80)
Debt service cover ratio	(1.40)
Operating surplus ratio	(5.15)

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

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
	\$	\$	(\$)	\$
Licensing	(136)	109,917	(106,985)	2,796
Bonds	1,080	5,230	(3,350)	2,960
Kidsport	3,000	0	0	3,000
Unclaimed monies	6,930	40	(366)	6,603
Other	0	11,756	0	11,756
	<u>10,874</u>			<u>27,115</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
	\$	\$	\$	\$	\$	\$	\$	\$
Housing	170,880	16,543	0	(154,337)	0	0		
Other property and services	0	0	0	0	12,500	8,000	0	(4,500)
	<u>170,880</u>	<u>16,543</u>	<u>0</u>	<u>(154,337)</u>	<u>12,500</u>	<u>8,000</u>	<u>0</u>	<u>(4,500)</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2017	Repayments	Repayments
	2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Housing		0						
Loans 79 & 80	179,413	0	21,340	21,339	158,073	158,074	6,726	7,900
Recreation and culture		0						
Loan 81	130,000	0	11,493	11,493	118,507	118,507	3,429	3,620
Transport		0						
Loan 78	90,741	0	14,806	14,806	75,935	75,935	4,671	4,590
	<u>400,154</u>	<u>0</u>	<u>47,639</u>	<u>47,638</u>	<u>352,515</u>	<u>352,516</u>	<u>14,826</u>	<u>16,110</u>

All loan repayments were financed by general purpose revenue.

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

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

The Shire has an overdraft facility of \$100,000 with the National Australia Bank to assist with short term liquidity requirements.

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

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											
Gross Rental Value	0.1110	84	763,880	84,785			84,785	84,785	0	0	84,785
Unimproved value valuations											
Unimproved Value	0.0171	174	50,296,500	858,259	1,559		859,818	858,259	100	0	858,359
Sub-Total		258	51,060,380	943,044	1,559	0	944,603	943,044	100	0	943,145
Minimum payment	Minimum \$										
Gross rental value valuations											
Gross Rental Value	495	50	39,000	24,750			24,750	25,245	0	0	25,245
Unimproved value valuations											
Unimproved Value	495	21	342,100	10,395			10,395	10,395	0	0	10,395
Sub-Total		71	381,100	35,145	0	0	35,145	35,640	0	0	35,640
		329	51,441,480	978,189	1,559	0	979,748	978,684	100	0	978,785
Discounts/concessions (refer note 27)							(35,449)				(42,500)
Total amount raised from general rate							944,299				936,285
Ex-gratia rates							6,642				6,000
Totals							950,941				942,285

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

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>531,702</u>	<u>655,348</u>	<u>697,853</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	466,877	650,332	650,332
Restricted	1,305,310	946,071	946,071
Receivables			
Rates outstanding	47,874	46,989	46,989
Sundry debtors	105,657	127,200	127,200
GST receivable	73,816	17,081	58,764
Accrued Interest	0	1,216	1,216
Provision for Doubful Debts	(2,435)	(2,435)	(2,435)
Prepayments	0	1,500	1,500
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(51,931)	(173,387)	(173,570)
Accrued interest on debentures	(75)	(40)	(40)
Other Agencies	(13,349)	(10,194)	(10,153)
ATO liabilities	(8,328)	(12,416)	(12,416)
Prepaid Rates	0	(18,000)	(18,000)
Payroll Creditors	(58)	(964)	0
Current portion of long term borrowings			
Secured by floating charge	(49,537)	(47,639)	(47,639)
Provisions			
Provision for annual leave (Current)	(41,737)	(48,466)	(48,466)
Provision for long service leave (Current)	(44,610)	(43,674)	(43,674)
Unadjusted net current assets	<u>1,787,475</u>	<u>1,433,174</u>	<u>1,475,679</u>
Adjustments			
Less: Reserves - restricted cash	(1,305,310)	(825,465)	(825,465)
Add: Secured by floating charge	49,537	47,639	47,639
Adjusted net current assets - surplus/(deficit)	<u>531,702</u>	<u>655,348</u>	<u>697,853</u>

Difference

There was a 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. This was due to GST recalculations.

**SHIRE OF TAMMIN
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	Discount %	Discount \$	Actual \$	Budget \$	Circumstances in which Discount Is Granted
Rates Discount	5.00%		35,449	42,500	Discount for prompt payment within rates paid in full within 35 days of issue.
			<u>35,449</u>	<u>42,500</u>	

SHIRE OF TAMMIN
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 Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	08 September 16	0	0.00%	11.00%
Option Three				
First Instalment	08 September 16	30	5.50%	11.00%
Second Instalment	08 November 16	30	5.50%	11.00%
Third Instalment	09 January 17	30	5.50%	11.00%
Fourth Instalment	09 March 17	30	5.50%	11.00%

	2017 Revenue \$	2017 Budgeted Revenue \$	2016 Revenue \$
Interest on unpaid rates	6,570	3,000	6,498
Interest on instalment plan	1,422	500	469
Charges on instalment plan	1,080	500	630
	<u>9,072</u>	<u>4,000</u>	<u>7,597</u>

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

29. FEES & CHARGES	2017	2016
	\$	\$
General purpose funding	0	630
Law, order, public safety	3,059	1,375
Health	236	174
Education and welfare	56,272	60,910
Housing	29,211	30,046
Community amenities	29,123	28,019
Recreation and culture	10,030	4,209
Transport	1,026	857
Economic services	597	0
Other property and services	10,240	11,878
	<u>139,794</u>	<u>138,098</u>

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		
Governance	0	50,000
General purpose funding	1,587,012	503,057
Education and welfare	0	343
Housing	0	3,455
Community amenities	0	50,077
Recreation and culture	108	57,746
Transport	69,737	65,206
Economic services	409	908
Other property and services	6,687	37,219
	<u>1,663,953</u>	<u>768,011</u>
Non-operating grants, subsidies and contributions		
Recreation and culture	34,241	92,843
Transport	525,396	651,625
	<u>559,637</u>	<u>744,468</u>
	<u>2,223,590</u>	<u>1,512,479</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>8</u>	<u>10</u>
----------	-----------

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	6,600	11,000	7,340
Presidents allowance	2,400	2,400	2,400
Deputy Presidents allowance	600	600	600
Travelling expenses	1,501	2,500	1,367
	<u>11,101</u>	<u>16,500</u>	<u>11,707</u>

SHIRE OF TAMMIN
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	373,635
Termination benefits	6,058
	379,693

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.

Termination benefits

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

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the equity method

Transactions with related parties

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

The following transactions occurred with related parties:

	2017
	\$
Associated companies/individuals:	
Purchase of goods and services	45,735

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.

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

34. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

SHIRE OF TAMMIN
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	1,772,187	1,596,403	1,772,187	1,596,403
Receivables	237,985	191,550	237,985	191,550
	<u>2,010,172</u>	<u>1,787,953</u>	<u>2,010,172</u>	<u>1,787,953</u>
Financial liabilities				
Payables	73,741	215,002	73,741	215,002
Borrowings	352,515	400,154	352,515	400,154
	<u>426,256</u>	<u>615,156</u>	<u>426,256</u>	<u>615,156</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 TAMMIN
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

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity Investments

The Shire's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio 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 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	17,722	15,964
- Statement of Comprehensive Income	17,722	15,964

Notes:

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

SHIRE OF TAMMIN
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	99%	87%
- Overdue	1%	13%

SHIRE OF TAMMIN
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:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	73,741	0	0	73,741	73,741
Borrowings	61,846	231,667	106,145	399,658	352,515
	<u>135,587</u>	<u>231,667</u>	<u>106,145</u>	<u>473,399</u>	<u>426,256</u>
<u>2016</u>					
Payables	215,002	0	0	215,002	215,001
Borrowings	61,793	293,270	106,145	461,208	400,154
	<u>276,795</u>	<u>293,270</u>	<u>106,145</u>	<u>676,210</u>	<u>615,155</u>

SHIRE OF TAMMIN
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:

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debtentures	0	0	0	0	126,670	225,845	352,515	3.64%
Weighted average								
Effective interest rate					4.67%	3.06%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debtentures	0	0	0	0	0	400,154	400,154	3.69%
Weighted average								
Effective interest rate						3.69%		

Audit Report

Audit Report

**SHIRE OF TAMMIN
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

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

	2017	2016	2015
Asset consumption ratio	0.97	0.98	0.99
Asset renewal funding ratio	0.60	1.25	1.25

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