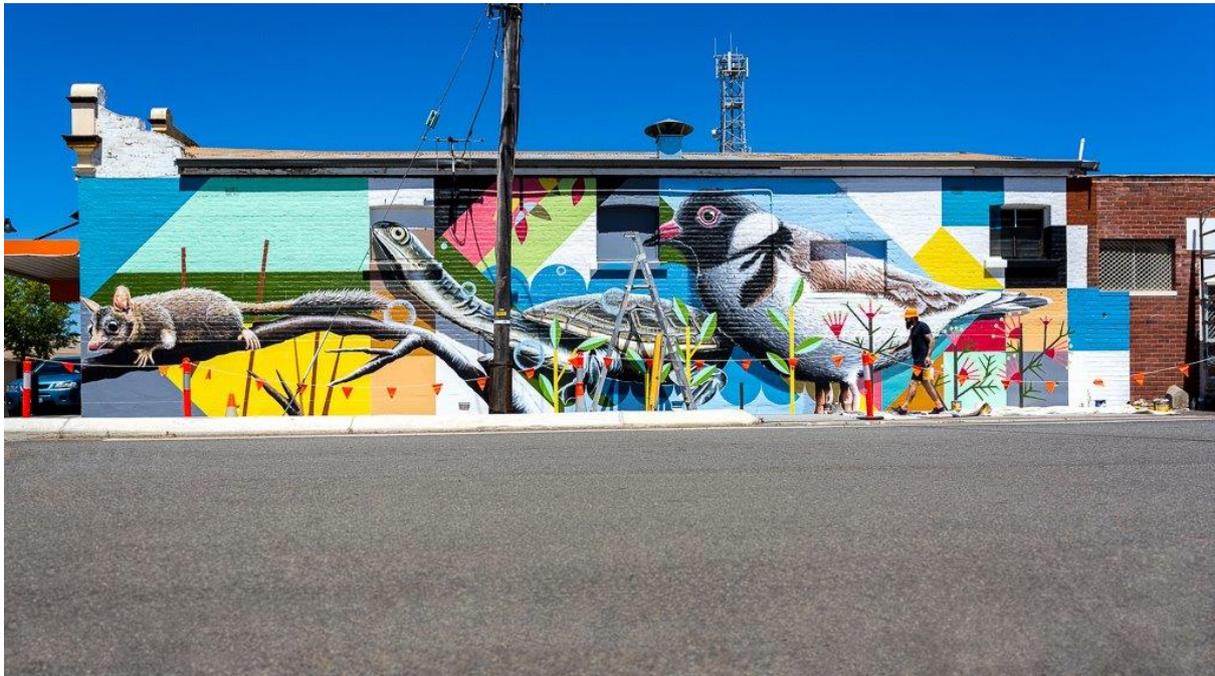




Shire of
Katanning
Heart of the Great Southern

Annual Report
2016 – 2017



Heart of the Great Southern



This document is available in other formats on request for people with disability.

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Heart of the Great Southern

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President's Report

The Council has worked collaboratively over 2016/17 to improve the outcomes for Residents and Ratepayers across the whole Shire.

In February 2017 the Shire was impacted by a severe rain event – up to 220mls recorded in parts of our Shire. The Nyabing and Warren roads were impassable for a few days and considerable damage was caused to the roads and drainage infrastructure throughout the Town and Rural area. The damage, particularly in the eastern section of the Shire, was extensive and resulted in a \$3million WANDRRA claim that sees contractors upgrading roads and culverts for the coming two years.



The announcement of \$15.7million funding from Royalties for Regions in May 2016 to upgrade the Welcome Precinct, develop the Piesse Lake Precinct and relocate the Bowling Club to the Katanning Country Club has a major impact on the future growth and sustainability of our community. The election of the State Labour Government in March 2017 saw \$3million withdrawn from this project to assist with the State Budget repair. With significant funding still in place we embarked on the planning for these projects.

A lot of what is to be achieved could not take place without support from the State Government. Their continued support demonstrates that Katanning is an important Regional Centre worthy of investment to improve infrastructure and continue to provide a fantastic place to live and work. The tour by Minister Alannah MacTiernan in September reinforced the importance of our Region.

All 19 actions from the Probity and Procurement Audit accepted by Council in June 2015 have been completed in 2016/17 except for the Regulation 17 Audit, which has been completed at the time of writing this report.

The \$34million upgrade of the Katanning Hospital cements Katanning's place as a leading provider of Health services in the Region. This project was made possible by Royalties for Regions through the Southern Inland Health Initiative was opened in November 2017.

The decision by the Shire of Katanning some years ago to sell the Old Mill and provide \$500k of works was inspired! Our whole community have been watching with keen interest as the development of 22 boutique Accommodation rooms, Dome café, Wine bar and Conference space transforms the site. The Premier Mill Hotel is on track for an April 2018 opening. The investment indicates a level of confidence in our community and we particularly thank the Dome Group CEO Nigel Oakey for his dedication to honouring the history of our town.

Progress was made during the period to design a new Administration and Civic Centre; this project was started in 2012 when the Council of the day decided to build and locate on the vacant block next to the Old Unit Hotel and subsequently purchased the adjacent building and block as part of the redevelopment. These decisions from Councillors over the past decade shows confidence in the future of our community. The Project is scheduled to be completed in late 2018.

Katanning Regional Saleyards continue to offer a first-class Sheep Selling Facility. Whilst the first three months of the reporting caused some concern with low sheep numbers, resurgence in both numbers and prices of sheep turned the operation around. The Sheep Industry is currently strong and confident.

The Proprietors of Emu Lane who lease the Restaurant/Canteen continue to grow the reputation of their Tuesday night dinners, with up to 120 covers some weeks, popular with locals and visitors alike. The Saleyard complex presents opportunities for the community in the future in the areas of Employment, Tourism, and diversification of Agricultural Enterprise.

Council allocated resources to employ a Community Development Officer to assist and support community organisations with the very important work they do in and around Katanning. Council continues to strive to provide an array of programs for people from Katanning and surrounding areas, from youth programs, school holiday programs, sessions for seniors, ovals and parks for recreation. Ours is a community that values our interesting country lifestyle. The festivals and events organised by both Shire and Community are gaining in popularity, particularly the Katanning Harmony Festival, Katanning Concert in the Park and Christmas on Clive. A sincere thank you to all those dedicated volunteers and staff who make these activities available for the rest of the community and enhance our quality of life as individuals and add to the vibrancy of our community as a collective.

Councillors were very pleased with the response of the community to our Community Planning sessions, with over 1800 responses collected on the issues that are important to you. All the information has come together in the new Community Strategic Planning Document 2017-2027.

Our CEO has been with us for two years now and there have been plenty of operational elements to address as he has developed a culture of openness, respect and accountability. Challenges in Executive staffing during the reporting period have impacted on the delivery of outcomes and the delay to a number of projects. As at the time of writing this report the Shire of Katanning has a full complement of Executive Staff with major projects on the books for the 2017/18/19 period now progressing.

I thank all staff on behalf of the Community for your daily contributions and persistence in delivering for our community this year.

In October 2017 an election was held where Councillor Craig McKinley and Councillor Richard Kowald chose not to renominate. We acknowledge their contribution to the Community and particularly note Richards achievements as a former Shire President and Councillor of 12 years. Craig served as Deputy President 2015-2017, I thank Craig for his support and service to the people of Katanning.

Two new Councillors were elected; we welcome Ernie Menghini and Kristy D'Aprile to our hardworking team of Councillors. I thank each Councillor for their commitment to the Shire, many Councillors continue to be involved on Committees and bring the views of the Community to the table.

Cr Liz Guidera
President

Chief Executive Officer's Report

Throughout 2016/17 the Shire continued on a path of change and improvement to meet the needs and expectations of the community.

The Shire undertook an asset mapping process in March 2017 followed by Community consultation regarding priorities and aspirations for the Community Strategic Plan, which was reviewed in the second half of 2017.

This is the final reporting year in the four-year reporting cycle for the 2013 Community Strategic Plan. The progress of the implementation of the strategies outlined in the Plan is reported within this year's Annual Report.



Major Projects undertaken include:

- Katanning Leisure Centre Gym Extension
- Katanning Leisure Centre Dam & Tank project
- Main Street Upgrade
- Katanning Airstrip, St John Patient Transfer Facility
- Katanning Hotel renovation
- Lake Ewlyamartup
- Katanning Town Hall Painting

The Shire continued the planning and design of projects as part of the Royalties for Regions funded Katanning Heritage Centre Project. This project includes significant upgrades to the Welcome Precinct, Austral Terrace and Piesse Park. Progress was also made on the design and documentation of the New Shire Administration and Civic Building which is due for completion in late 2018.

Rural roads in the Shire were significantly impacted by flood damage resulting from heavy rain in February 2017. The damage to roads was in the region of \$3M with funding for repairs provided through the WA Natural Disaster Relief and Recovery Arrangements (WANDRRRA). This comes on the back of a similar flooding in 2016. I would like to extend my appreciation to the Shire Operations Crew for their good work in reinstating rural roads following the flood.

The Shire continues to work towards improving its engagement with the community and provides information via a number of platforms including the Shire Matters Newsletter, Website and Facebook page.

Maintaining good relations with neighbouring local governments is highly valued and the Shire has a number of arrangements with local governments in the region to share services including Environmental Health, Building Control, Human Resources and Emergency Management.

The Shire of Katanning has faced a number of issues over the past year which have challenged both Staff and Councillors. I would like to express my thanks to both the Staff and Councillors for their support and commitment to ensuring we work towards the best outcomes for our community.

Julian Murphy
Chief Executive Officer

Katanning in Brief

The Shire of Katanning is located in the Upper Great Southern Region of Western Australia approximately three hours' drive south east of Perth.

Katanning is a vibrant country community founded on rural industries.

Katanning provides a range of services to meet the community's needs including education, health, recreation facilities and affordable land and housing.

Shire of Katanning Statistics	
Distance from Perth	283km
Area	1,523 sq. km
Length of Sealed Roads	255.1km
Length of Unsealed Roads	528.6km
Population	4,151 (ABS, 2016, LGA)
Number of Electors * WA Electoral Commission	2,540
Number of Dwellings *Based on Rates	2,456
Total Rates Levied	3,639,013
Total Revenue	16,016,783
Number of Employees	64 FTE

Councillors



Cr Liz Guidera
Shire President

Ph: 0418 926 218
Term expires 2019



Cr John Goodheart
Deputy Shire President

Ph: 0407 193 118
Term expires 2019



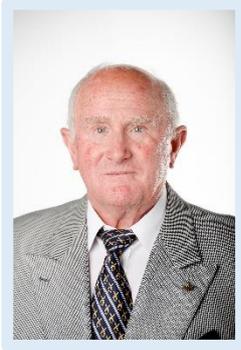
Cr Owen Boxall

Ph: 0428 899 024
Term expires 2021



Cr Serena Sandwell

Ph: 0428 887 246
Term expires 2019



Cr Martin Van Koldenhoven

Ph: 9821 1695
Term expires 2019



Cr Danny McGrath

Ph: 0427 876 117
Term expires 2021



Cr Alep Mydie

Ph: 0487 182 144
Term expires 2021



Cr Kristy D'Aprile

Ph: 0427 211 705
Term expires 2021



Cr Ernie Menghini

Ph: 0458 212 438
Term expires 2021

Retired Councillors



Cr Craig McKinley

First Elected: 2013
Term expired: 2017



Cr Richard Kowald

First Elected: 2005
Term expired: 2017

Executive Management Team



Julian Murphy
Chief Executive Officer

Governance
Community Relations
Human Resources
OSH and Risk



Lisa Hannagan
Executive Manager Finance and Administration

Corporate Services
Finance and Rates
Customer Service and Administration
Information Technology



Paul Webb
Executive Manager Infrastructure and Development

Engineering
Public Works
Ranger Services
Parks and Gardens
Building Control, Environmental Health and Planning Services



Sam Davis
Executive Manager Projects and Community Building

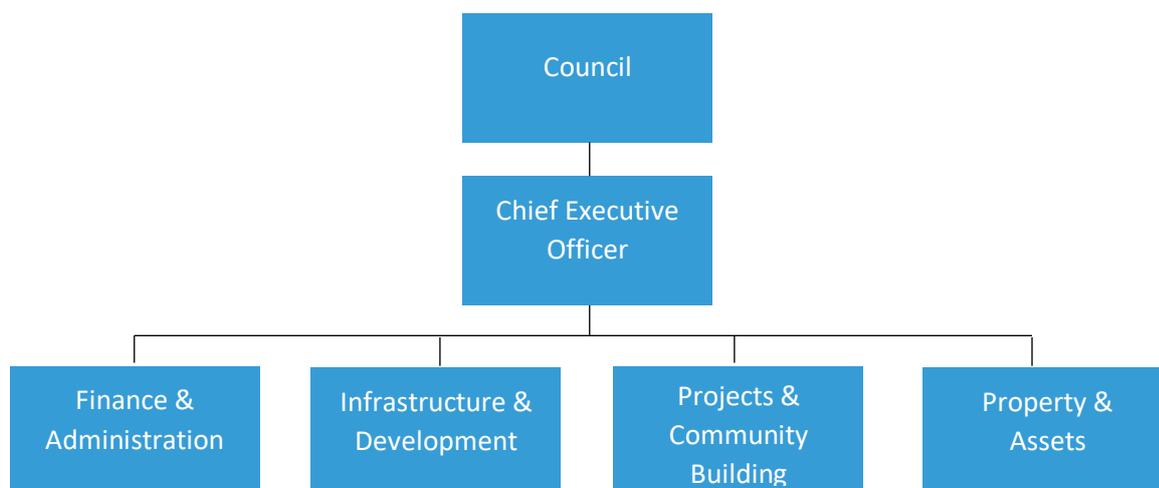
Strategic Planning
Community Development
Leisure Centre
Library and Art Gallery
Aquatic Centre



Andrus Budrikis
Executive Manager Property and Assets

Project Management
Building Maintenance
Infrastructure Management
Saleyards
Asset Management

Organisational Structure



Council Highlights, Events and Milestones

July 2016

Council Highlights

At the July Ordinary Council Meeting Council considered Round 1 of the Community Financial Assistance Program and resolved to support the following local groups:

- Katanning Speedway Club
- Katanning Lions Club
- Apex Club of Katanning
- National Seniors Australia Katanning Branch
- Katanning Landcare

Community Highlights

Visiting Minister

Council welcomed Border Protection Minister Peter Dutton, Senator Chris Back and MP Rick Wilson to Katanning during the month. The visit included a tour of WAMMCO, the Katanning Mosque and meetings with the Katanning Migrant Resource Centre and members of our unique and diverse community.



SMS Local Emergency Information

The Shire commenced offering an SMS service to all residents within the area. News that will be distributed include local up to date information on road closures due to storm damage and trees down, bushfire information, and details of when a Total Fire Ban is declared during summer. This is a free service.

Schemes and Plans

Public consultation is an important area that all Local Governments must address and July was a busy month in Katanning.

The Shire announced Local Planning Scheme 5 was available for inspection during the month. Local Planning Scheme No. 5 (LPS5) will replace the existing Town Planning Scheme No. 4 (TPS4) as the main planning instrument for the Shire of Katanning.

Public comment was also invited on the draft Structure Plans for:

- Piesse Lake
- The Industrial Expansion Area east of town
- Henry Street Precinct (between KLC and WAMMCO)

These three priority development areas are identified in the SuperTown Growth and Implementation Plan.

August 2016

Council Highlights

At the August Ordinary Council Meeting, Council resolved to adopt the Piesse Lake Master Plan (2016). Construction of Piesse Lake is significant for the Piesse Park project.

The manmade lake is considered integral to the development of local parkland and the proposed residential subdivision in the area.

The Master Plan is comprehensive and includes proposals for the completion of the lake construction as well as ongoing maintenance costs. In order to reduce the estimated cost, the Shire will need to utilize local volunteers for the planting program and will require the Shire's internal civil crew to complete the required earthworks.

Community Highlights

Additional CCTV

In late 2015, the State Government issued an open invitation to all Local Government Authorities to submit Expressions of Interest for grant funding from a \$5 million State CCTV Strategy Infrastructure Fund. The purpose of the grant funding round is to install or upgrade CCTV cameras and/or other related infrastructure in crime hot spots.

The Shire of Katanning was successful in their submitted EOI (assessed by the Minister for Police and an Assessment Panel) and, with the support of the Katanning Police, was granted approval to install new cameras in and around the Woolworths carpark.

September 2016

Council Highlights

At the Ordinary Council Meeting held in September, Council adopted Local Planning Scheme No. 5 after the statutory period of advertising, public consultation and consideration of submissions.

Council resolved to accept a tender from the Young Men's Christian Association of Perth (Tender 06-2016) for the operation and management of the Katanning Aquatic Centre.

Council accepted a tender submission (Tender 04-2016) for the construction of the gym extension to the Katanning Leisure Centre at the September Council meeting.

Community Highlights

Drug Awareness Week

The Shire got on board for Drug Awareness Week and hosted a number of valuable information sessions for the entire community at the Katanning Town Hall and the Katanning Public Library.

Lake Ewlyamartup



Lake Ewlyamartup facilities including boat ramp, shade structures, toilets, BBQs and bird hide are ready for community use and enjoyment. The Shire noted special thanks to the Lake Ewlyamartup Working Group, volunteers and sponsors whose contributions were integral to the success of this project.

October 2016

Council Highlights

At the Ordinary Council Meeting held in October, Council received and noted submissions on the Piesse Lake, Industrial Expansion and Henry Street Precinct Structure Plans; and adopted the Piesse Lake Structure Plan - SPN/2031, Henry Street Structure Plan - SPN/2030 and Industrial Expansion Structure Plan - SPN/2029.

Council endorsed the Lotteries Commission Building Grant Agreement to undertake components of the Katanning SuperTown Heritage Centre Project. The Shire will receive \$2,000,000 grant funding from the Lotteries Commission to go towards funding the Katanning SuperTown Heritage Centre Project.

Council resolved to accept the tender (Tender 05-2016) for Architectural Services for Shire Administration and Civic Building.

Community Highlights

School Holiday Program

The Shire's School Holiday program was well received in October with events such as Blading, Pyjama Movie Day, Indoor Soccer, Halloween cooking, Shrek marathon and Teddy Bears Picnic to name but a few.

Harmony Festival Planning



Planning for the Katanning Harmony Festival 2017 commenced in October 2016. Our famous street festival showcases the many positive aspects of Katanning's cultural diversity as community comes together to offer a festival that promises colour, culture, connection and excitement. The event includes live entertainment, cooking demonstrations, kids zone, hands on activities, displays, market stalls and an international food village, all held on Clive Street.

November 2016

Council Highlights

At the Ordinary Council Meeting held in November, Council endorsed the Katanning Early Childhood Hub concept schematic drawings. The Architects were then able to proceed with the next stage of detailed design planning and specifications.

Community Highlights

Celebrating Seniors Week



The Shire was onboard and celebrating Seniors Week with a Spring Dance. With prizes for the best dressed lady and gentleman, and a light supper provided the event was a great night out and showcased our beautifully restored Town Hall.

Remembrance Day Service

Councillors and staff attended the Katanning Remembrance Day Service, Held at the RSL Memorial Rose Garden on Clive Street.

This year, 11 November marked the 98th anniversary of the Armistice which ended the First World War. Each year on this day Australians observe one minute's silence at 11 am, in memory of those who died or suffered in all wars and armed conflicts.



December 2016

Council Highlights

At the Ordinary Council Meeting held in December 2016 Council approved the purchase of a new Street Sweeper. The procurement was budgeted and use of the equipment will see improvements in keeping storm water sumps clear and cleaning streets and gutters, adding to the amenity of our town.

Community Highlights

Christmas on Clive



The 5th Annual Christmas on Clive event was held on Saturday 10 December at the Katanning Town Square. The event included food, craft and market stalls, a busking competition and fantastic raffles and prizes. Father Christmas attended and a tribute band completed the night's festivities.

Expressions of Interest for a new advisory group

The Shire called for expressions of interest for community members to join its Katanning Supertown Heritage Centre Project Advisory Group (PAG).

The PAG is the strategic overarching group responsible for guiding the development of the Katanning Supertown Heritage Centre Project (incorporating the All Ages Playground, Welcome Precinct and Piesse Park) and will play a key advisory and liaison role between the Shire, local community stakeholders and other project stakeholder representatives.

A key emphasis of the PAG is effective and continued community consultation regarding developments.

A great response was received and the PAG is up and running!

DFES Volunteer Employer Recognition Awards



The Shire of Katanning celebrated with staff who are also volunteers for the Department of Fire and Emergency Services (DFES) as they were awarded gold at the DFES Volunteer Employer Recognition Awards (VERA). Executive Manager Projects and Community Building Sam Davis accepted the award with Executive Assistant and Procurement Officer Sue Eastcott at the award ceremony on Friday 4 November at Government House Ballroom in Perth.

The DFES Volunteer Employer Recognition Awards acknowledge the important contribution employers and self-employed volunteers provide to the community. Employers of emergency services volunteers including self-employed volunteers play a critical role in protecting the community during natural disasters and emergencies.

The Shire of Katanning release qualified staff to help protect and repair vulnerable communities impacted by fires, severe storms, cyclones, floods, earthquake, tsunamis and emergencies involving chemical, radiological and biological materials.

January 2017

Council Highlights

No Council meetings were held in January.

Community Highlights

Roundabout & Towers complete



The new roundabout and towers were completed in January. Funded through the SuperTowns project, the roundabout and towers were created to slow down highway traffic and encourage passers-by to turn into the Katanning Town Centre. Public consultations were held for the design and landscaping of the roundabout and our local TAFE students helped with the planting. The new town entrance will later align with other projects as part of the Heritage Centre project.

Australia Day 2017

The annual Lion's Club Australia Day breakfast and ceremony received a great turn out on Thursday 26 January. Various community members braved the heat and enjoyed the entertainment throughout the morning.

Congratulations (again) to our Citizen of the Year Award winners:

- Citizen of the Year: Robert Godfrey
- Senior Citizen of the Year: Ronald Smith (posthumously)
- Youth Citizen of the Year: Kieran Stephens
- Active Citizenship (group or event): Joint winners Katanning Action Network and Katanning Agricultural Society
- Katanning Community Long Service: Peter Kerin



February 2017

Council Highlights

New road plant

Council resolved to purchase a side tipper truck. The new truck will assist the Shire to maintain freight routes and road linkages and efficiently cart gravel for the rehabilitation of gravel roads in the district.

Community Financial Assistance Funding

Every year Council allocate funds to assist local community groups. Round 2 of the Katanning Community Financial Assistance Funding 2016/17 was determined and the following groups were successful in their applications for funding:

- Great Southern Regional Middle School Campus Committee;
- Katanning Senior High School;
- Katanning Community Resource Centre;
- Katanning Playgroup
- Apex Club of Katanning

Community Highlights

Flooding in the Great Southern



All hands were on deck from Friday 10 February as the Great Southern was hit with severe rain and flooding. Local Emergency Services and the Shire worked tirelessly to manage the road closures and restricted access to many farms and homes. The Shire received 97.4mm of rain on the Friday. The Shire was subsequently approved for the Western Australia Natural Disaster Relief and Recovery Arrangements (WANDRRA) to assist with the repair of the damages.

Shire Matters Newsletter Online

Shire Matters newsletter commenced online and became paperless. While our community was encouraged to subscribe for the online version, printed copies are still available on the first day of every month at the Shire Administration, Library, Visitors Centre and KLC.

March 2017

Council Highlights

At the March Ordinary Council Meeting council resolved to accept the Shire's Annual Report for the 2015/16 financial year.

Also on the agenda, Council endorsed the Katanning Administration & Civic Building Sketch Design and Project Management Plan.

Council considered an application from the National Retail Trading Association for Sunday Trading and resolved to undertake community consultation to ascertain the views of the community.

April 2017

Council Highlights

At the April Ordinary Council meeting, Council resolved to accept the Project Schedule for the consultation and development of the Shire's Strategic Community Plan.

Council also resolved to authorise the CEO to develop and enter into a licence agreement with Katanning World of Multicultural Music for shared use of the Katanning Town Hall and provision of storage for the groups equipment.

Community Highlights

Katanning Colour Fest



As part of National Youth Week celebrations, the Shire held Katanning Colour Fest, with all 12-25 years old's were encouraged to attend, wearing white, and participate in this fun event, where everyone is covered in multicolour powder.

Remembering Them

Remembering Them was a project that took place in regional museums across Western Australia, in April 2017, to commemorate the First World War. Up to 32 regional museums worked with the Project Group, made up of the WA Museum, Museums Australia WA Branch and the Royal Western Australian Historical Society, to develop exhibitions about the impact of the First World War on their communities.

The Katanning exhibition looked at the social impact and human cost of the war and its effects on rural Western Australia.

May 2017

Council Highlights

At the Ordinary Council Meeting held in May, Council approved the 2017/18 Fire Management Requirement Brochure and appointed authorised Fire Control Officers.

Council also considered and determined to support an application to enter the Piesse Winery (former) into the State Register of Heritage Places.

Extended Retail Trading Hours – Consultation

The Shire of Katanning sought the views of key stakeholders including retailers, local trader organisations, tourism interests and the community generally before considering making an application to the Department of Commerce for permanent Sunday trading in Katanning.

The consultation was in response to a proposal to permanently allow for Sunday retail trading between 10.00am and 5.00pm in the Shire of Katanning.

Strategic Community Plan – Katanning 2027

The Shire of Katanning commenced a major review of our Strategic Community Plan, Katanning 2027, in June 2017.

The Strategic Community Plan is the Shire's highest level strategic document that outlines the long-term vision, values, aspirations and priorities for Katanning over the next ten years.

Katanning 2027 will then drive the development of local plans, resourcing strategies, service levels and other strategic documents required by the Shire of Katanning to deliver on the overall community vision.

The consultations included Pop up Sessions, "My Big Idea" Postcards, Surveys, Coffee Catch Ups and Visioning Workshops with all community feedback to be reported back to Council in the 2017/18 year.

Community Highlights

Piesse Lake Makeover ... afternoon tea and information session.

The Shire invited our community to join in for a very exciting community planting plan and help create the Green Heart of Katanning!

Sorry Day

Katanning held a Sorry Day event in May 2017. The event was held at our Town Square and included a live band, story telling, Noongar dancers, art activities and a sausage sizzle.



The event celebrates the 50 Year Anniversary of the Referendum Act.

Welcome Precinct and Piesse Lake Master Plan

Architects Hames Sharley were appointed by the Shire of Katanning for the Heritage Centre Project with key stakeholder and community consultation set to commence May as part of the master planning process.

The Project will build on the previous investment of both state and local government to establish a strong foundation for the future growth of Katanning. The project will see the development of the Katanning Welcome Precinct and Piesse Lake to improve amenity, recreation and tourism facilities; supporting economic diversification and population attraction/retention.

The project will involve construction of infrastructure including: improvements to Katanning's Iconic All Ages Playground; creation of one of WA's first regional Botanic Gardens; landscaped green spaces; amphitheatre, park and tourism facilities. A quality medium density residential land development will offer a diversification of land options and accommodate population growth and sewer installation to Andover Street. The project will also include associated works to relocate lawn bowls to a co-located recreation facility.

Throughout the months of May and June Shannon O'Shea from Hames Sharley and Damien Pericles from REALM Studios were based at the Katanning Hotel where they held a number of focus group meetings and a community open day.

Appointed community representatives Lisa Blacklow, Devon Gilmour and Cameron Taylor joined fellow Project Advisory Group (PAG) members from the Shire on 27 April to kick off the planning process with the Hames Sharley architects.



June 2017

Council Highlights

Every year Council allocate funds to assist local community groups. Council approved Round 1 of the 2017/2018 Community Financial Assistance Program grants and the following organisations were successful in their applications:

- Lions Club of Katanning
- Katanning Historical Society
- Katanning Landcare

- Palmerston Association Inc

Council considered submissions in relation to a Sunday Trading Proposal that had been received by the Shire. Twelve written submissions were received. Seven submissions wrote in support of the Sunday trading proposal, four opposed the proposal and one did not offer a comment.

The Katanning Regional Business Association undertook a survey of members (which received 11 responses) with 80% of respondents supporting Sunday trading in Katanning. 60% of respondents said that they would open their business for a whole or part of the day if Sunday trading was introduced. All respondents believed that Sunday trading would have a positive or no impact on their business.

After due consideration, Council resolved to make application to the Department of Mines, Industry Regulation and Safety - Consumer Protection Division to permanently allow retail trading in the Shire of Katanning on Sundays 10.00am to 5.00pm.

Community Highlights

Early Childhood Hub



Earthworks commenced at the site of Katanning's new Early Childhood Hub (ECH). Shire operations began preparing the site ahead of construction which was expected to start later in 2017.

The new facility will include a childcare centre, offices for family and community service providers and facilities for community meetings and events. The building is expected to be completed mid-2018.

Shire President and Chair of the ECH Project Advisory Group Liz Guidera said 'this is an excellent opportunity to bring a range of services together under the one roof. The Shire is committed to supporting children and families through the investment in this project'.

Review of the Disability Access & Inclusion Plan – Request for Public Comment

The Shire of Katanning commenced a review of its Disability Access and Inclusion Plan (DAIP) and called on community members for comments and feedback.

The survey was made available in both online/electronic and hardcopy format. Where possible, feedback will be incorporated into the next DAIP.

Grants

The Shire received grants funding totalling over \$1.94 million during the reporting period.

Name of Grant/Source	Amount
State CCTV Strategy Infrastructure Fund	\$115,231
Youth Activities Grant	\$31,668
National Youth Week	\$1,000
NAIDOC Week Grant	\$2,500
Thank a Volunteer Day	\$1,000
Harmony Festival Grant	\$30,909
All Ways 5 Days Project	\$28,351
Senior's Week	\$1,000
Drumbeats	\$75,319
PIAF	\$4,000
Community Childcare Feasibility Study	\$14,100
Kidsport – Department of Communities	\$10,000
Children's Book Week	\$2,600
Community Pool Grant	\$32,000
Club Development Officer Program	\$20,000
Community Water Supply Project	\$90,000
Regional Road Group	\$230,726
Roads to Recovery	\$442,397
WANDRRA	\$690,325
RADS	\$71,119
Hidden Treasures	\$46,000
	\$1,940,245

Major Assets

Katanning Saleyards



2016/17 Actual		2016/17 Budget		2015/16 Actual	
Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
2,593,633	966,826	3,059,217	1,485,356	891,988	1,087,477

While overall all revenue for the Saleyards was less than 2016, Yarding Fees increased by \$42,000 due to increased volume. The decrease in revenue was due to movements in the non-operational areas (Capital Expenditure and Revenue), where capital enhancements were not progressed so did not require matching funding from reserves during the financial year.

Expenditure for the Saleyards was \$518,530 less than budgeted. Contributing factors include saleyard capital enhancements (\$323,000), such as the tourist observation deck and covered walkway to the main saleyard, not progressed during the year. The enhancement works have been re-prioritised and budgeted in 2017/18. \$160,000 budgeted for the decommissioning of the Old Saleyards was not expensed, but has been carried forward into the 2017/18 budget.

Katanning Leisure Centre



2016/17 Actual		2016/17 Budget		2015/16 Actual	
Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
393,200	1,776,170	353,134	1,862,137	398,379	979,800

Overall, Katanning Leisure Centre revenue is \$40,000 higher than budgeted for 2016/17. This is largely a result of a significant membership take-up (\$14,000), and higher than budgeted utility reimbursements from facility lease arrangements (\$13,500). A trainee position was introduced, and a corresponding subsidy (\$17,000) was received which was unbudgeted in 2016/17.

Expenditure for KLC was \$86,000 less than budgeted. This can be partly attributed to decreased expenditure on grounds and buildings, where Council resources were utilised in other areas of the community. Also, internal allocations of administration costs and depreciation were less than budgeted.



KLC Gym Extension

Katanning Leisure Centre Gym Extension

The Gym Extension construction commenced during October 2016, just prior to the annual Agricultural Show. Wauters Enterprises were appointed to construct the project. Practical completion was achieved in April 2017. The construction of this project progressed smoothly with good communications between Wauters and the Shire of Katanning.

The new room has allowed for the re-housing of Group Fitness Classes and Taekwondo. Both groups relocated in April 2017, and the new area has provided a space for the groups to be permanently based. Numbers of participants within the groups is consistent, including the implementation of new fitness programs along with Taekwondo increasing their junior members. The newly formed Katanning Gymnastics Club may also make the Gym Extension home. All groups house their equipment within the space.

The Gym Extension can cater for all three groups and their equipment and there is the potential for another group to utilise the space in the future.

With completion of the Gym Extension, the Pioneer Room has been reclassified to its original purpose of being a Function Centre, allowing for more opportunities for groups, businesses, individuals, clubs, government agencies and community to have the flexibility to book and use the fantastic facilities throughout the year.

Road Infrastructure

Council consider spending on road infrastructure on an annual basis during the Budget deliberations.

In 2016/17, \$1,400,009 funding was spent to improve the following roads:

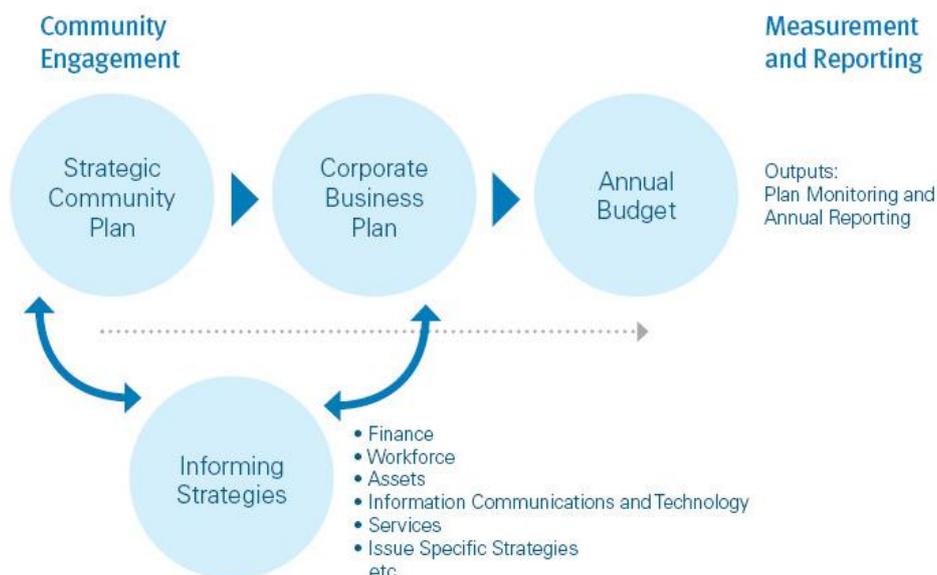
Trimmer Road	\$198,011
Warren Road - Widening	\$186,623
Police Pools Road - Gravel Sheeting	\$179,138
Climie Road - Resheet & Seal	\$165,539
Hoggs Head Road - Gravel Re-sheeting	\$115,248
Cornwall Street - Reconstruct Shoulders & Reseal	\$97,188
Lake Coyrecup Road - Gravel Sheeting	\$83,338
Hood Road - Gravel Re-sheeting	\$77,792
Arbour Street - Repair Pavement Failure & Reseal	\$67,070
Greenhills Road - Repair Failures	\$51,442
Lake Coyrecup Road - Gravel Sheeting	\$51,371
Forest Hill Road - Gravel Sheeting	\$50,685
Hassell Street - Surface Correction & Reseal	\$43,495
Katanning-Dumbleyung Road - Reconstruct Pavement & Reseal	\$33,062
	\$1,400,009

Strategic Community Plan

In 2010, the Western Australian State Government introduced legislation requiring Local Governments to prepare an Integrated Planning and Reporting (IPR) Framework by June 2013. Integrated planning ensures that Councils Strategic Plan reflect the community aspirations, visions, and priorities of the district.

The Shire consulted widely with the community to produce the Strategic Community Plan and other plans within the IPR Framework.

The diagram below highlights the components of the framework:



Elements of Integrated Planning and Reporting Framework

In accordance with the legislation and following extensive community input, Council adopted its Strategic Community Plan in February 2013.

The plan is Council's principal planning and strategy document, which means that it governs all of the works that the Shire undertakes, either through direct services delivered, partnership arrangements, or advocacy on behalf of the community.

In accordance with the legislations, Council is required to report to the community annually its progress towards achieving the objectives.

Strategic Community Plan 2016-2017 – Progress

Our Vision

“Together, We’re Building Katanning’s Future”

In partnership with Council the community has developed a clear and powerful vision to build the future of Katanning based on an evolution of growth and progression. By mid-2023 the Shire of Katanning will;

Achieve a population of 15,000 by embracing its Aboriginal, agricultural, multicultural and built heritage as it moves forward as a cohesive community seeking investment in economic, environmental and social infrastructure. Our aim is to achieve self-supporting growth and recognition as the inland heart of the Great Southern.

Key Focus Element One: Community and Culture

1. Improve Lifestyle

	Activity	Key Elements
1.1	Community Space	Prepare a Structure Plan around Piesse Park incorporating open space upgrades. Status: Adopted Structure Plan in October 2016.
		Produce medium density housing around Piesse Park with an 'urban living in the country' theme. Status: Piesse Lake Residential Concept Plans being developed.
		Develop guidelines and planning requirements to deliver significant shade to car parking areas. Status: This item has not been progressed.
		Engage with LandCorp and the Department of Housing for the timely delivery of lots and housing to the market. Status: Council have engaged with LandCorp in relation to the development of Piesse Lake.
		Pursue quality affordable housing for Local and State Government transient employees. Status: GSDC Affordable Housing Project addresses this specific need, the Shire is engaged and the project is ongoing.
1.2	Options for specific needs	Provide a range of affordable housing that accommodates young adults within and around the town centre. Status: As above.
		Identify a suitable location for a future senior citizen centre. Status: Proposal is under consideration.
		Provide for a lifestyle village at Thompson Park and/or Kobeelya. Status: No progress.
		Provide a range of housing that accommodates the aged within and around the town centre. Status: This objective is currently met but Council will continue to explore future opportunities.
1.3	Safety and security	Plan for Indigenous police officer recruitment or a local Indigenous community patrol. Status: Subject to WA Police resourcing.

2. Expand Health

	Activity	Key Elements
2.1	Medical Facilities	Establish a growth strategy for the regional hospital and other public services. Status: WA Country Health responsibility, Council have advocacy role.
2.2	Community Justice	Encourage the development of a human services hub.

		Status: Council have engaged with the Great Southern Housing Plan and Katanning Workforce Plan 2015-2018.
2.3	Community Health	Identify the extent of land required and develop a Regional Health Campus. Status: Upgrades to Katanning Hospital nearing completion.
		Consolidate health services and practices with the vicinity of the Regional Health Campus. Status: Ongoing – continuing engagement with WA Country Health Service.
		Create an early childhood hub for the region. Status: FAA signed \$5.7million. Slavin Architects appointed May 2016, documentation has been produced for tender. Under review.
2.4	Community Education	Katanning High School to be recognised and promoted for excellence. Status: Ongoing.
		Develop improved early childhood and ‘in school’ education opportunities for ‘at risk’ groups. Status: Funding approved for development of Early Childhood Hub. “All Ways 5 Days” being delivered by the Shire.
		Encourage the establishment of a private boarding school. Status: Continued engagement with Katanning Middle School Committee has taken place during the reporting period.
		Encourage expansion of TAFE to embrace the Centre of Agricultural and Engineering excellence. Status: Major input to Katanning Workforce Plan 2015-2018.
		Develop mentorship programs to expose youth to the career and lifestyle options available in a rural setting. Status: Traineeships offered by the Shire. The Shire is also providing Work Experience opportunities for High School students.

3. Develop Cultural Diversity

	Activity	Key Elements
3.1	Community Markets	Investigate the possibility of a local produce market being located at the railway station. Status: Review has commenced but not complete.
		Development community markets with a multicultural flavour. Status: Enhance community market component now included in the Katanning Harmony Festival.
3.2	Cultural Recognition	Compile and integrate a collection of local art works and records into local Noongar facilities. Status: Review has commenced but not been completed during the reporting period.
		Upgrade landscaping and include interpretative signage and art in park adjacent to current Noongar Centre. Status: MAEEP report to State Government in 2015 – the Council was not successful in obtaining grant funding.
		Identify culturally significant sites and encourage Noongar representatives to monitor operations that involve digging in these areas. Status: Ongoing.
3.3	Involvement Equality	Develop and adopt a policy on community engagement and social media. Status: Ongoing.

		Provide a mechanism to embrace and encourage entrepreneurship in the ethnic community. Status: Harmony Festival has been used as a conduit to support local members of the community to experience catering. A pilot project is being developed for 2018 to support locals to offer craft and food.
		Upgrade the Centrelink agency in town to a full time central office with staff specialised to migrant user groups. Status: Council continues to advocate on behalf of the community.

Key Focus Element Two: Environment and Land Use

4. Stratagise Water Management

	Activity	Key Elements
4.1	Groundwater	Upgrade culverts on rural roads. Status: Ongoing.
4.2	Storm and Waste Water	Prepare drainage and flood strategy for the Katanning town site. Status: Ongoing.
		Prepare a drainage plan for Clive Street and Austral Terrace. Status: Ongoing.
		Upgrade pedestrian crossings to meet AS1428 and to limit risk to public safety during peak flow events. Status: Partially addressed through the Main Street Upgrade project.
4.3	Natural Waterways	Continue the Living Streams project along the Katanning Creek. Status: Council have established a relationship with Landcare and this project is part of the Katanning Super Town Heritage Centre Project – Piesse Lake.
4.4	Water Supply	Undertake a Water Balance Study and Water Management Study for the town and its catchment, and proceed with costed and sound recommendations. Status: A strategic water management plan was completed. Costed recommendations not yet complete. A project proposal was developed with the Shire of Kojonup to seek funding. Initial attempts to secure funding have been unsuccessful.

5. Increase Climate and Ecology Footprint

	Activity	Key Elements
5.1	Use of native flora and fauna	Undertake strategic planting of native vegetation along waterways and road reserves. Status: Ongoing.
		Develop a Street Tree and Parkland Replacement Master Plan incorporating locally occurring tree species. Status: Not progressed.
		Compile a comprehensive register of local bush tucker plant species to be incorporated into revegetation works around the town site and develop interpretative signage for these plantings with local indigenous artists. Status: Not progressed.

		Develop policies on using locally native species in Public Open Space areas, streetscapes and as part of any future landscaping packages within front gardens. Status: Not progressed.
5.2	Carbon reduction	Develop policies for the Shire to reduce its carbon emissions through practical means. Status: Design of new Shire Administration Office incorporates energy efficiency. Incorporation of Solar panels at the Saleyards and Staff housing. A policy to formalise this position is still outstanding.
		Develop all new Shire buildings on solar passive and energy efficient principles. Status: Early Childhood Hub and new Shire Administration Office will feature passive energy systems. Incorporation of Solar panels at the Saleyards and Staff Housing. Completed.
		Encourage existing and new businesses with assistance to undertake water and energy assessments. Status: Not progressed.
		Encourage small scale power generation on individual lots. Status: Not progressed.
		Develop policies for sustainable building and development for all residential and commercial construction, and for all builders operating in the Shire to support recycling, reuse and to be HIA Green Smart accredited. Status: Under review.
		Subject to demonstrated viability studies construct a biomass plant that uses locally contracted feedstock. Status: No viability has been demonstrated and therefore this project was not progressed.
5.3	Natural resource protection	Continue to strategic Landcare plantings within the Shire. Status: Ongoing.
		Implement a policy for verge planting with a focus on appropriate native species. Status: Not progressed.
		Provide awareness raising information in sustainable living/building to existing and new residential residents and businesses. Status: In-kind and financial support for Landcare in their annual Eco Week event.
		Support the restoration of Lake Ewlyamartup. Status: Ongoing.
5.4	Biodiversity strategies	Provide awareness raising information and training in sustainable farming practices to small rural holders. Status: Ongoing – facilitated by Landcare.
		Retain where possible all key bush areas within the town and on the edge to assist with water management, habitat and ecology and developing a unique sense of place. Status: Ongoing.
		Investigate the commercialisation of native foods and other products that builds on previous studies and assist primary producers produce commercialised native products and develop robust markets. Status: Ongoing – Landcare Project.
		Investigate the feasibility of establishing a Centre for Agricultural and Engineering Excellence with the intention to improving the

		<p>sustainability and profitability across all aspects of the existing agriculture sector.</p> <p>Status: Katanning Workforce Development Plan 2015-2018. Land surrounding the Katanning Leisure Centre has been investigated for agricultural uses.</p>
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6. Develop Land Use

	Activity	Key Elements
6.1	A Focus on safety and security	<p>Extend the Town's security surveillance coverage.</p> <p>Status: CCTV upgrade grant funding secured, upgrades completed.</p>
6.2	Flexible land use planning	<p>Establish a minimal hierarchy of plans required to facilitate development.</p> <p>Status: New Planning Scheme adopted (LPS5).</p>
		<p>Support the infill of urban blocks to avoid urban sprawl.</p> <p>Status: Residential Density Codings increased under LPS5.</p>
		<p>Introduce urban expansion areas for residential and industrial development and review density coding in underdeveloped areas to achieve the maximum benefit from future development.</p> <p>Status: DIAs identified in Planning Strategy and shown as Future Urban or Future Industry in LPS5. Residential Density Codings reviewed and increased in LPS5.</p>
		<p>Promote the natural transition of service industry uses out of the town centre to an expanded Light Industrial Area.</p> <p>Status: Draft LPS5 includes 'new' Enterprise zone and combined Town Centre-Commercial zone.</p>
		<p>Promote residential expansion in the N and NE corridors and special residential expansion in the southwest corridor.</p> <p>Status: DIAs identified in Local Planning Strategy.</p>
		<p>Laneways may be retained/redeveloped with grouped housing or maintain the existing local character on a street by street basis.</p> <p>Status: Ongoing.</p>
6.3	Structure Plans for new areas	<p>Prepare a Structure Plan for the residential area bounded by Warren Road and Katanning Dumblebung Road to consolidate lots, formalise the multiple use corridor and provide a more appropriate transition to future residential development areas.</p> <p>Status: Not progressed.</p>
		<p>Prepare a Structure Plan for Clive Street between the main street precinct and Piesse Park to provide a higher density residential and mixed-use transition from the main street to the medium density precincts.</p> <p>Status: Not progressed.</p>
		<p>Prepare a Structure Plan for the Crosby Street and Clive Street area to encourage consolidation and resolve access issues to the highway and provide an attractive interface to the entrance to the town.</p> <p>Status: Not progressed.</p>
		<p>Prepare a Structure Plan for the O'Callaghan Park area to facilitate development of the mining construction camp and to facilitate the future transition of the area to other uses post mine construction.</p> <p>Status: Technical and background documents prepared</p>

		(including Flora Assessment).
		Prepare a Structure Plan for the eastern industrial expansion to facilitate a range of industrial initiatives. Status: Structure Plan prepared – land swap with DPIRD being progressed. Awaiting approval.
6.4	Heritage protection strategies	Prepare a local planning policy to create a Heritage Precinct along Austral Terrace and pursue upgrading of heritage buildings and streetscapes. Status: Strategy and Scheme Objectives apply to ensure sensitive development and upgrade. Austral Terrace, between the Premier Mill and King George Hostel is within an identified Heritage Precinct – Place number 1338. Policy 9.13 established for Clive Street and Austral Terrace Revitalisation Front Facade Incentive.
		Identify suitable uses appropriate landscaping. Status: Ongoing.
		Develop painting, character and signage policies sympathetic to the age and character of historic buildings. Status: Under review.

Key Focus Element Three: Facilities and Services

7. Pursue Facility Development

	Activity	Key Elements
7.1	Town Hall Improvements	Upgrading and adaption of the town hall as a regional entertainment centre. Status: Ongoing.
7.2	Sports facility consolidation	Identify incentives for the Bowling Club to relocate to the Country Club or Leisure Centre. Status: Completed – funding to undertake project received – initiative is now part of the Katanning Super Town Heritage Centre Project.
7.3	Recreation Improvements	Expand Leisure Centre to accommodate gymnastics and additional multifunctional spaces. Status: Project completed.
7.4	New Facilities	Identify a suitable site for a Motorplex. Status: Site Identified.
		Utilise the Katanning Hotel and surrounding land as a new Administration Centre. Status: Renovations completed, KRBA established in the premises, new Administration Centre in development.
		Pursue additional recreational activities and facilities at Lake Ewlyamartup. Status: Implementation of the Lake Ewlyamartup Recreation Area Plan completed. Additional funding secured through RfR Living Lakes Program to carry out further works on flushing channel and recreation area.

8. Maintain Transport Systems

	Activity	Key Elements
8.1	Freight routes and road linkage	Create dedicated transport links between the heavy industry area and regional transport routes. Status: Ongoing.
		Review intersection layouts and turn lanes to reinforce Marmion Street as the freight route. Status: Under review.
		Consider the connectivity of Warren Road to the regional sale yards by creation of a new east skirting link. Status: Not progressed.
		Create integrated car parking areas with direct access to the street rather than rely on individual developers. Status: Completed
8.2	Pedestrian routes	Incorporate safe and efficient pedestrian routes throughout existing and future residential areas. Status: Ongoing.
8.3	Cycleways	Incorporate safe and efficient cycle routes throughout existing and future residential areas. Status: Ongoing.

9. Develop Waste Management

	Activity	Key Elements
9.1	Regional waste facility	Develop Katanning to be a Regional Waste Management Facility servicing the Central Great Southern Region. Status: Ongoing.
9.2	Recycling programs	Establish a building materials re-use depot at the Regional Waste Management Facility. Status: Not progressed.
9.3	Waste minimisation	Incorporate extensive recycling and reuse as part of the expanded waste management program including developing new products and business based on the waste streams. Status: Ongoing.
9.4	Waste Re-use programs	Link waste streams from the Regional Waste Management Facility with other wastes to produce composts, garden fertilisers and agricultural products. Status: Not progressed.

Key Focus Element Four: Leadership and Development

10. Pursue Economic Development

	Activity	Key Elements
10.1	Industrial Development	Monitor the availability of power and water supplies to service potential industrial users. Status: Ongoing.
		Promote the Katanning gas pipeline route option for the Bunbury to Albany pipeline. Status: Under review (State Government).
		Identify and compile sufficient land to accommodate new services and business opportunities.

		Status: Ongoing. LPS5 identifies new “Enterprise” zone and Industrial Precincts. Investigate/pursue disposal of former saleyards.
		Conduct a feasibility study into a dedicated food processing precinct. Status: Ongoing.
		Establish a heavy industrial precinct to accommodate businesses servicing the mining and agricultural sectors. Status: LPS5 has designated Industrial Precincts; Structure Plans prepared.
		Identify, and protect from competing uses, land for future expansion of the Light Industrial Area. Status: Priority Structure Plan for DPIRD land swap.
		Locate a transformational construction camp in O’Callaghan Park. Status: Subject land designated in LPS5, preliminary technical and background assessments prepared.
10.2	Economic Initiatives	Pursue the development of a Business Case for a Call Centre, Data Storage Centre, ISP or other digital economic initiatives. Status: This has not been progressed.
		Promote Katanning’s capacity to accommodate businesses that benefit from the Fibre Optic Hub. Status: Ongoing.
		Promote establishing of an Economic Development Officer, business advice centre and business incubator. Status: Katanning Hotel has been refurbished and accommodates KRBA.
		Establish a working party to work closely with the Western Australian Meat Marketing Cooperative to identify and plan for future expansion. Status: Ongoing.
		Build a business case to develop an agri-food precinct that takes into account linkages with the Western Australian Meat Marketing Co-Operative. Status: Initial planning undertaken – Project Business Case progressed.
		Pursue a Memorandum of Understanding with Ausgold in respect to workforce accommodation, integration and local procurement. Status: Ausgold not at a position to progress.
		Pursue a land swap of the Curlew precinct with O’Callaghan Park. Status: Ongoing liaison with Department of Lands. Valuation obtained. Reflected in LPS5.
		Locate an agri-food precinct in a location that takes into account the location and linkages to the Western Australian Meat Marketing Co-Operative. Status: Structure plans prepared for Henry Street and Eastern Industrial Precincts, with opportunities for co-location and Agri-foods.
10.3	CBD Revitalisation	Assemble land to accommodate parking, major retailers and government offices in the town centre. Status: Ongoing. Completion of parking at rear of Town Square and Sports Power.
		Encourage major retailers to locate adjacent to the Main street.

		Status: Ongoing.
		Refresh the retail environment and make the shopping experience more enjoyable. Status: Ongoing. Streetscape project and facade subsidy.
		Pursue activation of the upper levels of buildings to give an added dimension to land use. Status: Ongoing.
		Adhere to retail development within a clearly defined town centre boundary. Status: Ongoing and in accordance with TPS4 and LPS5.
10.4	Higher Density Residential	Utilise bowling club land for medium density housing if club relocated. Status: Ongoing conferral, LPS5 designates land as Special Site. Katanning SuperTown Heritage Centre Project funding approved that incorporates residential development of the land.
		Promote R40 medium density housing opportunities on land affording views of Piesse Park. Status: LPS5 designates Piesse Lake as R40. Structure Plan prepared and advertised. Katanning SuperTown Heritage Centre Project funding includes the development of land adjacent to Piesse Lake.
		Encourage redevelopment of Department of Housing lots on Synott Ave for medium density housing. Status: Last development built by the Department was of higher density consistent with lots across Synott Ave.
		Encourage the progressive consolidation and redevelopment of defined areas close to town and Piesse Park. Status: Development of Structure Plans commenced.

11. Pursue Community Development

	Activity	Key Elements
11.1	Tourism and Promotion	Develop a Tourism and Marketing Strategy and a Market Prospectus outlining economic and social opportunities. Status: Not progressed.
		Pursue opportunities to install sculptural iconic elements and an interpretive trail. Status: Ongoing.
		Create roundabouts, entry statements and enhance the tree lined avenue on Great Southern Highway. Status: Great Southern Highway roundabout construction Project completed.
		Develop a market feasibility to increase the supply of short stay accommodation. Status: Premier Mill Hotel nearing completion.
11.2	Participation and Engagement	Establish a local content taskforce to act as mediator with Ausgold and other businesses. Status: Not progressed.
		Establish a Community Development working group and a Community Development Officer position. Status: Community Development Co-ordinator position re-instated.

		Undertake an audit of skills and experience of the Shire's extensive migrant population. Status: Asset Mapping Completed.
		Pursue quality affordable housing for Local and State Government transient employees. Status: Great Southern Housing Project is progressing.
11.3	Image and Esteem	Forge partnerships between key industries and local businesses to ensure their future in the town. Status: Ongoing eg. Premier Mill relationship.
		Create a Place Manager/Town Centre Manager position to maintain a vibrant and vital business mix. Status: Not progressed.
		Create visual landscape linkages from the Main Street to Great Southern Highway and Piesse Park. Status: KAN Flag Project and roundabout have been completed. A new promenade is being planned through the Katanning Super Town Heritage Centre project – Welcome Precinct.
		Enhance built form to town entries through high quality infill development and design guidelines. Status: KSHCP and Lotteries ongoing.
		Work closely with community groups and allow them ownership of projects and ideas. Status: Various groups and initiatives have been supported during the reported period.
11.4	Regional Profile	Promote the creation of a Centre for Agriculture and Engineering Excellence, including the Western Australian Meat Marketing Co-Operative. Status: Structure Plans prepared for Henry Street and Eastern Industrial Precincts, with focus on Agri Business and opportunities for value-adding. Katanning Workforce Plan 2015 – 2018.
		Investigate ways in which Katanning can become a centre for carbon management. Status: Not progressed.
		Build a business case for the development of a detention centre, prison and/or a migrant transition centre. Status: Business case for migrant transition centre completed.

12. Lead in Governance

	Activity	Key Elements
12.1	Accountability	Maximise technology to improve customer service across the organisation. Status: Ongoing.
12.2	Legal and Ethical Compliance	Integrate risk management practices within project, strategic and operational processes. Status: Ongoing.
12.3	Business Capacity	Plan for redevelopment of the current Shire of Katanning Administration Office by 2015. Status: This project was progressed during the period.
		Prepare and implement a Business Continuity Plan. Status: Ongoing.

		Prepare and implement an Information Management Disaster Recovery Plan. Status: Ongoing.
12.4	Structural Change	Pursue resource sharing opportunities with neighbouring Shires. Status: Ongoing.

Compliance

National Competition Policy

This policy was introduced by the Commonwealth Government in 1995 to promote competition for the benefit of business, consumers and the economy by removing unnecessary protection of monopolies of markets where completion can be enhanced. It effects local government as factors such as exemption from company and income tax or possible local regulations and laws may give local government a potential advantage over private contractors.

In respect to Council's responsibilities in relation to the National Competition Policy the Shire reports as follows:

- No business enterprise of the Shire of Katanning has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or a Public Financial Enterprise.
- Competitive neutrality has not applied to any activities undertaken by the Shire in this reporting period.
- No allegations of non-compliance with the competitive neutrality principles have been made by any private entity.
- The principles of competitive neutrality will be implemented in respect of any relevant activity undertaken during the next financial reporting period.

Freedom of Information

In complying with the *Freedom of Information Act 1992*, the Shire of Katanning is required to prepare and publish an information statement.

The Shire of Katanning's Information Statement is reviewed annually and is available via Council's website or at the Shire administration office. The information statement contains information on the type of documents available to the public and how to access those documents.

One enquiry was received during the 2016-2017 period.

State Records Act

The *State Records Act 2000* requires the Shire maintains and disposes of all records in the prescribed manner.

Principle 6 – Compliance: Government Organisations ensure their employees comply with the record keeping plan.

Rationale: An organisation and its employees must comply with the organisation's record keeping plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The record keeping plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's record keeping system is evaluated not less than once every 5 years.
2. The organisation conducts a record keeping training program.
3. The efficiency and effectiveness of the record keeping training program is reviewed from time to time.
4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's record keeping plan.

The Shire has complied with Items 1 to 4.

Disability Access and Inclusion Plan

All Western Australian Local Government Authorities are required to develop and implement Disability Access and Inclusion Plans in accordance with the Disability Services Act (1993) to ensure people with disability have the same opportunity as others to access council services, facilities, information, employment and civic participation. The Shire of Katanning offers many services that ensure the community is inclusive of people with disability and their families.

People with disabilities represent a significant section of the Katanning community. According to the Disability Services Commission (Disability Services Commission website, 2004) the number of people living in the Shire of Katanning who have a disability is 17.8% of the total population. This represents almost one in five people or approximately 900 people. Given that Katanning is also a regional service provider for the Shire's of Broomehill, Woodanilling, Dumbleyung, Kojonup, Gnowangerup and Kent it can be estimated that the number of people with Disabilities for whom the Shire of Katanning provides services and facilities is significantly higher than 1000.

The vast majority of people with a disability (or disabilities) live in the community. It is therefore important that they have the same opportunities and choices as other people to participate in community life.

Given the broad range of services provided to its communities, Local Government plays a vital role in the lives of people with disabilities, their carers and families.

In 2016-2017 the following Shire initiatives contributed towards the achievement of the DAIP outcomes:

- Progressively replacing existing footpaths with new bituminised footpaths throughout the town site while also installing kerb ramps where none previously existed.
- The Shire supports the Katanning Senior High School Workplace Learning Program by creating volunteer work positions suited to students' abilities. To make sure the workplace is catering for all abilities, the library invested in a desk mounted sit/stand workstation to modify what is normally a standing workstation so that it could be dropped down to a seated height.
- The Shire supported the Great Southern Personnel by creating a volunteer work position for a community member with a disability.
- The two disabled parking bays behind the Town Square are now complete.
- The Shire assisted the local TAFE in holding an Art Exhibition at the Katanning Gallery as part of the Disability Week 2016.
- The Shire of Katanning's newsletter 'Shire Matters' is now an e-newsletter this enables users to adjust the size of the lettering to suit their needs. Having the 'Shire Matters' in both formats

increases choice for the community. Currently 150 A4 hard copies are printed and are available at the Shire Administration, Public Library, Katanning Leisure Centre, Katanning Visitor Centre and some extra copies for the senior community members. On request the Shire staff can produce documents in the requested format.

- During the Shire’s recent Strategic Community Plan consultation, to ensure people with disabilities and the people who support them were given access to the process contact was made with service agencies to enable distribution of consultation materials was made available. All public sessions were held in places that we accessible and during these sessions staff supported people with disabilities to communicate their thoughts by transcribing for those who required this support.

Employee Remuneration Disclosure

Regulation 19B of the *Local Government (Administration) Regulation 1996* requires the Shire to include the following information in its Annual Report:

- The number of employees of the Shire entitles to an annual salary of \$100,000 or more; and
- The number of those employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000.

Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more.

Salary Range

\$ From	\$To	Number of Employees
100,000	109,999	
110,000	119,999	1
120,000	129,999	2
130,000	139,999	2
140,000	149,999	
150,000	159,999	
160,000	169,999	1
Total		6

Public Interest Disclosures

The Public Interest Disclosures Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken. The Chief Executive Officer has complied with all obligations under the Act including:

Appointing the Deputy Chief Executive Officer as the PID officer for the organisation and publishing an internal procedure relating to the Shire’s obligation.

Providing protection from detrimental action or the threat of detrimental action for an employee of the Shire who makes an appropriate disclosure of public interest information.

Complaints Register

Section 5.121 of the *Local Government Act 1995* requires the Annual Report to contain details of the entries made in the Complaints Register regarding complaints made about elected members.

Nil complaints were lodged against elected members during the 2016-2017 period.



Shire of
Katanning
Heart of the Great Southern

Annual Financial Report
2016 – 2017



Heart of the Great Southern

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

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Principal place of business:
16-24 Austral Terrace
Katanning WA 6317

SHIRE OF KATANNING
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 30th June 2017 are in my opinion properly drawn up to represent 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 *31st* day of *JANUARY* 2018.



Julian Murphy
Chief Executive Officer

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	3,598,889	3,605,183	3,434,226
Operating grants, subsidies and contributions	30	5,960,741	3,816,816	1,696,947
Fees and charges	29	2,006,347	2,062,831	1,983,817
Interest earnings	2(a)	417,495	330,526	395,944
Other revenue	2(a)	430,689	272,846	336,494
		<u>12,414,161</u>	<u>10,088,202</u>	<u>7,847,428</u>
Expenses				
Employee costs		(4,523,268)	(4,166,556)	(4,361,862)
Materials and contracts		(3,487,100)	(3,151,932)	(1,886,446)
Utility charges		(382,560)	(391,493)	(376,029)
Depreciation on non-current assets	2(a)	(3,264,209)	(2,181,907)	(3,179,636)
Interest expenses	2(a)	(10,971)	(13,057)	(17,059)
Insurance expenses		(303,730)	(290,305)	(261,156)
Other expenditure		(871,440)	(155,685)	(284,850)
		<u>(12,843,278)</u>	<u>(10,350,935)</u>	<u>(10,367,038)</u>
		(429,117)	(262,733)	(2,519,610)
Non-operating grants, subsidies and contributions	30	3,548,354	10,992,131	5,105,625
Profit on asset disposals	21	54,268	897,417	229,841
(Loss) on asset disposals	21	(728,531)	(374,452)	0
Fair value adjustments to financial assets at fair value through profit or loss		0	0	(10,388)
Net result		<u>2,444,974</u>	<u>11,252,363</u>	<u>2,805,468</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	3,346,367	0	813,887
Total other comprehensive income		<u>3,346,367</u>	<u>0</u>	<u>813,887</u>
Total comprehensive income		<u>5,791,341</u>	<u>11,252,363</u>	<u>3,619,355</u>

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

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
	2(a)			
Governance		101,274	37,000	830,113
General purpose funding		7,054,605	5,956,804	4,138,458
Law, order, public safety		204,213	194,786	171,959
Health		6,234	4,950	3,215
Education and welfare		202,243	149,950	98,537
Housing		214,406	230,565	208,643
Community amenities		953,469	963,376	951,107
Recreation and culture		639,401	611,998	540,656
Transport		2,002,656	993,418	219,329
Economic services		928,702	888,675	574,504
Other property and services		106,958	56,680	110,907
		<u>12,414,161</u>	<u>10,088,202</u>	<u>7,847,428</u>
Expenses				
	2(a)			
Governance		(1,927,549)	(1,177,570)	(134,662)
General purpose funding		(107,531)	(158,235)	(1,019,814)
Law, order, public safety		(400,824)	(424,038)	(370,551)
Health		(118,502)	(155,179)	(111,766)
Education and welfare		(347,172)	(426,650)	(232,191)
Housing		(261,280)	(254,451)	(257,798)
Community amenities		(1,183,685)	(1,248,875)	(1,148,022)
Recreation and culture		(2,507,285)	(2,569,562)	(2,340,606)
Transport		(4,756,732)	(2,493,961)	(3,116,359)
Economic services		(1,155,789)	(1,367,638)	(1,505,517)
Other property and services		(65,958)	(61,719)	(112,693)
		<u>(12,832,307)</u>	<u>(10,337,878)</u>	<u>(10,349,979)</u>
Finance costs				
	2(a)			
Housing		(3,360)	(3,934)	(5,383)
Community amenities		(1,006)	(1,359)	(1,728)
Recreation and culture		(5,313)	(6,116)	(6,887)
Other property and services		(1,292)	(1,648)	(3,061)
		<u>(10,971)</u>	<u>(13,057)</u>	<u>(17,059)</u>
		<u>(429,117)</u>	<u>(262,733)</u>	<u>(2,519,610)</u>
Non-operating grants, subsidies and contributions	30	3,548,354	10,992,131	5,105,625
Profit on disposal of assets	21	54,268	897,417	229,841
(Loss) on disposal of assets	21	(728,531)	(374,452)	0
Fair value adjustments to financial assets at fair value through profit or loss		0	0	(10,388)
Net result		<u>2,444,974</u>	<u>11,252,363</u>	<u>2,805,468</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or</i>				
Changes on revaluation of non-current assets	13	3,346,367	0	813,887
Total other comprehensive income		<u>3,346,367</u>	<u>0</u>	<u>813,887</u>
Total comprehensive income		<u><u>5,791,341</u></u>	<u><u>11,252,363</u></u>	<u><u>3,619,355</u></u>

This statement is to be read in conjunction with the

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

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	32,016,825	33,174,567
Trade and other receivables	5	1,923,974	852,547
Inventories	6	25,308	25,308
TOTAL CURRENT ASSETS		<u>33,966,107</u>	<u>34,052,422</u>
NON-CURRENT ASSETS			
Other receivables	5	210,502	173,736
Investment in Local Government House	4	108,332	108,332
Property, plant and equipment	7	57,693,056	50,859,888
Infrastructure	8	104,186,906	107,033,913
TOTAL NON-CURRENT ASSETS		<u>162,198,796</u>	<u>158,175,869</u>
TOTAL ASSETS		<u>196,164,903</u>	<u>192,228,291</u>
CURRENT LIABILITIES			
Trade and other payables	9	20,140,807	22,585,676
Current portion of long term borrowings	10	172,919	76,812
Provisions	11	712,715	636,655
TOTAL CURRENT LIABILITIES		<u>21,026,441</u>	<u>23,299,143</u>
NON-CURRENT LIABILITIES			
Trade and other payables	9	22,565	22,565
Long term borrowings	10	454,583	145,043
Provisions	11	156,149	47,716
TOTAL NON-CURRENT LIABILITIES		<u>633,297</u>	<u>215,324</u>
TOTAL LIABILITIES		<u>21,659,738</u>	<u>23,514,467</u>
NET ASSETS		<u>174,505,165</u>	<u>168,713,824</u>
EQUITY			
Retained surplus		94,928,471	91,635,776
Reserves - cash backed	12	9,109,987	9,957,708
Revaluation surplus	13	70,466,707	67,120,340
TOTAL EQUITY		<u>174,505,165</u>	<u>168,713,824</u>

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

**SHIRE OF KATANNING
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		89,423,702	9,364,314	66,306,453	165,094,469
Comprehensive income					
Net result		2,805,468	0	0	2,805,468
Changes on revaluation of assets	13	0	0	813,887	813,887
Total comprehensive income		<u>2,805,468</u>	<u>0</u>	<u>813,887</u>	<u>3,619,355</u>
Transfers from/(to) reserves		(593,394)	593,394	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2016		91,635,776	9,957,708	67,120,340	168,713,824
Comprehensive income					
Net result		2,444,974	0	0	2,444,974
Changes on revaluation of assets	13	0	0	3,346,367	3,346,367
Total comprehensive income		<u>2,444,974</u>	<u>0</u>	<u>3,346,367</u>	<u>5,791,341</u>
Transfers from/(to) reserves		847,721	(847,721)	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2017		<u>94,928,471</u>	<u>9,109,987</u>	<u>70,466,707</u>	<u>174,505,165</u>

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

SHIRE OF KATANNING
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		3,450,201	3,735,183	3,284,680
Operating grants, subsidies and contributions		4,964,666	3,816,816	2,337,404
Fees and charges		2,006,347	2,443,400	1,983,817
Interest earnings		417,496	330,526	395,944
Goods and services tax		897,276	100,000	549,695
Other revenue		430,689	272,846	336,494
		<u>12,166,675</u>	<u>10,698,771</u>	<u>8,888,034</u>
Payments				
Employee costs		(4,349,371)	(3,632,135)	(4,728,168)
Materials and contracts		(5,921,328)	(3,634,107)	(1,617,543)
Utility charges		(382,560)	(391,493)	(376,029)
Interest expenses		(11,018)	(3,057)	(17,353)
Insurance expenses		(303,730)	(290,305)	(261,156)
Goods and services tax		(860,703)	5,000	(589,520)
Other expenditure		(871,442)	(114,685)	(315,765)
		<u>(12,700,152)</u>	<u>(8,060,782)</u>	<u>(7,905,534)</u>
Net cash provided by (used in) operating activities	14(b)	(533,477)	2,637,989	982,500
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(2,796,342)	(20,066,272)	(671,111)
Payments for construction of infrastructure		(2,134,586)	(1,507,410)	(1,152,100)
Payments for work in progress		0	0	(2,861,701)
Non-operating grants, subsidies and contributions		3,548,354	10,992,131	17,005,025
Funding provided for Asset Creation		0	(9,659,544)	0
Proceeds from sale of fixed assets		352,662	1,142,501	416,229
Net cash provided by (used in) investment activities		<u>(1,029,912)</u>	<u>(19,098,594)</u>	<u>12,736,342</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(76,812)	(76,813)	(115,030)
Proceeds from new debentures		482,459	2,555,000	0
Net cash provided by (used in) financing activities		<u>405,647</u>	<u>2,478,187</u>	<u>(115,030)</u>
Net increase (decrease) in cash held		(1,157,742)	(13,982,418)	13,603,812
Cash at beginning of year		33,174,567	33,174,568	19,570,755
Cash and cash equivalents at the end of the year	14(a)	<u><u>32,016,825</u></u>	<u><u>19,192,150</u></u>	<u><u>33,174,567</u></u>

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

SHIRE OF KATANNING
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		2,697,109	2,300,455	2,264,136
		<u>2,697,109</u>	<u>2,300,455</u>	<u>2,264,136</u>
Revenue from operating activities (excluding rates)				
Governance		108,008	634,736	846,749
General purpose funding		3,459,546	2,355,447	707,676
Law, order, public safety		204,213	194,786	171,959
Health		6,234	4,950	3,215
Education and welfare		202,243	149,950	98,537
Housing		214,406	230,565	208,643
Community amenities		953,469	963,376	957,612
Recreation and culture		644,973	612,498	540,656
Transport		2,044,618	1,292,600	249,073
Economic services		928,702	888,675	751,460
Other property and services		106,958	56,681	110,907
		<u>8,873,370</u>	<u>7,384,264</u>	<u>4,646,487</u>
Expenditure from operating activities				
Governance		(2,553,804)	(1,482,068)	(134,662)
General purpose funding		(107,531)	(158,235)	(1,019,814)
Law, order, public safety		(400,824)	(424,038)	(370,551)
Health		(118,502)	(155,179)	(111,766)
Education and welfare		(347,172)	(426,650)	(232,191)
Housing		(264,640)	(258,385)	(263,181)
Community amenities		(1,184,691)	(1,250,234)	(1,149,750)
Recreation and culture		(2,512,598)	(2,575,678)	(2,347,493)
Transport		(4,859,006)	(2,563,915)	(3,116,359)
Economic services		(1,155,789)	(1,367,638)	(1,505,517)
Other property and services		(67,251)	(63,368)	(126,142)
		<u>(13,571,808)</u>	<u>(10,725,388)</u>	<u>(10,377,426)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(54,268)	(897,417)	(229,841)
Loss on disposal of assets	21	728,531	374,452	0
Movement in investment in Local Government House		0	0	(10,388)
Movement in Amherst Village tenants reducing equity		(28,006)	0	13,693
Movement in accrued salaries and wages		14,339	0	(434,251)
Movement in accrued interest on debentures		(47)	0	(294)
Movement in deferred pensioner rates (non-current)		(36,766)	0	(17,534)
Movement in employee benefit provisions		184,493	0	103,591
Depreciation on assets	2(a)	3,264,209	2,181,907	3,179,636
Amount attributable to operating activities		<u>2,071,155</u>	<u>618,273</u>	<u>(862,191)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		3,548,354	10,992,131	5,105,625
Proceeds from disposal of assets	21	352,662	1,142,501	416,229
Work in Progress		0	0	(2,861,701)
Purchase of property, plant and equipment	7(b)	(2,796,342)	(20,066,272)	(671,111)
Purchase and construction of infrastructure	8(b)	(2,134,586)	(1,507,410)	(1,152,100)
Amount attributable to investing activities		<u>(1,029,912)</u>	<u>(9,439,050)</u>	<u>836,942</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(76,812)	(76,813)	(115,030)
Proceeds from new debentures	22(a)	482,459	2,555,000	0
Transfers to reserves (restricted assets)	12	(2,550,190)	(3,171,449)	(1,910,135)
Transfers from reserves (restricted assets)	12	3,397,911	5,912,682	1,316,741
Amount attributable to financing activities		<u>1,253,368</u>	<u>5,219,420</u>	<u>(708,424)</u>
Surplus(deficiency) before general rates		<u>2,294,611</u>	<u>(3,601,357)</u>	<u>(733,673)</u>
Total amount raised from general rates	23	3,595,059	3,601,357	3,430,782
Net current assets at June 30 c/fwd - surplus	24	<u><u>5,889,670</u></u>	<u><u>0</u></u>	<u><u>2,697,109</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 KATANNING
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 KATANNING
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 KATANNING
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:

	Capitalisation Threshold	Depn Rate	Useful Life
Land and Buildings	Buildings - \$5,000	2%	50 Years
	Land - ALL	N/A	N/A
Furniture and fittings	\$5,000	10%	10 years
Equipment	\$5,000	10%-33.3%	3 to 10 years
Plant	\$5,000	10%-20%	5 to 10 years
Motor Vehicles	ALL	25%	4 years
Painting and sculptures	ALL	1%	100 years
Drainage	\$10,000	2%	50 years
Parks and ovals	\$10,000	5%	20 years
Footpaths	\$10,000	2%	50 years
Bridges	\$10,000	2%	50 years
Roads	\$10,000	2.5%-5%	20 to 40 years
Other Infrastructure	\$10,000	2%-5%	20 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 KATANNING
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 KATANNING
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 KATANNING
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 KATANNING
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 KATANNING
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 KATANNING
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(n) for a description of the equity method of accounting.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

(w) Adoption of New and Revised Accounting Standards

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became 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 KATANNING
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:		
Significant Expenses		
In 2017, the Shire undertook significant road repairs due to flood damage which amounted to \$1,318,112 which has been reported under "Materials and Contracts" in the statement of comprehensive income by nature and type and under "Transport" in the statement of comprehensive income by program.		
Also in 2017, the Shire disposed of the Old Mill Museum and Shop to Dome Coffees Australia for \$1. The sale recognises the significant conservation works that were agreed to be undertaken by Dome Coffees Australia to preserve the historic building. The loss of \$149,999 on this disposal is reported in "Note 21 Disposals of assets" and "Loss on asset disposals" in the statement of comprehensive income. The Shire's contribution to the conservation works of \$500,000 is disclosed under "Other Expenditure" in the statement of comprehensive income by nature and type and under "Governance" in the statement of comprehensive income by program.		
Auditors remuneration (previous auditor)		
- Audit of the Annual Financial Report	0	23,625
- Audit fees associated with grant acquittals	0	2,300
- Other Services	0	3,396
Auditors remuneration (new auditor)		
- Audit of the Annual Financial Report	37,083	10,396
- Audit fees associated with grant acquittals	15,550	0
- Other Services	37,173	0
Financial Management Review	5,000	0
Depreciation		
Buildings - non-specialised	53,988	794,759
Buildings - specialised	850,050	0
Furniture and equipment	1,786	5,330
Plant	403,016	467,499
Paintings & Sculptures	2,306	2,306
Motor Vehicles	153,743	157,747
Equipment	91,204	173,569
Infrastructure - Roads	1,256,192	1,181,006
Infrastructure - Footpaths	86,912	70,747
Infrastructure - Drainage	251,743	223,887
Infrastructure - Parks and Ovals	27,014	4,900
Infrastructure - Other	73,239	84,870
Infrastructure - Bridges	13,016	13,016
	<u>3,264,209</u>	<u>3,179,636</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	10,971	17,059
	<u>10,971</u>	<u>17,059</u>
Rental charges		
- Operating leases	14,088	5,775
	<u>14,088</u>	<u>5,775</u>
(ii) Crediting as revenue:		

Significant revenue

In 2017 the Shire has recognised an amount of \$ 1,025,748 in "Operating grants, subsidies and contributions" in the statement of comprehensive income by nature and type and in "Transport" in the statement of comprehensive income by program due to flood claims received after year end from WANDRRA i.e relating to the significant expense as disclosed above.

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

2. REVENUE AND EXPENSES (Continued)	2017	2016
	\$	\$
Other revenue		
Reimbursements and recoveries	116,522	40,403
Other	314,167	296,091
	<u>430,689</u>	<u>336,494</u>
	2017	2017
	Actual	Budget
	\$	\$
Interest earnings		
- Reserve funds	278,460	229,026
- Other funds	73,842	55,000
Other interest revenue (refer note 28)	65,194	49,972
	<u>417,495</u>	<u>330,526</u>
		<u>395,944</u>

(b) Statement of Objective

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

COMMUNITY VISION

"Together, We're Building Katanning's Future"

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:

Administration and operation of facilities and services to members of Council. Other costs that relate to the tasks 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 of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Objective:

To provide an operational framework for environment and community health.

Activities:

Food quality and pest control, inspection of abattoir and operation of child health clinic, analytical testing and Environmental Health administration.

SHIRE OF KATANNING
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)

EDUCATION AND WELFARE

Objective:

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

Activities:

Year round care, housing for the aged and educational services.

HOUSING

Objective:

To provide and maintain staff and rental housing.

Activities:

Management and maintenance of staff and rental housing.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish collections, recycling, refuse site operations, litter control, administration of the town planning scheme, cemetery operations, public toilet facilities, sewerage and protection of the environment.

RECREATION AND CULTURE

Objective:

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

Activities:

Maintenance and operation of the Town Hall, the aquatic centre, recreation centre, library community arts programme, cultural activities and various reserves.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of streets, roads, bridges, footpaths; street lighting, traffic management and airport. Purchase and disposal of Council's Road Plant and parking control.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Building control, saleyards, tourism and area promotion, standpipes and pest control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Council's overhead operating accounts.

Activities:

Private works operations, plant repairs and operation costs, stock and materials, property leases and rental, salaries and wages of Council employees.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening			Closing			Closing
	Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Balance 30/06/17 \$
Governance							
Country Local Government Fund 2011/2012 (Reg. Gym/Entertainment Centre)	325,399	0	(284,541)	40,858	0	(40,858)	0
Country Local Government Fund 2012/2013 Admin Building	155,223	0	(154,609)	614	0	(614)	0
Supertown - RDL	2,416,307	15,362	(1,515,601)	916,068	0	(614,754)	301,314
RDL - Early Childhood Hub	5,731,117	98,545	(49,063)	5,780,599	0	(306,594)	5,474,005
RDL Main Street Stage 2	348,813	0	(263,097)	85,716	0	(85,716)	0
Supertown - RDL	0	15,720,000	0	15,720,000	0	(118,190)	15,601,810
Country Local Government Fund (Regional Waste Initiative)	0	56,707	(56,707)	0	0	0	0
Lotterywest Heritage Grant	0	30,000	(30,000)	0	0	0	0
Law, order, public safety							
Cat Act Sterilisation Project	9,509	0	(9,028)	481	0	(227)	254
DFES (Fire Truck Shed Door)	0	10,580	(10,580)	0	0	0	0
State CCTV Strategy Infrastructure Fund	0	0	0	0	115,231	(115,231)	0
Education and welfare							
Youth Activities Grant Income	0	31,170	(31,170)	0	31,668	(31,668)	0
National Youth Week Grant (CPFS Grant)	0	1,000	(1,000)	0	1,000	(1,000)	0
NAIDOC Week Grant Income	0	6,100	(5,545)	555	2,500	(1,964)	1,091
Grant Income (CDW) <i>Thank a Volunteer Day</i>	0	1,000	(1,000)	0	1,000	(1,000)	0
Harmony Festival Grant	0	30,000	(30,000)	0	30,909	(30,909)	0
All Ways 5 Days Project	0	23,231	(23,231)	0	28,351	(7,000)	21,351
Seniors Week	0	0	0	0	1,000	(1,000)	0
Drumbeats	0	0	0	0	75,319	(27,507)	47,812
PIAF	0	0	0	0	4,000	0	4,000
Community Childcare Feasibility Study Grant Income (Cdown)	0	0	0	0	14,100	(14,100)	0

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

2. REVENUE AND EXPENSES (Continued)
(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening			Closing			Closing
	Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Balance 30/06/17 \$
Recreation and culture							
Kidsport - Department of Communities	7,661	10,000	(16,552)	1,109	10,000	(11,109)	0
DSR Recreation Centre Activity Pilot Program	0	5,000	(5,000)	0	0	0	0
Childrens Book Week	0	2,225	(2,225)	0	2,600	(2,600)	0
Community Pool Grant	0	0	0	0	32,000	(32,000)	0
Club Development Officer Program	0	20,000	(20,000)	0	20,000	(20,000)	0
Community Water Supply Project	0	0	0	0	90,000	(90,000)	0
Transport							
Community Safe Speed Promise Grant	4,020	0	(3,016)	1,004	0	0	1,004
Blackspot Funding	0	46,640	(46,640)	0	0	0	0
MRWA - Bridges	0	21,400	(21,400)	0	0	0	0
Regional Road Group	0	250,000	(250,000)	0	230,726	(230,726)	0
Roads to Recovery	0	688,322	(568,713)	119,609	442,397	(562,006)	0
WANDRRA	0	0	0	0	690,325	(690,325)	0
RADS	0	0	0	0	71,119	(71,119)	0
Economic services							
Hidden Treasures (Auspice)	0	0		0	46,000	(40,978)	5,022
Total	8,998,049	17,067,282	(3,398,718)	22,666,613	1,940,245	(3,149,195)	21,457,663
	2015			2016			2017
	\$			\$			\$
Grants received recognised as revenue	501,812			2,284,669			3,563,784
Grants received recognised as a liability - see Note 9	8,496,237			20,381,944			17,893,879
	8,998,049			22,666,613			21,457,663

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.

SHIRE OF KATANNING
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		1,258,716	550,246
Restricted		30,758,109	32,624,321
		<u>32,016,825</u>	<u>33,174,567</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed - Employee Leave Entitlement Reserve	12	690,474	432,139
Reserves cash backed - Plant Replacement Reserve	12	808,457	989,843
Reserves cash backed - Amherst Village Building Maintenance Reserve	12	89,137	86,712
Reserves cash backed - Amherst Village Refundable Deposit Reserve	12	1,117,498	1,087,099
Reserves cash backed - Saleyard Reserve	12	982,914	956,175
Reserves cash backed - Waste Management Reserve	12	872,799	849,056
Reserves cash backed - Land and Buildings Reserve	12	3,762,761	2,821,739
Reserves cash backed - Land and Building Facilities for Senior Reserve	12	597,920	581,654
Reserves cash backed - New Saleyard Project Reserve	12	188,027	182,912
Reserves cash backed - Gravel Reserve	12	0	1,970,379
Unspent grants	2(c)	21,457,663	22,666,613
Unspent loans	22(c)	190,459	0
		<u>30,758,109</u>	<u>32,624,321</u>
4. INVESTMENTS			
Non-Current			
Investment in Local Government House		108,332	108,332
		<u>108,332</u>	<u>108,332</u>

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

	2017	2016
	\$	\$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	450,760	338,838
Sundry debtors	729,763	584,566
GST receivable	69,267	105,837
Accrued Income	1,025,748	13,944
Provision for doubtful debts	(351,814)	(190,888)
Payments in Advance	250	250
	<u>1,923,974</u>	<u>852,547</u>
Non-current		
Rates outstanding - pensioners	210,502	173,736
	<u>210,502</u>	<u>173,736</u>
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	<u>450,760</u>	<u>338,838</u>
Includes:		
Past due and not impaired	450,760	338,838
Impaired	0	0
	<u>450,760</u>	<u>338,838</u>
Sundry debtors	<u>729,763</u>	<u>584,566</u>
Includes:		
Past due and not impaired	93,341	159,845
Impaired	351,814	190,889
	<u>729,763</u>	<u>584,566</u>
6. INVENTORIES		
Current		
Fuel and materials	10,516	10,516
History books	14,792	14,792
	<u>25,308</u>	<u>25,308</u>

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

	2017	2016
	\$	\$
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land - Freehold Land at:		
- Management valuation 2017 - level 2	2,362,400	0
- Management valuation 2017 - level 3	1,180,700	0
- Independent valuation 2013 - level 2	0	9,599,100
- Additions after valuation - cost		131,261
	3,543,100	9,730,361
	3,543,100	9,730,361
Buildings - non-specialised at:		
- Management valuation 2017 - level 2	3,089,063	0
- Independent valuation 2013 - level 2	0	11,881,000
- Additions after valuation - cost	0	26,729,960
Buildings - non-specialised - Less: accumulated depreciation	0	(1,856,070)
	3,089,063	36,754,890
Buildings - specialised at:		
- Management valuation 2017 - level 3	46,321,352	0
- Management valuation 2017 - level 2	166,920	0
Buildings - specialised - Less: accumulated depreciation	0	0
	46,488,272	0
	49,577,335	36,754,890
Total land and buildings	53,120,435	46,485,251
Furniture and equipment at:		
- Management valuation 2016 - level 2	17,860	17,860
Furniture and equipment - Less: accumulated depreciation	(1,786)	0
	16,074	17,860
Plant at:		
- Management valuation 2016 - level 2	2,872,748	3,073,928
- Additions after valuation - cost	448,679	0
Plant - Less: accumulated depreciation	(379,628)	0
	2,941,799	3,073,928

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

	2017	2016
	\$	\$
7 (a). PROPERTY, PLANT AND EQUIPMENT		
(Continued)		
Paintings & Sculptures: at:		
- Independent valuation 2015 - level 2	230,591	230,591
Paintings & Sculptures - Less: accumulated depreciation	<u>(4,612)</u>	<u>(2,306)</u>
	225,979	228,285
 Motor Vehicles at:		
- Management valuation 2016 - level 2	327,743	591,160
- Additions after valuation - cost	368,015	0
Motor Vehicles - Less: accumulated depreciation	<u>(105,593)</u>	<u>0</u>
	590,165	591,160
 Equipment at:		
- Management valuation 2016 - level 2	454,071	462,967
- Additions after valuation - cost	434,881	437
Equipment - Less: accumulated depreciation	<u>(90,348)</u>	<u>0</u>
	798,604	463,404
	<u><u>57,693,056</u></u>	<u><u>50,859,888</u></u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

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

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

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	9,730,361	0	0	(1,519,193)	0	0		(4,668,068)	3,543,100
Total land	9,730,361	0	0	(1,519,193)	0	0	0	(4,668,068)	3,543,100
Buildings - non-specialised	36,754,890	0		299,740	0	0	(53,988)	(33,911,579)	3,089,063
Buildings - specialised	0	1,772,067	(150,000)	6,300,164	0	0	(850,050)	39,416,091	46,488,272
Total buildings	36,754,890	1,772,067	(150,000)	6,599,904	0	0	(904,038)	5,504,512	49,577,335
Total land and buildings	46,485,251	1,772,067	(150,000)	5,080,711	0	0	(904,038)	836,444	53,120,435
Furniture and equipment	17,860	0	0	0	0	0	(1,786)	0	16,074
Plant	3,073,928	448,679	(177,792)	0	0	0	(403,016)	0	2,941,799
Paintings & Sculptures	228,285	0	0	0	0	0	(2,306)		225,979
Motor Vehicles	591,160	368,015	(215,267)	0	0	0	(153,743)	0	590,165
Equipment	463,404	207,581	(8,477)	0	0	0	(91,204)	227,300	798,604
Total property, plant and equipment	50,859,888	2,796,342	(551,536)	5,080,711	0	0	(1,556,093)	1,063,744	57,693,056

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land - Freehold Land	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Land - freehold land	Level 2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Price per hectare
Buildings - non-specialised/specialised	Level 2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Open market values of similar items adjusted for condition and comparability.
Buildings - specialised	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Furniture and equipment	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.
Plant	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.
Paintings & Sculptures	Level 2	Market approach using recent observable market data for similar items	Independent registered valuer	June 2015	Market Price
Motor Vehicles	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.
Equipment	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.

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

	2017	2016
	\$	\$
8 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	79,114,422	79,114,422
- Road Impairment	(1,734,344)	0
- Additions after valuation - cost	2,722,810	1,136,466
Infrastructure - Roads - Less: accumulated depreciation	<u>(2,437,198)</u>	<u>(1,181,006)</u>
	77,665,690	79,069,882
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	2,531,537	2,531,537
- Additions after valuation - cost	539,546	0
Infrastructure - Footpaths - Less: accumulated depreciation	<u>(157,659)</u>	<u>(70,747)</u>
	2,913,424	2,460,790
Infrastructure - Drainage		
- Management valuation 2015 - level 3	10,260,024	10,260,024
- Additions after valuation - cost	2,884,582	0
Infrastructure - Drainage - Less: accumulated depreciation	<u>(475,630)</u>	<u>(223,887)</u>
	12,668,976	10,036,137
Infrastructure - Parks and Ovals		
- Management valuation 2015 - level 3	92,396	92,396
- Additions after valuation - cost	2,289,209	0
Infrastructure - Parks and Ovals - Less: accumulated depreciation	<u>(27,314)</u>	<u>(300)</u>
	2,354,291	92,096
Infrastructure - Other		
- Management valuation 2015 - level 3	3,394,801	3,394,801
- Additions after valuation - cost	4,723,052	15,634
Infrastructure - Other - Less: accumulated depreciation	<u>(158,109)</u>	<u>(84,870)</u>
	7,959,744	3,325,565
Infrastructure - Bridges		
- Management valuation 2015 - level 3	650,813	650,813
Infrastructure - Bridges - Less: accumulated depreciation	<u>(26,032)</u>	<u>(13,016)</u>
	624,781	637,797
Infrastructure - Works in progress		
- Additions at Cost	0	8,529,418
- Additions 2016	0	2,882,228
- Additions 2017	<u>0</u>	<u>0</u>
	0	11,411,646
	<u>104,186,906</u>	<u>107,033,913</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.

Road Impairment

During the period of February 2017 the Shire of Katanning received severe rainfall resulting in significant flooding. The damage was widespread throughout the Shire mainly to the road network.

The cost estimate for reinstatement of road infrastructure is \$3,052,750 (approved by WANDRRA) less repairs already done during the year (\$1,318,112), however this is subject to review and when claimed will include the full cost of supervising of the works.

The Road impairment disclosed above is the total estimated less works carried out in the 2016/2017 period.

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

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	79,069,882	1,400,009	0	0	0	(1,734,344)	(1,256,192)	186,335	77,665,690
Infrastructure - Footpaths	2,460,790	128,944	0	0	0	0	(86,912)	410,602	2,913,424
Infrastructure - Drainage	10,036,137	0	0	0	0	0	(251,743)	2,884,582	12,668,976
Infrastructure - Parks and Ovals	92,096	209,011	0	0	0	0	(27,014)	2,080,198	2,354,291
Infrastructure - Other	3,325,565	396,622	0	0	0	0	(73,239)	4,310,796	7,959,744
Infrastructure - Bridges	637,797	0	0	0	0	0	(13,016)	0	624,781
Infrastructure - Works in progress	11,411,646	0	0	0	0	0	0	(11,411,646)	0
Total infrastructure	<u>107,033,913</u>	<u>2,134,586</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,734,344)</u>	<u>(1,708,116)</u>	<u>(1,539,133)</u>	<u>104,186,906</u>

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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

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

	2017	2016
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	205,231	723,772
Accrued interest on debentures	343	390
Accrued salaries and wages	28,966	14,627
ATO liabilities	24,688	49,622
Accrued Expenses	842,402	242,017
Amherst Deposits	1,145,298	1,173,304
Income received in advance	17,893,879	20,381,944
	<u>20,140,807</u>	<u>22,585,676</u>
Non-Current		
Provision for excess on changeover Amherst Village Units	22,565	22,565
	<u>22,565</u>	<u>22,565</u>

10. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	172,919	76,812
	<u>172,919</u>	<u>76,812</u>
Non-current		
Secured by floating charge		
Debentures	454,583	145,043
	<u>454,583</u>	<u>145,043</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

	Provision for	Provision for	
	Annual	Long Service	Total
	Leave	Leave	\$
	\$	\$	\$
Opening balance at 1 July 2016			
Current provisions	350,491	286,164	636,655
Non-current provisions	0	47,716	47,716
	<u>350,491</u>	<u>333,880</u>	<u>684,371</u>
Additional provision	28,663	155,830	184,493
Balance at 30 June 2017	<u>379,154</u>	<u>489,710</u>	<u>868,864</u>
Comprises			
Current	379,154	333,561	712,715
Non-current	0	156,149	156,149
	<u>379,154</u>	<u>489,710</u>	<u>868,864</u>

SHIRE OF KATANNING
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 \$
Employee Leave Entitlement Reserve	432,139	258,334	0	690,474	432,140	109,939	0	542,079	419,406	12,733	0	432,139
Plant Replacement Reserve	989,843	27,680	(209,067)	808,457	989,843	22,766	(270,500)	742,109	153,220	836,623	0	989,843
Amherst Village Building Maintenance Reserve	86,712	2,425	0	89,137	86,712	1,994	(20,000)	68,706	118,812	3,607	(35,707)	86,712
Amherst Village Refundable Deposit Reserve	1,087,099	30,400	0	1,117,498	1,087,099	25,003	0	1,112,102	800,786	354,313	(68,000)	1,087,099
Saleyard Reserve	956,175	26,739	0	982,914	956,175	21,992	(333,000)	645,167	928,000	28,175	0	956,175
Waste Management Reserve	849,056	23,743	0	872,799	849,056	68,253	0	917,309	824,037	25,019	0	849,056
Land and Buildings Reserve	2,821,739	2,104,388	(1,163,365)	3,762,761	2,821,739	2,858,598	(3,086,365)	2,593,972	2,474,750	538,989	(192,000)	2,821,739
Land and Building Facilities for Senior Reserve	581,654	16,266	0	597,920	581,654	13,378	0	595,032	564,515	17,139	0	581,654
New Saleyard Project Reserve	182,912	5,115	0	188,027	182,912	4,207	(187,119)	0	361,014	10,961	(189,063)	182,912
New Saleyard Plant Reserve	0	0	0	0	0	0	0	0	807,456	24,515	(831,971)	0
Gravel Reserve	1,970,379	55,100	(2,025,479)	0	1,970,379	45,319	(2,015,698)	0	1,912,318	58,061	0	1,970,379
	<u>9,957,708</u>	<u>2,550,190</u>	<u>(3,397,911)</u>	<u>9,109,987</u>	<u>9,957,709</u>	<u>3,171,449</u>	<u>(5,912,682)</u>	<u>7,216,476</u>	<u>9,364,314</u>	<u>1,910,135</u>	<u>(1,316,741)</u>	<u>9,957,708</u>

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

SHIRE OF KATANNING
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
Employee Leave Entitlement Reserve	Ongoing	To be used to fund accrued employee leave entitlements.
Plant Replacement Reserve	Ongoing	To be used for future plant purchases.
Amherst Village Building Maintenance Reserve	Ongoing	To be used for maintenance at Amherst Village.
Amherst Village Refundable Deposit Reserve	Ongoing	To be used to fund refundable deposits at Amherst Village
Saleyard Reserve	Ongoing	To be used for future capital and maintenance works.
Waste Management Reserve	Ongoing	To be used for future capital and maintenance works.
Land and Buildings Reserve	Ongoing	To provide for construction and maintenance of council owned buildings.
Land and Building Facilities for Senior Reserve	Ongoing	To be used for construction and maintenance of land and buildings for the use of seniors.
New Saleyard Project Reserve	Ongoing	To be used for future capital and maintenance works.
New Saleyard Plant Reserve	Ongoing	To be used to fund plant purchases.
Gravel Reserve	Ongoing	To be used to fund the costs of meeting Shire's future gravel and construction requirements.

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

13. REVALUATION SURPLUS

	2017	2017	2017	2017 Total	2017	2016	2016	2016	2016 Total	2016
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Movement on Revaluation	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	7,435,230	5,080,711	0	5,080,711	12,515,941	7,435,230	0	0	0	7,435,230
Revaluation surplus - Furniture	1,773	0	0	0	1,773	24,486		(22,713)	(22,713)	1,773
Revaluation surplus - Plant	1,011,022	0	0	0	1,011,022	453,443	557,579	0	557,579	1,011,022
Revaluation surplus - Painting and sculptures	210,339	0	0	0	210,339	210,339	0	0	0	210,339
Revaluation surplus - Equipment	579,346	0	0	0	579,346	460,880	118,466	0	118,466	579,346
Revaluation surplus - Motor Vehicle	160,555	0	0	0	160,555	0	160,555	0	160,555	160,555
Revaluation surplus - Infrastructure - Roads	39,578,114	0	(1,734,344)	(1,734,344)	37,843,770	39,578,114	0	0	0	39,578,114
Revaluation surplus - Infrastructure - Footpaths	2,528,431	0	0	0	2,528,431	2,528,431	0	0	0	2,528,431
Revaluation surplus - Infrastructure - Drainage	12,554,137	0	0	0	12,554,137	12,554,137	0	0	0	12,554,137
Revaluation surplus - Infrastructure - Parks and Ovals	263,516	0	0	0	263,516	263,516	0	0	0	263,516
Revaluation surplus - Infrastructure - Other	2,490,477	0	0	0	2,490,477	2,490,477	0	0	0	2,490,477
Revaluation surplus - Infrastructure - Bridges	307,400	0	0	0	307,400	307,400	0	0	0	307,400
	<u>67,120,340</u>	<u>5,080,711</u>	<u>(1,734,344)</u>	<u>3,346,367</u>	<u>70,466,707</u>	<u>66,306,453</u>	<u>836,600</u>	<u>(22,713)</u>	<u>813,887</u>	<u>67,120,340</u>

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 KATANNING
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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>32,016,825</u>	<u>19,192,150</u>	<u>33,174,567</u>

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

Net result	2,444,974	11,252,363	2,805,468
Non-cash flows in Net result:			
Depreciation	3,264,209	2,181,907	3,179,636
(Profit)/Loss on sale of asset	674,263	(522,965)	(229,841)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(1,108,193)	610,568	451,086
(Increase)/Decrease in inventories	0	(2,500)	10,388
Increase/(Decrease) in payables	(2,444,869)	(448,613)	11,667,197
Increase/(Decrease) in provisions	184,493	559,360	103,591
Grants contributions for the development of assets	<u>(3,548,354)</u>	<u>(10,992,131)</u>	<u>(17,005,025)</u>
Net cash from operating activities	<u>(533,477)</u>	<u>2,637,989</u>	<u>982,500</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	250,000	250,000
Bank overdraft at balance date	0	0
Credit card limit	65,000	65,000
Credit card balance at balance date	<u>(7,224)</u>	<u>(897)</u>
Total amount of credit unused	<u>307,776</u>	<u>314,103</u>
Loan facilities		
Loan facilities - current	172,919	76,812
Loan facilities - non-current	<u>454,583</u>	<u>145,043</u>
Total facilities in use at balance date	<u>627,502</u>	<u>221,855</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

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

15. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities as at 30 June 2017 and 2016.

16. CAPITAL AND LEASING COMMITMENTS	2017	2016
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	9,840	14,088
- later than one year but not later than five years	22,139	31,979
- later than five years	<u>0</u>	<u>0</u>
	<u><u>31,979</u></u>	<u><u>46,067</u></u>

In 2017, the Shire has one leased motor vehicle with a monthly rental payment of \$820 ending June 2020.

(b) Capital Expenditure Commitments

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

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

17. JOINT VENTURE ARRANGEMENTS

The Shire did not have any joint venture arrangements at the reporting date.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	1,024,231	722,544
General purpose funding	1,085,109	388,877
Law, order, public safety	515,549	383,503
Health	262,648	95,000
Education and welfare	930,758	815,600
Housing	6,909,108	3,988,126
Community amenities	516,266	307,386
Recreation and culture	17,497,778	9,450,113
Transport	93,357,682	93,733,000
Economic services	31,259,973	37,945,717
Other property and services	5,249,471	6,950,723
Unallocated	37,556,332	37,447,702
	<u>196,164,903</u>	<u>192,228,291</u>

SHIRE OF KATANNING
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	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	2.47	1.09	1.28
Asset sustainability ratio	0.73	1.31	0.94
Debt service cover ratio	24.74	6.79	6.29
Operating surplus ratio	(0.18)	(0.36)	0.16
Own source revenue coverage ratio	0.46	0.62	0.64

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 64 of this document.

Four of the 2017 ratios disclosed above were distorted by the following items;

- 1) 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 \$1,032,229.
- 2) The significant road repairs of \$1,318,112 due to flood damage which have increased operating expenses this year.

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,000,441.

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

	2017	2016	2015
Current ratio	1.68	1.09	1.28
Debt service cover ratio	12.98	14.36	4.22
Operating surplus ratio	(0.35)	(0.20)	(0.01)
Own Source revenue coverage ratio	0.51	0.62	0.64

SHIRE OF KATANNING
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
	\$	\$	(\$)	\$
Transport Licensing	37,728	3,060,969	(3,060,969)	37,728
Saleyard Bonds	947	3,682	(4,279)	350
KLC Bonds	134	7,498	(8,777)	(1,145)
Town Hall Bonds	890	1,000	(1,250)	640
Cat Trap Bond	90	120	(120)	90
Other Bonds & Guarantees	7,650	511	(361)	7,800
Carpark Contribution Liability	8,168	0	0	8,168
Public Open Space Contributions	38,000	0	0	38,000
Agriculture Society Contributions	9,818	2,000	0	11,818
BCITF Licence Levy	2,660	6,346	(8,050)	956
Building Licence Levy	1,598	6,676	(7,798)	476
Sale of Paintings	(143)	0	0	(143)
Art prize	200	0	0	200
	<u>107,740</u>			<u>104,938</u>

SHIRE OF KATANNING
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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 \$
Plant and Equipment								
Governance								
Toyota Prado VX Wagon 01KA (MV99)	50,473	51,818	1,345	0	52,500	50,000	0	(2,500)
Mitsubishi Triton MQ Ute 1EWS472 (MV97)	0	0	0	0	28,000	26,000	0	(2,000)
Mazda CX5 KA108 (MV93)	0	0	0	0	23,600	25,000	1,400	0
Toyota Rav4 KA03 (MV98)	18,684	18,182	0	(502)	26,500	28,000	1,500	0
Holden Colorado 7 LT KA062 (MV101)	24,612	30,001	5,389	0	26,500	28,000	1,500	0
Old Mill Museum and Shop (B2027)	150,000	1	0	(149,999)	299,999	1	0	(299,998)
Lot 964 Great Southern Hwy	0	0	0	0	11,000	360,000	349,000	0
Annie Street	0	0	0	0	3,164	48,000	44,836	0
Hassell Street	0	0	0	0	70,501	270,000	199,499	0
Recreation and Culture								
Mitsubishi Triton MN Ute 1EUV370 (MV96)	16,247	21,818	5,571	0	18,500	19,000	500	0
Transport								
Holden Colorado 7 LTZ KA00 (MV103)	28,894	32,727	3,833	0	32,000	30,000	0	(2,000)
Mitsubishi Triton HP Ute KA09 (MV83)	14,622	19,091	4,469	0	10,500	18,000	7,500	0
Mazda BT50 KA277 (MV61)	0	0	0	0	3,000	10,000	7,000	0
Kia K2900 Ute KA126 (PE68)	11,654	7,727	0	(3,927)	8,100	9,000	900	0
Mitsubishi Triton GLX Ute 1DPP015 (MV59)	11,373	13,636	2,263	0	3,700	15,000	11,300	0
Holden Colorado 7 LT KA189 (MV100)	30,868	30,000	0	(868)	18,500	20,000	1,500	0
2005 Mitsubishi Triton	0	0	0	0	0	4,000	4,000	0

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR (Continued)

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 \$
Hyundai iLoad Van KA712 (P228)	18,334	6,864	0	(11,470)	0	0	0	0
1995 Holden Rodeo KA24556 (MV67)	0	0	0	0	0	500	500	0
Toyota Hilux Ute KA369 (PE126)	19,496	8,182	0	(11,314)	0	0	0	0
Isuzu Tipping Truck KA1993 (HP12)	0	0	0	0	1,824	50,000	48,176	0
Takeuchi Skid Steer Loader KA11910 (P6165)	14,494	25,000	10,506	0	(12,700)	16,000	28,700	0
Isuzu Road Sweeper KA533 (HP08)	0	0	0	0	(74,800)	20,000	94,800	0
Kubota L2550 Tractor (PE201)	0	12,670	12,670	0		5,000	5,000	0
Gallag Vertimower & Trailer DU1895 (PE203)	0	355	355	0		1,000	1,000	0
9000L Fibreglass Tank (E55)	8,476	4,545	0	(3,931)	5,313	8,000	2,687	0
9000L Fibreglass Tank (E55)	0	0	0	0	(1,310)	8,000	9,310	0
Scissor Lift (PE129)	23,336	3,636	0	(19,700)	34,700	11,000	0	(23,700)
Scissor Lift (PE130)	23,336	5,409	0	(17,927)	34,700	11,000	0	(23,700)
Trailer Mounted Concrete Pump (PE156)	45,411	29,136	0	(16,275)	34,422	18,000	0	(16,422)
Hydraulic Tree Saw (PE23)	1,225	9,092	7,867	0	(59,100)	8,000	67,100	0
Caterpillar Bucket (PE124)	2,455	2,455	0	0	0	2,000	2,000	0
Kanga Loader (PE165)	20,836	8,273	0	(12,563)	4,291	12,000	7,709	0
Kerbing Tools (PE194)	16,710	12,044	0	(4,666)	16,132	12,000	0	(4,132)
	<u>551,536</u>	<u>352,662</u>	<u>54,268</u>	<u>(253,142)</u>	<u>619,536</u>	<u>1,142,501</u>	<u>897,417</u>	<u>(374,452)</u>
Governance								
Assets written off (see note below)	475,389	0	0	(475,389)	0	0	0	0
	<u>1,026,925</u>	<u>352,662</u>	<u>54,268</u>	<u>(728,531)</u>	<u>619,536</u>	<u>1,142,501</u>	<u>897,417</u>	<u>(374,452)</u>

Note Assets written off relate a number of assets previously capitalised in the saleyards classification. Upon review, it was determined they were not appropriately capitalised and should have been expensed via "Materials and Contracts", hence the decision to write them off.

SHIRE OF KATANNING
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	Repayments	Repayments	
	2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Housing								
146 Conroy St Duplex	52,206	0	25,168	25,168	27,038	27,038	3,360	3,934
Community amenities								
154 Plant purchase - compactor	34,415	0	16,923	16,924	17,492	17,491	1,006	1,359
Recreation and culture								
148 Aquatic Centre	94,295	0	21,536	21,536	72,759	72,759	5,313	6,116
Economic services								
155 Plant purchase - road sweeper	40,939	0	13,185	13,185	27,754	27,754	1,292	1,648
Other property and services								
156 Plant purchase - Road sweeper	0	292,000	0	0	292,000	310,000	0	0
157 Plant purchase - Tipping truck	0	190,459	0	0	190,459	245,000	0	0
	221,855	482,459	76,812	76,813	627,502	700,042	10,971	13,057

All loan repayments were financed by general purpose revenue.

SHIRE OF KATANNING
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

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
156 Plant purchase - Road sweeper	292,000	310,000	WATC	Debenture	5	25,512	2.42%	292,000	310,000	0
157 Plant purchase - Tipping truck	190,459	245,000	WATC	Debenture	5	16,641	2.42%	0	245,000	190,459
158 New admin Building	0	2,000,000	WATC	Debenture	20	738,000	3.69%	0	2,000,000	0
	<u>482,459</u>	<u>2,555,000</u>				<u>780,153</u>		<u>292,000</u>	<u>2,555,000</u>	<u>190,459</u>

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1 July 16	Borrowed	Expended	Balance 30 June 17
			During Year	During Year	
		\$	\$	\$	\$
157 Plant purchase - Tipping truck	Jul 2017	0	190,459	0	190,459
		<u>0</u>	<u>190,459</u>	<u>0</u>	<u>190,459</u>

(d) Overdraft

The Shire did not utilise any overdraft facility during the financial year although an overdraft facility of \$250,000 with the Commonwealth Bank does exist.

SHIRE OF KATANNING
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 \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General Rates										
Gross rental value valuations										
Gross Rental Value (GRV)	0.093957	1,802	18,780,968	1,764,604	(2,927)	1,761,677	1,764,603	4,000	1,000	1,769,603
Unimproved value valuations										
Unimproved Value (UV)	0.010603	222	111,581,500	1,183,099	1,582	1,184,681	1,183,099	0	0	1,183,099
Sub-Total		2,024	130,362,468	2,947,703	(1,345)	2,946,358	2,947,702	4,000	1,000	2,952,702
Minimum payment	Minimum \$									
Gross rental value valuations										
Gross Rental Value (GRV)	915	654	4,202,611	598,410	0	598,410	598,410	0	0	598,410
Unimproved value valuations										
Unimproved Value (UV)	915	103	5,036,978	94,245	0	94,245	94,245	0	0	94,245
Sub-Total		757	9,239,589	692,655	0	692,655	692,655	0	0	692,655
		2,781	139,602,057	3,640,358	(1,345)	3,639,013	3,640,357	4,000	1,000	3,645,357
Discounts/concessions (refer note 27)						(42,620)				(40,000)
Rates Adjustments						(1,334)				(4,000)
Total amount raised from general rate						3,595,059				3,601,357
Ex-gratia rates						3,830				3,826
Totals						3,598,889				3,605,183

SHIRE OF KATANNING
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 1 July 16 brought forward	5,889,670	2,697,109	2,697,109
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,258,716	550,246	550,246
Restricted	30,758,109	32,624,321	32,624,321
Receivables			
Rates outstanding	450,760	338,838	338,838
Sundry debtors	729,763	584,566	584,566
GST receivable	69,267	105,837	105,837
Payments in Advance	250	250	250
Accrued Income	1,025,748	13,944	13,944
Provision for doubtful debts	(351,814)	(190,888)	(190,888)
Inventories			
Fuel and materials	10,516	10,516	10,516
History books	14,792	14,792	14,792
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(205,231)	(723,713)	(723,713)
Accrued interest on debentures	(343)	(390)	(390)
Accrued salaries and wages	(28,966)	(14,627)	(14,627)
ATO liabilities	(24,688)	(49,681)	(49,681)
Accrued Expenses	(842,402)	(242,017)	(242,017)
Income received in advance	(17,893,879)	(20,381,944)	(20,381,944)
Current portion of long term borrowings			
Secured by floating charge	(172,919)	(76,812)	(76,812)
Provisions			
Provision for annual leave	(379,154)	(350,491)	(350,491)
Provision for long service leave	(333,561)	(286,164)	(286,164)
Unadjusted net current assets	14,084,964	11,926,583	11,926,583
Adjustments			
Less: Reserves - restricted cash	(9,109,987)	(9,957,708)	(9,957,708)
Less: Payments in Advance	(250)	(250)	(250)
Less: Employee entitlements not expected to be utilised	712,715	636,655	636,655
Add: Current portion of long term borrowings	172,919	76,812	76,812
Add: Accrued wages and interest	29,309	15,017	15,017
Adjusted net current assets - surplus	5,889,670	2,697,109	2,697,109

Difference

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

**SHIRE OF KATANNING
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.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 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
General Rates	2.00%		40,690	38,632	A discount of 2% of the current rates levied will be offered to rate payers whose payment of the full amount owing, including the arrears and charges, is received on or before 35 days after the date appearing on the rate notice. The discount will apply to interim rates issued after the billing date.
			<u>40,690</u>	<u>38,632</u>	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$	Reasons for the Waiver or Concession
Katanning Country Club	Concession	50.00%		1,930	1,368	Council resolved to continue providing a 50% concession in rates otherwise payable on lots 2, 130 & 4 Round Drive, commencing on 1 July 2014 for a period of 10 years, in recognition of the recreation facilities the Club provides to the Katanning community.
				<u>1,930</u>	<u>1,368</u>	
				<u>42,620</u>	<u>40,000</u>	

SHIRE OF KATANNING
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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	30 September 16			11.00%
Option Two				
First Instalment	30 September 16		5.50%	11.00%
Second Instalment	02 February 17	10	5.50%	11.00%
Option Three				
First Instalment	30 September 16	10	5.50%	11.00%
Second Instalment	01 December 16	10	5.50%	11.00%
Third Instalment	02 February 17	10	5.50%	11.00%
Fourth Instalment	06 April 17	10	5.50%	11.00%
			Revenue \$	Budgeted Revenue \$
Interest on unpaid rates			52,449	35,000
Interest on instalment plan			12,745	11,500
Charges on instalment plan			12,460	12,000
			<u>77,654</u>	<u>58,500</u>

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

29. FEES & CHARGES	2017	2016
	\$	\$
Governance	1,113	185
General purpose funding	19,699	19,468
Law, order, public safety	15,834	18,660
Health	3,114	3,215
Education and welfare	3,500	3,118
Housing	59,377	57,000
Community amenities	815,336	874,036
Recreation and culture	423,842	405,674
Transport	243	8,167
Economic services	619,480	571,907
Other property and services	44,809	22,387
	<u>2,006,347</u>	<u>1,983,817</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	74,415	101,802
General purpose funding	2,991,095	978,406
Law, order, public safety	181,392	151,055
Education and welfare	198,743	94,319
Community amenities	8,013	7,313
Recreation and culture	187,401	118,586
Transport	2,002,413	222,135
Economic services	309,221	(1,207)
Other property and services	8,048	24,538
	<u>5,960,741</u>	<u>1,696,947</u>
Non-operating grants, subsidies and contributions		
Governance	2,760,000	0
General purpose funding	0	3,988,683
Law, order, public safety	115,231	10,580
Transport	673,123	1,106,362
	<u>3,548,354</u>	<u>5,105,625</u>
	<u>9,509,095</u>	<u>6,802,572</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

69	63
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32. ELECTED MEMBERS REMUNERATION

	2017	2017	2016
	\$	Budget	\$
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	90,000	90,000	90,000
President's allowance	20,000	20,000	20,000
Deputy President's allowance	5,000	5,000	5,000
Travelling expenses	0	0	437
Telecommunications allowance	9,900	9,900	9,900
	<u>124,900</u>	<u>124,900</u>	<u>125,337</u>

SHIRE OF KATANNING
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	691,338
Post-employment benefits	78,664
Other long-term benefits	14,144
	784,146
	784,146

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 32.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

Transactions with related parties

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

The following transactions occurred with related parties:

	2017
	\$
Associated companies/individuals:	
Sale of goods and services	60,292
Purchase of goods and services	107,918

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 KATANNING
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 KATANNING
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 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	32,016,825	33,174,567	32,016,825	33,174,567
Receivables	<u>2,134,476</u>	<u>1,026,283</u>	<u>2,134,476</u>	<u>1,026,283</u>
	<u><u>34,151,301</u></u>	<u><u>34,200,850</u></u>	<u><u>34,151,301</u></u>	<u><u>34,200,850</u></u>
Financial liabilities				
Payables	20,163,172	22,608,241	20,163,172	22,608,241
Borrowings	<u>627,502</u>	<u>221,855</u>	<u>629,358</u>	<u>235,156</u>
	<u><u>20,790,674</u></u>	<u><u>22,830,096</u></u>	<u><u>20,792,530</u></u>	<u><u>22,843,397</u></u>

Fair value is determined as follows:

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

SHIRE OF KATANNING
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

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

Cash 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 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	320,168	187,372
- Statement of Comprehensive Income	320,168	187,372

Notes:

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

SHIRE OF KATANNING
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	100%	100%
- Overdue	0%	0%
Percentage of other receivables		
- Current	39%	40%
- Overdue	61%	60%

SHIRE OF KATANNING
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	20,140,807	22,565	0	20,163,172	20,163,172
Borrowings	190,814	480,290	0	671,104	627,502
	<u>20,331,621</u>	<u>502,855</u>	<u>0</u>	<u>20,834,276</u>	<u>20,790,674</u>
<u>2016</u>					
Payables	22,585,676	22,565	0	22,608,241	22,608,241
Borrowings	76,812	145,043	0	221,855	221,855
	<u>22,662,488</u>	<u>167,608</u>	<u>0</u>	<u>22,830,096</u>	<u>22,830,096</u>

SHIRE OF KATANNING
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								
Debentures	44,530	27,754	72,759	0	0	482,459	627,502	3.11%
Weighted average Effective interest rate	5.74%	3.43%	5.97%	0.00%	0.00%	2.42%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	86,621	40,938	94,296	0	0	221,855	5.40%
Weighted average Effective interest rate	0.00%	5.72%	3.43%	5.97%	0.00%	0.00%		

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF KATANNING

Opinion on the Audit of the Financial Report

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

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

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

Basis for Opinion

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

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the *Local Government Act 1995 (as amended)*, the *Local Government (Financial Management) Regulations 1996 (as amended)* or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 64 of this report, we have reviewed the calculation as presented and nothing has come to our attention to suggest it is not supported by:
 - i. verifiable information; and
 - ii. reasonable assumptions.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF KATANNING (CONTINUED)**

Other Information

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

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

Responsibilities of Management and Council for the Financial Report

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

In preparing the financial report, management is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

MOORE STEPHENS
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

Date: 31 January 2018
Perth, WA

**SHIRE OF KATANNING
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	0.98	0.97	0.97
Asset renewal funding ratio	1.07	N/A	0.99

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
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Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
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