



Shire of
Katanning
Heart of the Great Southern

Annual Report
2017 – 2018



Heart of the Great Southern

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

DRAFT

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Contents

President's Report.....	4
Chief Executive Officer's Report.....	6
Katanning in Brief.....	7
Councillors	8
Executive Management Team	10
Organisational Structure.....	11
Grants	18
Major Assets	18
Katanning Saleyards	18
Katanning Leisure Centre.....	19
Road Infrastructure	20
Community Financial Assistance Program.....	20
Strategic Community Plan	21
Corporate Business Plan.....	22
Compliance	26
National Competition Policy	26
Freedom of Information	26
State Records Act	26
Disability Access and Inclusion Plan	27
Employee Remuneration Disclosure	28
Public Interest Disclosures	28
Complaints Register.....	28
Annual Financial Report.....	29

President's Report

I am pleased to provide this report on the activities of the Shire of Katanning for the 12- month period ending 30 June 2018.

The local government elections in October 2017 saw 2 new Councillors elected and three re-elected. Kristy D'Aprile and Ernie Menghini bring new skills and passion to our Council. Owen Boxall, Danny McGrath and Alep Mydie continue to build their experience in Local Government and are great contributors around the table.

Alep Mydie, after 13 years in Local Government and the celebration of his 60th birthday, made the decision to step down from Council in July 2018. On behalf of the community we thank Alep for his valuable years of service.



Again, we take this opportunity to sincerely thank and recognise Richard Kowald and Craig McKinley for their service and dedication to the Shire of Katanning for 12 and 4 years respectively. Craig and Richard both retired at the 2017 election, both also served as Deputy President, Richard serving a 4 year term as President and providing leadership to our community.

The Shire of Katanning was successful in gaining funding for the Welcome Precinct, Piesse Park, a Residential Subdivision and Co-location of the Bowling Club. The funds were provided by the State Government of Western Australia in May 2016 under the Growing our South Initiative under Royalty for Regions.

Extensive planning has been undertaken in the past 12 months to ensure developments are sustainable, cost effective, meet community needs and are of high quality. 2019 will now be one of action, particularly in the area of the All Ages Playground redevelopment. Council acknowledge that this component of the Katanning Heritage Centre Project holds the highest priority for our community and will greatly increase the liveability of our community.

Many thanks to all who have contributed in some way to the planning of our new developments within the Katanning Heritage Centre Project. Many people have contributed ideas and input, including Playgroup, Young people with an interest in skateboarding and the miniature Railway volunteers. Special thanks to Project Advisory Group community members Lisa Blacklow, Cameron Taylor and Doug Cherry whose input has been invaluable.

April 2018 saw the opening of The Premier Mill Hotel. This development highlighted the value of community partnerships and strong leadership. The Council of the day showed inspired leadership and ingenuity to offer The Mill for \$1. This year we have continued to work with The Premier Mill to provide high quality streetscape surrounding the development.

This partnership created a catalyst for future improvements in streetscape in our Katanning. These developments, whilst sometimes accused of being cosmetic, are essential for both community members and visitors experience of our town. We are all very proud of the Mill development and have been invigorated by the interest in our community and history. A very special thanks to Nigel Oakey CEO of the Dome Group whose passion and energy has driven the project and continues to see Katanning and The Mill promoted across Australia.

Our challenge for 2019 is to ensure that we as a community build on the opportunities provided, encourage further investment, and develop Katanning as a destination to live, work and visit. Council will continue to support initiatives that grow our economic base and prosperity.

The New Administration and Civic Centre Building will be completed in early 2019. This project demonstrates an investment in a strong and positive future of Katanning as an important regional centre. Staff will experience first class working conditions. One of the major reasons the design was chosen was the linkage provided with the old Hotel. The Katanning Hotel was purchased and renovated by the Shire some years ago as a Business incubator, the ground floor is currently leased to the Katanning Hub Community Resource Centre who partners with the Katanning Regional Business Association to deliver business, State Government and community outcomes for the district. The connection to the new Administration building provides the opportunity to engage and use the space on the top floor of the Katanning Hotel.

I would also like to thank the many and varied community organisations that continue to provide worthy services to our community, as well as the individual volunteers that make those contributions possible.

A lot of what is achieved could not take place without support from the State Government, their continued support demonstrates that Katanning is an important regional centre worthy of the investment to improve infrastructure that improves the economic prospects and liveability of our community.

Council's appreciation is extended to CEO Julian Murphy for the advice and leadership of the Shire of Katanning. To all our dedicated Shire staff who continue to work alongside the Council to deliver for our community we sincerely thank you.

Thank you to all Councillors who have given a great deal of time to deliberate on issues, plans and processes. Your contributions are appreciated and provide great assistance to Council in its decision-making process on behalf of the community.

Special thanks to Deputy President Cr John Goodheart for his dedication, support and advice.

As President I am committed to leading Council in continuing to improve communication with our community. I thank those people who continually ask questions of myself, Councillors and CEO to gain a clear understanding of particular projects and actions or raise issues.

Katanning's future looks bright, we look forward to working with you to create positive outcomes now and for future generations.

Cr Liz Guidera
President

Chief Executive Officer's Report

2017/18 saw a number of personnel changes to Elected Members following the October 2017 Council Elections and Senior Staff during the year. Although facing a number of challenges over the last twelve months we have continued to work together towards building a strong cohesive team to address the current needs of the Community and to take the organisation into the future.

Over the past year the Shire has made significant progress towards implementing a number of major transformational projects. These projects are funded by the State Government Royalties for Regions Program, Lotterywest and the Council.

Landscaping works commenced on Clive Street and Austral Terrace to support the opening of the Premier Mill Hotel Development.

The New Shire Administration and Civic Building is nearing completion with the Shire Staff expected to move into the new building in early 2019. The new building will provide facilities for the Shire administration and customer service functions, and Council Chambers.

Development of the Welcome Precinct/All Ages Playground Design has been completed after extensive community consultation with construction due to commence in early 2019.

The Piesse Park Concept Plan development has been completed with works on the implementation of the plan ongoing until the latter half of 2019.

Council gave particular consideration to the Piesse Lake Residential Subdivision plan which has been advertised for public comment following which, Council will decide on the progress of this project.

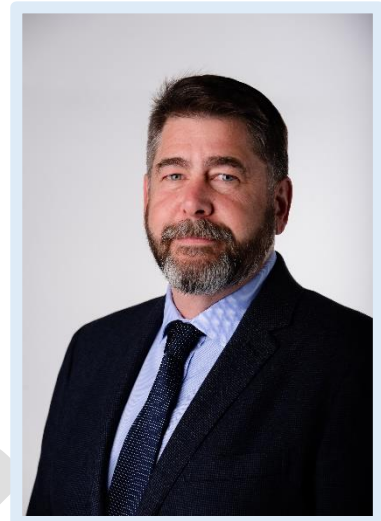
Restoration and repair works continued on rural roads following the February 2017 flood event which caused substantial damage to the Shires roads and drainage infrastructure. These works have now been completed.

The Shire employs a dedicated Community Relations Officer to ensure that communication and engagement with the community is maintained. The Shire regularly provides information to the community through the Shire Matters Newsletter, the Shire website, Facebook and other social media platforms.

We have continued to work cooperatively with our neighbouring local governments particularly in the area of tourism, fire and emergency services, housing development and building control. The Shire has also participated in the Great Southern Peer Support Program with other Local Governments working towards improving our integrated planning and reporting processes.

I would like to take this opportunity to thank the President Cr Liz Guidera and Councillors for their extraordinary commitment to attending workshops and meetings to progress the major capital projects currently being undertaken by the Shire of Katanning as well as dealing with the day to day business of Council. I would also like to express my thanks to the Staff for their hard work and support over the past year.

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, 2017	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

Term expires 2019



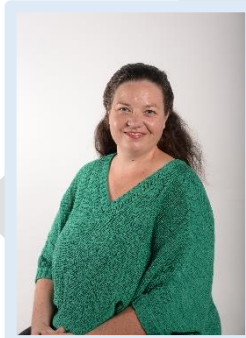
Cr John Goodheart
Deputy Shire President

Term expires 2019



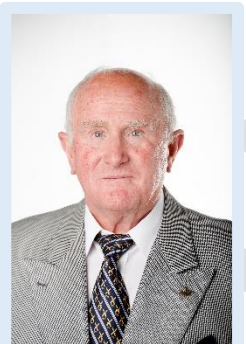
Cr Owen Boxall

Term expires 2021



Cr Serena Sandwell

Term expires 2019



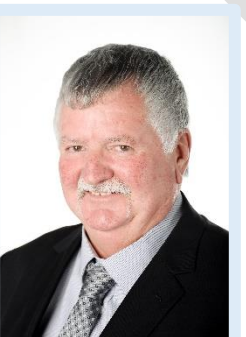
Cr Martin Van
Koldenhoven

Term expires 2019



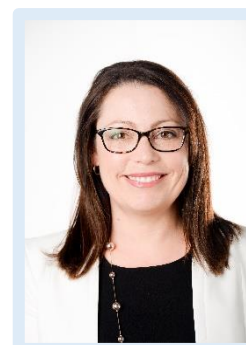
Cr Danny McGrath

Term expires 2021



Cr Ernie Menghini

Term expires 2021



Cr Kristy D'Aprile

Term expires 2021

Retired Councillors



Cr Alep Mydie

Retired July 2018

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Executive Management Team



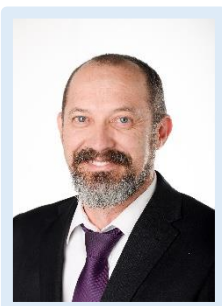
Julian Murphy
Chief Executive Officer

Governance
Community Relations
Human Resources
OSH and Risk



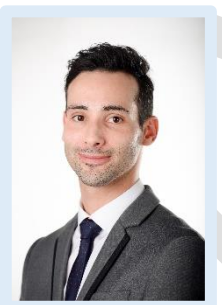
Lisa Hannagan
Executive Manager Finance and Administration

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

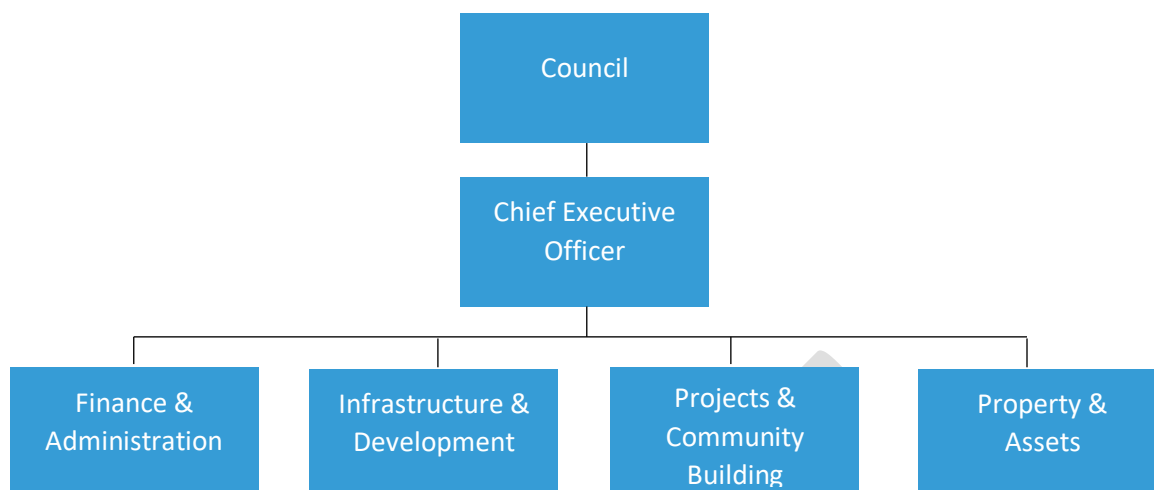
Strategic Planning
Community Development
Leisure Centre
Library and Art Gallery
Aquatic Centre



Andrus Budrikis
Executive Manager Property and Assets

Project Management
Building Maintenance
Infrastructure Management
Saleyards
Asset Management

Organisational Structure



Council Highlights, Events and Milestones

July 2017

Council Highlights

At the July Ordinary Council Meeting, having considered the submissions received following public consultation, 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

The Shire worked with community volunteers over 8 weeks of activity with a make-over at Piesse Lake. Works included garden maintenance, swale planting, shore planting and a celebration on completion.

The Katanning Art Gallery presented the *Doors Exhibition* from 27 July until 19 August 2017.

The Katanning Library hosted the *Travelling Sketchbook Exhibition* as part of the annual *KickstartART Festival* held during *National Youth Week*.



The Shire of Katanning July School Holiday program included *Dot Painting Shoes* at the Town Hall.

August 2017

Council Highlights

Each year Council set aside funds in the annual budget to support local community initiatives.

At the August Ordinary Council Meeting, Council considered Community Financial Assistance Program applications and resolved to support the following groups:

- Lions Club of Katanning for a portion of entertainment costs for Free Community Concert; plus in kind support for Mosquito Control, Stage setup & road closure.
- Katanning Historical Society for Security barrier screens for windows in administration building.
- Katanning Landcare for part payments of events, presenters, entertainment, venue, accommodation, marketing and advertising for Ecoweek 'Out of the Bin'; plus in kind volunteer labour.
- Palmerston Association Inc for Entertainment, band travel expenses, PA system and Lighting for the NAIDOC Ball plus in kind support for 50% discount of venue hire.

At the same meeting, Council also granted Development Approval for land and buildings leased by the Shire in Katanning to be used for Community Purpose – Katanning Men's Shed.

Community Highlights



The Katanning Town Hall hosted the greatest love story ever told on 2 August 2017 when *Romeo and Juliet* was performed by The Players group.

The Katanning Art Gallery hosted a celebration of the artistic skills of our local Noongar artists as part of our *Naidoc Week* activities.

The *Sweet, Sour and Saucy* show came to Katanning Town Hall in August 2017. Featuring Barbara and Barry, the show toured regional Western Australia and included a workshop on group singing.

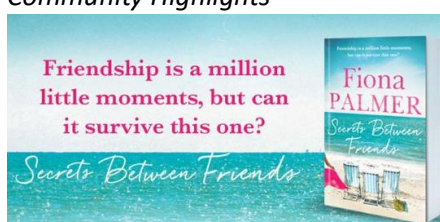


September 2017

Council Highlights

At the Ordinary Council Meeting held in September, Council considered the Katanning Supertowns Heritage Centre Project (KSHCP) and resolved that Council would hold a public meeting to seek the views of the community on the Hames Sharley Masterplan for the Welcome Precinct, Austral Terrace Precinct and Piesse Lake Precinct including Welcome Precinct Options A & B.

Community Highlights



The Katanning Library hosted best-selling Western Australian visiting author Fiona Palmer on her tour to launch her new novel *Secrets Between Friends*.



Katanning Leisure Centre hosted the *2017 Bloom Festival & Eco Week Flowers Feathers Family Fund Fair* in September 2017. The Ram Pavilion was buzzing with art, craft, live music, family entertainment, farmers market and a chook auction!



The Katanning Art Gallery hosted the *Blooming Art Exhibition* which presented amazing creative floral designs made by local identities, groups and individuals.

Techspo came to Katanning in September 2017. The event, organised by local grower group Southern Dirt, was supported by the Shire of Katanning and run primarily at the Katanning Leisure Centre over 3 days. The aim of the event was to be Australia's premier technology and innovation event for the agricultural community and included a full day Conference, exhibitions and field events. The event brought significant economic benefit to Katanning with +300 attendees at the Conference plus exhibitors.



October 2017

Council Highlights

At a Special Council Meeting held 12 October 2017, Council resolved to accept the tender from Firm Construction Pty Ltd for Request for Tender 04-2017 for the Construction of the new Administration and Civic Building.

Local Government Elections were held on 21 October 2017 with 5 positions filled. The CEO called a Special Council Meeting on 23 October 2017 to manage the business associated with the newly elected Council. Matters included election of the Shire President and Deputy Shire President, and appointment of elected members to Committees, Working Groups, Advisory Groups and non-Council Committees.

Community Highlights

The *Art Access Exhibition* was presented at the Katanning Art Gallery over September and October. The event exhibited works from TAFE Art Access Students with ceramics, sculptural and drawing artworks available for sale.

November 2017

Council Highlights

Council adopted the Strategic Community Plan – Katanning 2017- 2027 at the Ordinary Council Meeting held in November. The Strategic Community Plan is the Council's key document, developed with extensive community consultation, that sets out what Council aims to achieve for their community over a 10-year period.

At the same meeting Council approved the Concept Plan produced by Hames Sharley for the Piesse Lake Residential Sub Division, subject to final approval from WAPC of the Piesse Lake Structure Plan.

Community Highlights

The Katanning Town Hall celebrated *WA Seniors Week* with a *Seniors Spring Dance* – Old Time Dance to step back in time.



The Katanning Art Gallery hosted *Public in Katanning* featuring murals by four prominent Western Australian artists and included workshops with local youth and *The Core* an exhibition by visiting international artist Karim Jabbari.

December 2017

Community Highlights

The "Ask Me" short film launch was held at the Katanning Town Hall in December. This initiative was supported by the Disability Services Commission and featured a number of local people answering questions about how they overcame the difficulties of living with a disability.



Christmas on Clive was held 9 December 2017 and was a great community event with a free concert and Father Christmas. Closely followed by *Carols by Candlelight* in the Town Square with a free sausage sizzle and drinks.

January 2018

Community Highlights



Australia Day Celebrations took place at Lions Park with a fantastic community turn out.

February 2018

Council Highlights

At a Special Council Meeting held 12 February 2018, Council accepted the Auditors Report for the 2016/17 financial year, adopted the Annual Report (including the Financial Report) for the year ended 30 June 2017; and determined that the General Meeting of Electors was to be held on Monday 12 March 2018 at 7.30pm at the Katanning Leisure Centre.

At the Ordinary Council Meeting held 27 February 2018 Council considered Round 2 of the Community Financial Assistance Program applications and resolved to support the following groups:

- Katanning Senior High School P&C for venue hire and decoration hire costs.
- Rotary Club of Katanning for Katanning Cinema Project equipment.

Council appointed Plan E to carry out the detailed design, construction documentation and contract administration of the Welcome Precinct and All Ages Playground as per RFT 07-2017.

That Council appointed Emerge Associates to undertake the concept planning and detailed design of Piesse Park as per RFT 08-2017.

Community Highlights



The Katanning *Concert in the Park* was held in February and featured free music and local entertainment. This event is supported by the Shire and is growing in popularity every year.

The Katanning Library hosted *Creations from the Man Cave* during February. Featuring sculptures by Neil Elliot, the exhibition featured a collection sculptures, jigsaw puzzles of wood, metal and found objects.

March 2018

Council Highlights

Council committed Wheatbelt Natural Resource Management agency that the Shire of Katanning will act as the lead agent for the Lake Ewlyamartup Maintenance and Management Plan. Council are committed to the ongoing maintenance and management of Lake Ewlyamartup and are working closely with the community and a group of highly motivated volunteers to ensure the future sustainability of this valued natural resource.

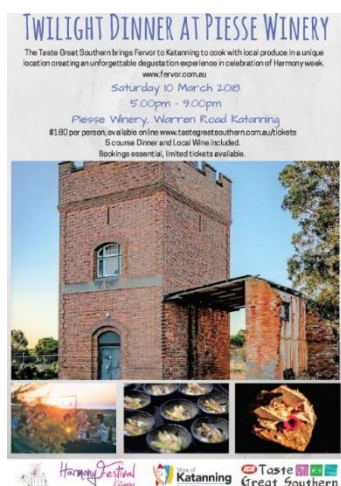
Community Highlights



Harmony Week celebrations ran during March 2018. This event continues to grow and attract community participation. With the street parade, loads of free cultural entertainment, and international food village and market stalls.

Friday Night Food Night was held in March and was well attended by the community.

The “Believe it or Not Tour” ran in conjunction with the Food Night and featured a whistle stop tour of some of Katanning’s art, culture and architecture including the Mosque and other houses of faith.



A Twilight Dinner at Piesse Winery was held in March. The Taste Great Southern Event brought Fervor to town to cook local produce in a unique location. The degustation menu included a 5-course dinner with matching wines.



Katanning Toy Library celebrated 30 years of operation in March 2018. The Toy Library is fully run by fantastic volunteers and has over 450 active toys.

April 2018

Council Highlights

Council adopted the Shire of Katanning Corporate Business Plan at the April Ordinary Council Meeting. The Corporate Business Plan is a key component of the Integrated Planning and Reporting Framework requirements for Local Government. The intent of the Integrated Planning and Reporting Framework is to ensure improved strategic, financial and asset management planning across Western Australian Local Governments.

Essentially, the Corporate Business Plan is the document that translates the goals and objectives set out in the Strategic Community Plan into activities that will address and achieve those goals and objectives.

Community Highlights



The *Great Southern Youth Festival 2018* was held at the Katanning Leisure Centre. This free event included Bubble Soccer, a Rock Climbing Wall, food vans and free music.

May 2018

Community Highlights



The Katanning Town Hall came alive with *Songs of the Sea* sung by the Albany Shantymen. The show was followed up by singing workshops and all money raised from the door was donated to the Royal Flying Doctor Service.

June 2018

Council Highlights

At a Special Council Meeting held 13 June 2018, Council authorised the CEO to sign the Royalties for Regions – Great Southern Regional Grants Scheme (RGS) Round 6 – Katanning Country Club Redevelopment – Stage 1 Grant Agreement.

The Grant Agreement is in relation to grant funding of \$170,000 (excluding GST) for the specific purpose of the following projects at the Katanning Country Club:

This project is one portion of a larger project to relocate the Katanning Bowling Club to the Katanning Country Club precinct which is also being managed by the Shire of Katanning.

Community Highlights



The Katanning Leisure Centre hosted a *Business Expo* in June 2018. The program was run with the support of the Shire, Katanning Regional Business Association, CRC and included networking, business support stalls and key note speakers.

Grants

The Shire received grants funding totalling over \$2.91 million during the reporting period.

Name of Grant/Source	Amount
Katanning Country Club Redevelopment Project (Auspice)	\$ 27,555
Youth Activities	\$ 31,931
National Youth Week (CPFS Grant)	\$ 1,000
Harmony Festival	\$ 42,818
All Ways 5 Days	\$ 5,808
Seniors Week	\$ 1,000
Kidsport	\$ 11,546
Club Development Officer	\$ 20,000
Community Water Supply Project	\$ 10,000
Regional Road Group	\$ 491,933
Roads to Recovery	\$ 440,736
Western Australian Natural Disaster Relief and Recovery Arrangement (WANDRRA)	\$ 1,718,127
Regional Airports Development Scheme (RADS)	\$ 13,000
Hidden Treasures (Auspice)	\$ 78,793
Business Activation	\$ 19,492
TOTAL	\$ 2,913,739

Major Assets

Katanning Saleyards



2017/18 Actual		2017/18 Budget		2016/17 Actual	
Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
747,454	870,942	818,624	1,009,953	2,593,633	966,826

The Saleyards had a successful year with income through yarding fees 38% greater than budgeted. The operating profit, prior to applying depreciation, was \$322,164.00 for the year. Depreciation was larger than budgeted as a result of the fair value revaluation of Shire building assets.

\$150,000.00 was budgeted for capital upgrades at the Saleyards but remained unutilised at 30 June 2018. These funds focussed on renewable energy generation and storage, and irrigation infrastructure from the Saleyards dams. An energy study was completed to inform strategies for the better generation and use of energy. Ensuring the best combination of renewable resources for the future of the Saleyards remains a focus, and the budget has been carried forward to 2018/19.

Katanning Leisure Centre



2017/18 Actual		2017/18 Budget		2016/17 Actual	
Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
327,488	1,691,771	401,340	1,413,084	393,200	1,776,170

Overall, Katanning Leisure Centre revenue is \$73,852 less than budgeted for 2017/18. This is largely a result of a decreased membership take-up (\$24,999) and gym entries (\$19,430). A trainee position was introduced, and a corresponding subsidy budgeted for 2017/18 (\$21,040) was received late in 2016/17.

Expenditure for KLC was \$278,687 greater than budgeted. This can be largely attributed to a higher depreciation on buildings than budgeted where fair value revaluation occurred at 30 June 2017. The air-conditioning system was replaced in the KLC Pioneer room, funding for which was identified during the budget review process.

Road Infrastructure

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

Funds are contributed by Council and external sources such as the Regional Road Group and Roads 2 Recovery.

In 2017/18, \$1,361,736 was budgeted to improve the following roads:

Road and work completed	2017/18 Actual	2017/18 Budget
Fairfield Road – Repair failed pavement and reseal	300,495	240,000
Dumbleyung Road – Repair failed pavement and reseal	54,778	126,000
Warren Road – Reconstruct and widen crests	240,183	300,000
Conroy Street – Repair failures and reseal	47,075	45,000
Andover Street (at Clive) – Reconstruct and reseal	34,191	65,000
Conning Road – Resheet	148,205	135,000
Hutton Road – Resheet	148,817	140,000
Cheviot Hills Road – Resheet	99,075	100,736
Illareen Road – Resheet	111,190	95,000
Braeside Road – Repair failures and reseal	38,326	115,000
St John Ambulance – Asphalt laneway	26,047	24,000
	\$1,248,381	\$1,385,736

Community Financial Assistance Program

Each year Council sets aside funds to provide financial support to the community.

In 2017/18, Council budgeted \$25,000 for the Community Financial Assistance Program.

Local community groups make application for funds and the following donations were awarded in the 2017/18 financial year:

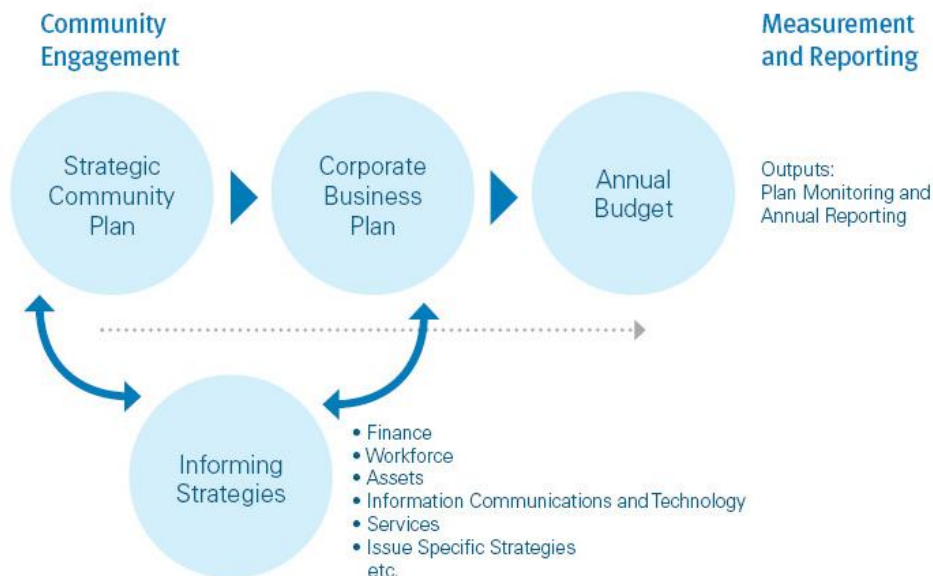
Round 1	Recipient
\$2,500 cash; plus \$1,600 in kind for Mosquito Control, Stage setup & road closure.	Lions Club of Katanning for portion of entertainment cost for Free Community Concert.
\$1,401.82 cash.	Katanning Historical Society for security barrier screens for windows in administration building.
\$5,000 cash; plus \$3,500 in kind for volunteer labour.	Katanning Landcare for part payments of events, presenters, entertainment, venue, accommodation, marketing and advertising for Ecoweek 'Out of the Bin'.
\$2,500 cash plus \$517.50 in kind for 50% discount of venue hire.	Palmerston Association Inc for Entertainment, Band travel expenses, PA system and Lighting for the NAIDOC Ball.
Round 2	
\$845.45 cash.	Katanning Senior High School P&C for venue hire and decoration hire costs.
\$10,247 cash.	Rotary Club of Katanning for Katanning Cinema Project equipment as listed in application.

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 10 Year Strategic Community Plan in November 2017.

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.

Our Vision

"A prosperous, vibrant and diverse community working together"

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.

Aspire to grow our town 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.

Corporate Business Plan

Key Result Area	Annual Highlights
Social	<i>Councillors engage with the community and represent the Shire at regularly scheduled meetings including Katanning Leisure Centre User Group, Katanning Aquatic Centre User Group and the Christmas Decorations Working Group.</i>
	S1 – A capable, vibrant, healthy and connected community
	<ul style="list-style-type: none"> • The Shire's Disability and Access Inclusion Plan was updated to ensure services and facilities actively optimise inclusion. Community education of all hazards continues through the Shire's Facebook page, website and Shire Matters publication (S.1.2.2). • The Shire Art Gallery hosted 13 exhibitions over the period and the Library door count (established in 2015) saw a record door count for the period (S.1.3.2). • The Library Management System was upgraded to provide better ease of access and use by the community (S.1.3.4). • Agreement was reached with the Katanning Bowling Club and Katanning Country Club to collocate the bowling green at the Country Club (S.1.1.1). • Piesse Park Concept Plan was substantially progressed (S.1.1.3). • All Ages Playground / Welcome Precinct detail design was completed (S.1.1.3)
	S2 – A safe community
	<ul style="list-style-type: none"> • The Shire continues to provide administrative support to Local Emergency Management Committee and coordinates the distribution of information to the Shire's of Katanning, Kent and Woodanilling (S.2.1.1). • Shire staff contributed the Katanning Action and Drug Association Strategic Action Plan (S.2.1.3). • A review into CCTV has commenced, with the Shire developing a Strategy document that will include a register of all CCTV currently in place (Shire and other), document gaps and facilitate grant funding applications (S.2.1.3). • Council advocate for better services and facilities for local Police (S.2.1.3).
	S3 – A resilient, engaged community with a strong sense of pride
	<ul style="list-style-type: none"> • Katanning Noongar Leadership Group – the Shire convened 8 meetings (S.3.1.1). • The Shire continues to support operation of the Katanning Hub CRC through the provision of facilities at the Katanning Hotel (S.3.2.3). • Council continues to provide financial assistance grants to community groups and not for profits via the Community Financial Assistance Program (S.3.2.3). • Staff facilitated the development of the Katanning Cinema Group (S.3.2.2). • The Shire supported over 15 significant events at the Katanning Leisure Centre by providing financial and/or in kind support (S.3.2.3). • The Shire supported the Noongar Wellbeing and Sport Program (S.3.2.3).

<p>Built Environment</p>	<p><i>Councillors engage with the community and represent the Shire at scheduled meetings including the Katanning Heritage Centre Project Advisory Group (KHCPAG), Katanning Administration and Civic Building Project Advisory Group, the Roadwise Committee and the Great Southern Regional Road Group.</i></p> <p>B1 – Infrastructure that meets community needs</p> <ul style="list-style-type: none"> • Annual Road Construction Program developed (B.1.1.2). • 10 year Plant Replacement Program developed (B.1.1.2). • 10 Year Plan for Footpath Network (B.1.1.2). • In relation to Biennial Satisfaction Surveys, the Shire is working with the Great Southern Peer Support group to deliver a process that will allow participating Local Governments in the region to benchmark progress. (B.1.1.1). • Continued renovation program at Town Hall, Mechanics Institute and Town Clock (B.1.1.4). • Maintained a focus on safety improvement planning and auditing on the Shire’s key building assets (B.1.1.5). • Provided financial assistance to the St John Ambulance Car Park sealing project (B.1.2.2). <p>B2 – Places for the community to live, work and connect</p> <ul style="list-style-type: none"> • The front façade revitalisation program continued with further properties on both Austral Terrace and Clive Street upgraded with assistance from Council (B.2.1.4). • The Building Better Regions Fund and Great Southern Housing Initiative continues to progress (B.2.2.1). • Completed landscaping upgrades and tree planting in Clive Street and Austral Terrace (B.2.1.5).
<p>Natural Environment</p>	<p><i>Councillors engage with the community and represent the Shire at scheduled meetings including the Local Emergency Management Committee (LEMC), Katanning Land Conservation District Committee (LCDC), Katanning Bushire Advisory Committee, Katanning Townscape Advisory Committee</i></p> <p>N1 – A community and Council that are environmentally aware and engaged</p> <ul style="list-style-type: none"> • Provided funding and support for the Katanning Landcare’s Eco Week (N.1.1.1). • Established Eco Lane as a feature at the Harmony Festival in 2018 (N.1.1.1). • Maintained a close working relationship with Katanning Landcare to assist in the delivery of Community Projects (N.1.1.1). • Worked with Department of Primary Industries and Regional Development to investigate ground water options for local industry (N.1.3.1). • Planning commenced for expansion of recycled water use for public open spaces (N.1.3.1). <p>N2 – A high level of biodiversity and healthy ecosystems</p> <ul style="list-style-type: none"> • Professor Stephen Hopper from UWA was engaged to provide professional advice to the Piesse Lake and Regional Botanic Garden Project (N.2.1.1). • Undertook a water use analysis study for the use and distribution of recycled and Saleyard catchment water (N.2.1.1).

	<p>N3 – A strong sense of community ownership and pride for the natural environment</p> <ul style="list-style-type: none"> • Regional Botanic Garden Project – formed Piesse Lake Working Group (N.3.1.1). • Living Lakes Project at Lake Ewlyamartup commenced (N.3.1.1). • Worked with Katanning Landcare on conservation works at Police Pools (N.3.1.1).
Economic	<p><i>Councillors engage with the community and represent the Shire at scheduled meetings including the Katanning Saleyards Operations User Group, the Katanning Economic Development Working Group, the Great Southern Regional Recreation Advisory Committee, Hidden Treasures of the Great Southern, Katanning Action Network.</i></p> <p>E1 – Local business and industry is resilient, growing</p> <ul style="list-style-type: none"> • Worked with the Business community to deliver the Gearing Up Skill Building and Training project (E.1.1.2). • Collaborated with Katanning Regional Business Association and Katanning Hub CRC to develop a Local Business Activation Innovation Action Plan (E.1.1.1). • Council reviewed and updated Regional Price Preference and Buy Local Policy (E.1.2.1). • Provided support to Christmas on Clive event to assist with the activation of the CBD (E.1.3.1). • Facilitated the urban art project Public in Katanning in collaboration with FORM's Silo Art Trail (E.1.3.1). <p>E2 – A place to live and visit</p> <ul style="list-style-type: none"> • Worked with neighbouring Local Governments on the ongoing development of regional tourism strategy (E.2.1.1). • Continued to participate with Hidden Treasures of the Great Southern on tourism initiatives (E.2.1.1). • Worked collaboratively with Dome Cafes to support the Premier Mill Hotel development (E.2.1.2). • Auspiced Bloom Festival funding and finance functions (E.2.2.1). • Initiated and coordinated new regionally significant events including Fervor's Twilight Dinner at Piesse Winery and Harmony Friday Food Night and tour (E.2.2.2). • Maintained community relations via social media platforms and main street presence at the Shire Pop-up Shop in Clive Street (E.2.3.1). <p>E3 – Sustainable economic and population growth</p> <ul style="list-style-type: none"> • The Shire worked actively to extend and embed collaboration with Katanning Landcare (E.3.1.2). • Provided support to local grower groups through financial and in kind contributions to the Southern Dirt Techspo event (E.3.1.1). • Progressed planning for the development of residential sub division at Piesse Lake (E.3.2.2). <p>E4 – A culture of learning</p> <ul style="list-style-type: none"> • The Shire continues to advocate for provision of locally based family services and support programs with all stakeholders (E.4.1.3). • Provided ongoing support to the Katanning Middle School Project (E.4.1.1).

	<ul style="list-style-type: none"> Continued to advocate for the development of an Early Childhood Hub in Katanning with the Department of Education and Department of Primary Industries and Regional Development (E.4.1.3).
Leadership	<p><i>Councillors represent the Shire on the Audit and Risk Committee, Citizen of the Year Committee, Community Financial Assistance Program (CFAP) Advisory Committee and the WALGA Great Southern Country Zone.</i></p> <p><i>Councillors participate in ongoing professional development. During this reporting period Councillors attended the Local Government Convention in Perth, WALGA's Effective Community Leadership (Tambellup) and WALGA Local Government Financial Training (Albany).</i></p> <p>L1 – An inclusive community, recognised as a great place to live and visit</p> <ul style="list-style-type: none"> Shire Officers continue to operate the Pop-up Shop on Clive Street two mornings per week to encourage engagement with the community (L.1.1.3). Council undertook a comprehensive review of all Council Policies over the second half of the reporting period (L.1.1.1). Council adopted a Customer Service Charter to establish a standard for working with the community (L.1.1.4). <p>L2 – A collaborative, progressive and resilient local government which is sustainably resourced</p> <ul style="list-style-type: none"> Council adopted a 10 year Strategic Community Plan in November 2017 (L.2.1.1). Council adopted a Corporate Business Plan in May 2018 (L.2.1.1). Continued revision of other Integrated Planning and Reporting informing strategy documents such as the Long Term Financial Plan and Workforce Management Plan (L.2.1.1).

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.

3 Freedom of Information enquiries were processed during the 2017-2018 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 carer's and families.

In 2017-2018 the following Shire initiatives contributed towards the Achievement of the DAIP outcomes:

- Katanning Leisure Centre offered social recreational programs monthly for seniors, additionally they have gym sessions on Tuesday and Thursday afternoons both of which are inclusive of people with disability.
- Katanning Public Library have a community puzzle table and board gaming program which is accessed weekly by people with disabilities.
- For Disability Awareness Week 2017, the Shire of Katanning produced a short film 'Ask Me' featuring local people sharing stories to raise awareness around some aspects of living with a disability.
- The Shire of Katanning assisted the local TAFE organise an Art Exhibition at the Katanning Gallery as part of the Disability Awareness Week 2017.
- New access friendly soap dispensers & bins have been installed in the Katanning Town Hall toilets.
- Description signs for the new public artworks were installed at a height accessible for people in wheelchairs or seniors with electric scooters.
- Currently the Shire of Katanning prints 40+ copies of Shire Matters newsletter which is hand delivered by a volunteer to seniors in Katanning, printed copies are also available at the Shire Administration, Library, Visitor's Centre and Leisure Centre.

- Planning for 'Changing Places' toilets took place (toilets to be located at the Lions Park).
-
- Accessibility is a key consideration for the Shire of Katanning when planning projects.
- Annually the Shire of Katanning hosts workplace experience students from the Katanning Senior High School, this year we hosted two students with disabilities.
- The shire provided work experience for a person with a mental illness for three months through the Pathways program.

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 entitled 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	2
120,000	129,999	3
130,000	139,999	
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 Executive Manager Finance & Administration 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.

There were no Public Interest Disclosure requests received during the reporting period.

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 2017-2018 period.



Shire of
Katanning
Heart of the Great Southern

Annual Financial Report
2017 – 2018



Heart of the Great Southern

SHIRE OF KATANNING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	52

COMMUNITY VISION

Together, we're building Katanning's future

Principal place of business:

16-24 Austral Terrace
Katanning WA 6317

**SHIRE OF KATANNING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Katanning for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Katanning at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 11TH day of DECEMBER 2018



Chief Executive Officer

Julian Murphy

Name of Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	20(a)	3,762,820	3,772,000	3,598,889
Operating grants, subsidies and contributions	2(a)	4,419,658	4,648,423	5,960,741
Fees and charges	2(a)	2,152,470	2,047,374	2,006,347
Interest earnings	2(a)	384,388	424,280	417,495
Other revenue	2(a)	499,381	280,706	430,689
		11,218,717	11,172,783	12,414,161
Expenses				
Employee costs		(4,278,399)	(4,478,406)	(4,523,268)
Materials and contracts		(4,037,063)	(4,851,568)	(3,487,100)
Utility charges		(421,194)	(390,711)	(382,560)
Depreciation on non-current assets	9(b)	(4,466,902)	(2,964,909)	(3,264,209)
Interest expenses	2(b)	(40,826)	(22,159)	(10,971)
Insurance expenses		(291,960)	(291,306)	(303,730)
Other expenditure		(234,925)	(99,677)	(871,440)
		(13,771,269)	(13,098,736)	(12,843,278)
		(2,552,552)	(1,925,953)	(429,117)
Non-operating grants, subsidies and contributions	2(a)	967,224	7,271,413	3,548,354
Profit on asset disposals	9(a)	91,657	90,101	54,268
(Loss) on asset disposals	9(a)	(541,086)	(82,366)	(728,531)
Fair value adjustments to financial assets at fair value through profit or loss		14,287	0	0
Net result		(2,020,470)	5,353,195	2,444,974
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	44,010,578	0	3,346,367
Total other comprehensive income		44,010,578	0	3,346,367
Total comprehensive income		41,990,108	5,353,195	5,791,341

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Governance		166,860	213,632	101,274
General purpose funding		6,142,560	5,001,685	7,054,605
Law, order, public safety		169,085	201,235	204,213
Health		5,481	3,916	6,234
Education and welfare		95,390	80,250	202,243
Housing		216,380	180,669	214,406
Community amenities		962,623	956,174	953,469
Recreation and culture		515,580	534,870	639,401
Transport		1,916,156	3,258,189	2,002,656
Economic services		912,507	676,663	928,702
Other property and services		116,096	65,500	106,958
		11,218,718	11,172,783	12,414,161
Expenses				
Governance		(947,759)	(1,073,772)	(1,927,550)
General purpose funding		(184,399)	(131,716)	(107,531)
Law, order, public safety		(441,843)	(445,972)	(400,824)
Health		(137,707)	(140,349)	(118,502)
Education and welfare		(489,844)	(464,299)	(347,172)
Housing		(298,700)	(240,179)	(261,280)
Community amenities		(1,257,227)	(1,202,404)	(1,183,685)
Recreation and culture		(3,501,856)	(2,930,973)	(2,507,285)
Transport		(5,077,866)	(5,148,673)	(4,756,732)
Economic services		(1,369,003)	(1,251,395)	(1,155,789)
Other property and services		(24,242)	(46,845)	(65,959)
		(13,730,446)	(13,076,577)	(12,832,309)
Finance Costs				
Governance		(18,108)	0	0
Housing		(1,899)	(1,729)	(3,360)
Community amenities		(660)	(562)	(1,006)
Recreation and culture		(4,753)	(4,519)	(5,313)
Other property and services		(15,405)	(15,349)	(1,292)
		(40,825)	(22,159)	(10,971)
		(2,552,553)	(1,925,953)	(429,119)
Non-operating grants, subsidies and contributions	2(a)	967,224	7,271,413	3,548,354
Profit on disposal of assets	9(a)	91,657	90,101	54,269
(Loss) on disposal of assets	9(a)	(541,085)	(82,366)	(728,529)
Fair value adjustments to financial assets at fair value through profit or loss		14,287	0	0
		532,083	7,279,148	2,874,094
Net result		(2,020,470)	5,353,195	2,444,975
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	44,010,578	0	3,346,367
Total other comprehensive income		44,010,578	0	3,346,367
Total comprehensive income		41,990,108	5,353,195	5,791,342

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

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

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3(a)	32,605,020	32,016,825
Trade and other receivables	5	1,526,514	1,923,974
Inventories	6	4,821	25,308
TOTAL CURRENT ASSETS		34,136,355	33,966,107
NON-CURRENT ASSETS			
Other receivables	5	231,017	210,502
Investments	3(b)	122,620	108,332
Property, plant and equipment	7	57,831,300	57,693,056
Infrastructure	8	148,581,117	104,186,906
TOTAL NON-CURRENT ASSETS		206,766,054	162,198,796
TOTAL ASSETS		240,902,409	196,164,903
CURRENT LIABILITIES			
Trade and other payables	11	20,585,406	20,140,807
Current portion of long term borrowings	12(a)	217,874	172,919
Provisions	13	679,190	712,715
TOTAL CURRENT LIABILITIES		21,482,470	21,026,441
NON-CURRENT LIABILITIES			
Trade and other payables	11	22,565	22,565
Long term borrowings	12(a)	2,736,709	454,583
Provisions	13	165,392	156,149
TOTAL NON-CURRENT LIABILITIES		2,924,666	633,297
TOTAL LIABILITIES		24,407,136	21,659,738
NET ASSETS		216,495,273	174,505,165
EQUITY			
Retained surplus		92,472,022	94,928,471
Reserves - cash backed	4	9,545,966	9,109,987
Revaluation surplus	10	114,477,285	70,466,707
TOTAL EQUITY		216,495,273	174,505,165

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018**

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH/INVESTMENT BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		91,635,775	9,957,708	67,120,340	168,713,823
Comprehensive income					
Net result		2,444,975	0	0	2,444,975
Changes on revaluation of assets	10	0	0	3,346,367	3,346,367
Total comprehensive income		2,444,975	0	3,346,367	5,791,342
Transfers from/(to) reserves		847,721	(847,721)	0	0
Balance as at 30 June 2017		94,928,471	9,109,987	70,466,707	174,505,165
Comprehensive income					
Net result		(2,020,470)	0	0	(2,020,470)
Changes on revaluation of assets	10	0	0	44,010,578	44,010,578
Total comprehensive income		(2,020,470)	0	44,010,578	41,990,108
Transfers from/(to) reserves		(435,979)	435,979	0	0
Balance as at 30 June 2018		92,472,022	9,545,966	114,477,285	216,495,273

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual	2018 Budget	2017 Actual
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$	\$
Receipts				
Rates		3,606,248	3,918,266	3,450,201
Operating grants, subsidies and contributions		4,184,950	4,819,423	4,964,666
Fees and charges		2,152,470	2,047,374	2,006,347
Interest earnings		384,388	424,280	417,496
Goods and services tax		827,592	0	897,276
Other revenue		499,381	280,706	430,689
		11,655,029	11,490,049	12,166,675
Payments				
Employee costs		(4,247,778)	(4,456,406)	(4,349,371)
Materials and contracts		(3,498,974)	(8,592,043)	(5,921,328)
Utility charges		(421,194)	(390,711)	(382,560)
Interest expenses		(25,751)	(22,159)	(11,018)
Insurance expenses		(291,960)	(291,306)	(303,730)
Goods and services tax		(202,347)	0	(860,703)
Other expenditure		(234,927)	(99,677)	(871,442)
		(8,922,931)	(13,852,302)	(12,700,152)
Net cash provided by (used in) operating activities	14	2,732,098	(2,362,253)	(533,477)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,355,711)	(17,808,773)	(2,796,342)
Payments for construction of infrastructure		(2,346,088)	(1,517,384)	(2,134,586)
Non-operating grants, subsidies and contributions		967,224	7,271,413	3,548,354
Proceeds from sale of fixed assets		263,591	417,273	352,662
Net cash provided by (used in) investment activities		(4,470,984)	(11,637,471)	(1,029,912)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(172,919)	(172,919)	(76,812)
Proceeds from new long term borrowings		2,500,000	3,500,000	482,459
Net cash provided by (used in) financing activities		2,327,081	3,327,081	405,647
Net increase (decrease) in cash held		588,195	(10,672,643)	(1,157,742)
Cash at beginning of year		32,016,825	32,691,705	33,174,567
Cash and cash equivalents at the end of the year	14	32,605,020	22,019,062	32,016,825

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		5,889,670	5,815,404	2,697,109
		5,889,670	5,815,404	2,697,109
Revenue from operating activities (excluding rates)				
Governance		191,832	255,981	108,008
General purpose funding		2,398,035	1,233,685	3,459,546
Law, order, public safety		169,085	201,235	204,213
Health		5,481	3,916	6,234
Education and welfare		95,390	80,250	202,243
Housing		216,380	180,669	214,406
Community amenities		962,623	956,174	953,469
Recreation and culture		515,580	534,870	644,973
Transport		1,977,948	3,305,941	2,044,619
Economic services		912,507	676,663	928,702
Other property and services		116,096	65,500	106,958
		7,560,957	7,494,884	8,873,371
Expenditure from operating activities				
Governance		(1,490,469)	(1,076,098)	(2,553,805)
General purpose funding		(184,399)	(131,716)	(107,531)
Law, order, public safety		(441,843)	(445,972)	(400,824)
Health		(137,707)	(140,349)	(118,502)
Education and welfare		(489,844)	(464,299)	(347,172)
Housing		(300,599)	(241,908)	(264,640)
Community amenities		(1,257,887)	(1,202,966)	(1,184,691)
Recreation and culture		(3,506,609)	(2,935,492)	(2,512,598)
Transport		(5,094,348)	(5,228,713)	(4,859,006)
Economic services		(1,369,003)	(1,251,395)	(1,155,789)
Other property and services		(39,647)	(62,194)	(67,251)
		(14,312,355)	(13,181,102)	(13,571,809)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(91,657)	(90,101)	(54,268)
Loss on disposal of assets	9(a)	541,086	82,366	728,531
Movement in ATO liabilities		53,857	0	0
Movement in Amherst Village tenants reducing equity		(13,059)	0	(28,006)
Movement in accrued salaries and wages		1,045	0	14,339
Movement in accrued interest on debentures		15,075	0	(47)
Movement in deferred pensioner rates (non-current)		(20,514)	0	(36,766)
Movement in employee benefit provisions		(24,282)	0	184,493
Depreciation and amortisation on assets	9(b)	4,466,902	2,964,909	3,264,209
Amount attributable to operating activities		4,066,725	3,086,360	2,071,155
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		967,224	7,271,413	3,548,354
Proceeds from disposal of assets	9(a)	263,591	417,273	352,662
Purchase of property, plant and equipment	7(b)	(3,355,711)	(17,808,773)	(2,796,342)
Purchase and construction of infrastructure	8(b)	(2,346,088)	(1,517,384)	(2,134,586)
Amount attributable to investing activities		(4,470,984)	(11,637,471)	(1,029,912)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(172,919)	(172,919)	(76,812)
Proceeds from new long term borrowings	12(b)	2,500,000	3,500,000	482,459
Transfers to reserves (restricted assets)	4	(641,760)	(442,800)	(2,550,190)
Transfers from reserves (restricted assets)	4	205,781	1,898,830	3,397,911
Amount attributable to financing activities		1,891,102	4,783,111	1,253,368
Surplus(deficiency) before general rates		1,486,843	(3,768,000)	2,294,611
Total amount raised from general rates	20	3,758,812	3,768,000	3,595,059
Net current assets at June 30 c/fwd - surplus/(deficit)	21	5,245,655	0	5,889,670

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

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities and to the extent they are not in-consistent with the *Local Government Act 1995* and accompanying regulations.), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. Accounting policies which have been adopted in the preparation of this financial report 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.

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Other revenue

Reimbursements and recoveries

Other

Fees and Charges

Governance

General purpose funding

Law, order, public safety

Health

Education and welfare

Housing

Community amenities

Recreation and culture

Transport

Economic services

Other property and services

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Reimbursements and recoveries	126,969	86,464	116,522
Other	249,792	194,242	314,167
	376,761	280,706	430,689
Governance	5,407	1,600	1,113
General purpose funding	19,763	9,700	19,699
Law, order, public safety	14,167	21,634	15,834
Health	2,061	3,916	3,114
Education and welfare	9,051	4,004	3,500
Housing	66,654	139,197	59,377
Community amenities	792,181	809,391	815,336
Recreation and culture	380,245	432,629	423,842
Transport	16,488	16,495	243
Economic services	806,783	597,308	619,480
Other property and services	39,670	11,500	44,809
	2,152,470	2,047,374	2,006,347

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	78,346	21,788	74,415
General purpose funding	1,994,483	941,785	2,991,095
Law, order, public safety	153,505	177,601	181,392
Education and welfare	86,180	76,246	198,743
Housing	1,110	0	0
Community amenities	7,491	8,213	8,013
Recreation and culture	62,208	101,741	187,401
Transport	1,899,667	3,241,694	2,002,413
Economic services	103,572	79,355	309,221
Other property and services	33,096	0	8,048
	4,419,658	4,648,423	5,960,741
Non-operating grants, subsidies and contributions			
Governance	27,555	4,581,570	2,760,000
Law, order, public safety	0	0	115,231
Community amenities	0	1,743,367	0
Recreation and culture	7,000	11,740	0
Transport	932,669	934,736	673,123
	967,224	7,271,413	3,548,354
Total grants, subsidies and contributions	5,386,882	11,919,836	9,509,095

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

Interest earnings

- Reserve funds
- Other funds
Other interest revenue (refer note 20(c))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Reserve funds	215,005	140,000	278,460
- Other funds	100,884	216,280	73,841
Other interest revenue (refer note 20(c))	68,499	68,000	65,194
	384,388	424,280	417,495

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Audit fees associated with grant acquittals
- Other Services
- Financial Management Review

2018	2017
\$	\$
33,509	37,083
8,700	15,550
2,027	37,173
0	5,000
44,236	94,806

Interest expenses (finance costs)

- Long term borrowings (refer Note 12(a))

40,826	10,971
40,826	10,971

Rental charges

- Operating leases

14,805	14,088
14,805	14,088

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

3 (a). CASH AND CASH EQUIVALENTS

	NOTE	2018	2017
		\$	\$
Unrestricted		2,427,553	1,258,716
Restricted		30,177,467	30,758,109
		32,605,020	32,016,825
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Leave Reserve	4	660,997	690,474
Plant Replacement Reserve	4	827,395	808,457
Amherst Village Building Maintenance Reserve	4	91,225	89,137
Amherst Village Refundable Deposits Reserve	4	1,171,929	1,117,498
Saleyard Reserve	4	1,005,939	982,914
Waste Management Reserve	4	893,245	872,799
Land and Building Reserve	4	3,907,089	3,762,761
Land and Building Facilities for Seniors Reserve	4	611,926	597,920
New Saleyard Reserve	4	232,722	188,027
Christmas Decoration Reserve	4	10,073	0
GRV Revaluation Reserve	4	25,181	0
Quartermaine Oval Reserve	4	52,909	0
Katanning Leisure Centre Facilities Reserve	4	55,336	0
Unspent grants	19	20,333,562	21,457,663
Unspent loans	12(c)	297,939	190,459
		30,177,467	30,758,109

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of

Cash and cash equivalents (Continued)

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.

3 (b). INVESTMENTS

Financial assets at fair value through profit and loss

2018	2017
\$	\$
122,620	108,332

Note: Investment recognised as a financial asset is the valuation for the units held by the Shire of Katanning in the Local Government House Trust. The Shire of Katanning holds 7 units.

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

(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) 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.

(iii) 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.

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).

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

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.

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:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments and any reduction for impairment; and
- 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.

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.

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employee Leave Reserve	690,474	31,763	(61,240)	660,997	690,474	10,611	(61,240)	639,845	432,139	258,335	0	690,474
Plant Replacement Reserve	808,457	18,938	0	827,395	808,457	12,424	(352,000)	468,881	989,843	27,681	(209,067)	808,457
Amherst Village Building Maintenance Reserve	89,137	2,088	0	91,225	89,136	1,370	0	90,506	86,712	2,425	0	89,137
Amherst Village Refundable Deposits Reserve	1,117,498	151,381	(96,950)	1,171,929	1,117,498	17,173	0	1,134,671	1,087,099	30,399	0	1,117,498
Saleyard Reserve	982,914	23,025	0	1,005,939	982,914	15,105	(123,556)	874,463	956,175	26,739	0	982,914
Waste Management Reserve	872,799	20,446	0	893,245	872,799	120,376	0	993,175	849,056	23,743	0	872,799
Land and Building Reserve	3,762,761	144,328	0	3,907,089	3,762,761	113,606	(1,212,034)	2,664,333	2,821,739	2,104,387	(1,163,365)	3,762,761
Land and Building Facilities for Seniors Reserve	597,920	14,006	0	611,926	597,920	9,189	0	607,109	581,654	16,266	0	597,920
New Saleyard Reserve	188,027	44,695	0	232,722	188,027	2,890	(150,000)	40,917	182,912	5,115	0	188,027
Christmas Decoration Reserve	0	10,073	0	10,073	0	10,000	0	10,000	0	0	0	0
GRV Revaluation Reserve	0	25,181	0	25,181	0	25,000	0	25,000	0	0	0	0
Quartermaine Oval Reserve	0	52,909	0	52,909	0	52,528	0	52,528	0	0	0	0
Katanning Leisure Centre Facilities Reserve	0	102,927	(47,591)	55,336	0	52,528	0	52,528	0	0	0	0
Gravel Reserve	0	0	0	0	0	0	0	0	1,970,379	55,100	(2,025,479)	0
	9,109,987	641,760	(205,781)	9,545,966	9,109,986	442,800	(1,898,830)	7,653,956	9,957,708	2,550,190	(3,397,911)	9,109,987

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Employee Leave 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 Deposits 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 Building Reserve	Ongoing	To provide for construction and maintenance of council owned buildings.
Land and Building Facilities for Seniors Reserve	Ongoing	To be used for construction and maintenance of land and buildings for the use of seniors.
New Saleyard Reserve	Ongoing	To be used for future capital and maintenance works.
Christmas Decoration Reserve	Ongoing	To be used to fund future significant christmas decoration purchases.
GRV Revaluation Reserve	Ongoing	To be used to fund quinquennial gross rental value revaluations.
Quartermaine Oval Reserve	Ongoing	To be used to fund future maintenance and upgrades to Quartermaine Oval.
Katanning Leisure Centre Facilities Reserve	Ongoing	To be used to fund future maintenance and upgrades to the KLC building and grounds.
Gravel Reserve	Ongoing	To be used to fund the costs of meeting the Shire's future gravel and construction requirements.

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

5. TRADE AND OTHER RECEIVABLES

Current

NOTE	2018	2017
	\$	\$
Rates outstanding	586,818	450,760
Sundry debtors	1,017,065	729,763
GST receivable	144,986	69,267
Accrued Income	21,637	1,025,748
Provision for Doubtful Debts	(303,608)	(351,814)
Payments in Advance	59,616	250
	1,526,514	1,923,974

Non-current

Rates outstanding - pensioners	231,017	210,502
	231,017	210,502

Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding

Includes:

- 1 to 5 years	525,396	405,286
- more than 5 years	61,422	45,474

Sundry debtors

Includes:

- up to one month	526,579	218,365
- 1 - 3 months	21,211	5,981
- 3 months to one year	30,825	117,941
- 1 to 5 years	134,842	35,662
Impaired	303,608	351,814

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

Fuel and Materials
History Books

2018	2017
\$	\$
4,821	10,516
0	14,792
4,821	25,308

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Management valuation 2017 - level 2	2,362,400	2,362,400
- Management valuation 2017 - level 3	1,180,700	1,180,700
	3,543,100	3,543,100
Total land	3,543,100	3,543,100
Buildings - non-specialised at:		
- Management valuation 2017 - level 2	3,089,063	3,089,063
- Additions after valuation - cost	56,018	0
Buildings - non-specialised - Less: accumulated depreciation	(105,406)	0
	3,039,675	3,089,063
Buildings - specialised at:		
- Management valuation 2017 - level 2	166,920	166,920
- Management valuation 2017 - level 3	46,321,352	46,321,352
- Additions after valuation - cost	2,167,360	0
Buildings - specialised - Less: accumulated depreciation	(1,702,369)	0
	46,953,263	46,488,272
Total buildings	49,992,938	49,577,335
Total land and buildings	53,536,038	53,120,435
Furniture at:		
- Management valuation 2016 - level 2	17,860	17,860
Furniture - Less: accumulated depreciation	(3,572)	(1,786)
	14,288	16,074
Plant at:		
- Management valuation 2016 - level 2	2,872,748	2,872,748
- Additions after valuation - cost	728,867	448,679
Plant - Less: accumulated depreciation	(810,622)	(379,628)
	2,790,993	2,941,799
Paintings and Sculptures at:		
- Independent valuation 2018 - level 2	253,400	0
- Independent valuation 2015 - level 2	0	230,591
Paintings and Sculptures - Less: accumulated depreciation	0	(4,612)
	253,400	225,979
Motor Vehicles at:		
- Management valuation 2016 - level 2	327,743	327,743
- Additions after valuation - cost	333,550	368,015
Motor Vehicles - Less: accumulated depreciation	(208,926)	(105,593)
	452,367	590,165
Equipment at:		
- Management valuation 2016 - level 2	454,071	454,071
- Additions after valuation - cost	530,643	434,881
Equipment - Less: accumulated depreciation	(200,500)	(90,348)
	784,214	798,604
Total property, plant and equipment	57,831,300	57,693,056

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture	Plant	Paintings and Sculptures	Motor Vehicles	Equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	9,730,361	9,730,361	36,754,890	0	36,754,890	46,485,251	17,860	3,073,928	228,285	591,160	463,404	50,859,888
Additions	0	0	0	1,772,067	1,772,067	1,772,067	0	448,679	0	368,015	207,581	2,796,342
(Disposals)	0	0	0	(150,000)	(150,000)	(150,000)	0	(177,792)	0	(215,267)	(8,477)	(551,536)
Revaluation increments/ (decrements) transferred to revaluation surplus	(1,519,193)	(1,519,193)	299,740	6,300,164	6,599,904	5,080,711	0	0	0	0	0	5,080,711
Depreciation (expense)	0	0	(53,988)	(850,050)	(904,038)	(904,038)	(1,786)	(403,016)	(2,306)	(153,743)	(91,204)	(1,556,093)
Transfers	(4,668,068)	(4,668,068)	(33,911,579)	39,416,091	5,504,512	836,444	0	0	0	0	227,300	1,063,744
Carrying amount at 30 June 2017	3,543,100	3,543,100	3,089,063	46,488,272	49,577,335	53,120,435	16,074	2,941,799	225,979	590,165	798,604	57,693,056
Additions	0	0	56,018	2,691,963	2,747,981	2,747,981	0	325,188	0	186,780	95,762	3,355,711
(Disposals)	0	0	0	(524,603)	(524,603)	(524,603)	0	(37,850)	0	(150,567)	0	(713,020)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	0	29,727	0	0	29,727
Depreciation (expense)	0	0	(105,406)	(1,702,369)	(1,807,775)	(1,807,775)	(1,786)	(438,144)	(2,306)	(174,011)	(110,152)	(2,534,174)
Carrying amount at 30 June 2018	3,543,100	3,543,100	3,039,675	46,953,263	49,992,938	53,536,038	14,288	2,790,993	253,400	452,367	784,214	57,831,300

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 and buildings					
Land - freehold land	Level 2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Price per hectare
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.
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	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 and Sculptures	Level 2	Market approach using recent observable market data for similar items	Independent registered valuer	June 2018	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.

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

8 (a). INFRASTRUCTURE

Infrastructure - Roads

	2018	2017
	\$	\$
- Independent valuation 2018 - level 3	122,209,618	0
- Management valuation 2015 - level 3	0	79,114,422
- Road Impairment	0	(1,734,344)
- Additions after valuation - cost	0	2,722,810
Infrastructure - Roads - Less: accumulated depreciation	0	(2,437,198)
	122,209,618	77,665,690

Infrastructure - Footpaths

- Independent valuation 2018 - level 3	1,834,743	0
- Management valuation 2015 - level 3	0	2,531,537
- Additions after valuation - cost	0	539,546
Infrastructure - Footpaths - Less: accumulated depreciation	0	(157,659)
	1,834,743	2,913,424

Infrastructure - Drainage

- Independent valuation 2018 - level 3	10,285,816	0
- Management valuation 2015 - level 3	0	10,260,024
- Additions after valuation - cost	0	2,884,582
Infrastructure - Drainage - Less: accumulated depreciation	0	(475,630)
	10,285,816	12,668,976

Infrastructure - Parks and Ovals

- Independent valuation 2018 - level 3	4,009,468	0
- Management valuation 2015 - level 3	0	92,396
- Additions after valuation - cost	0	2,289,209
Infrastructure - Parks and Ovals - Less: accumulated depreciation	0	(27,314)
	4,009,468	2,354,291

Infrastructure - Other

- Independent valuation 2018 - level 3	9,877,281	0
- Management valuation 2015 - level 3	0	3,394,801
- Additions after valuation - cost	0	4,723,052
Infrastructure - Other - Less: accumulated depreciation	0	(158,109)
	9,877,281	7,959,744

Infrastructure - Bridges

- Independent valuation 2018 - level 3	364,191	0
- Management valuation 2015 - level 3	0	650,813
Infrastructure - Bridges - Less: accumulated depreciation	0	(26,032)
	364,191	624,781

Total infrastructure

	148,581,117	104,186,906
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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.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks and Ovals	Infrastructure - Other	Infrastructure - Bridges	Infrastructure - Works in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	79,069,882	2,460,790	10,036,137	92,096	3,325,565	637,797	11,411,646	107,033,913
Additions	1,400,009	128,944	0	209,011	396,622	0	0	2,134,586
Impairment (losses)/reversals	(1,734,344)	0	0	0	0	0	0	(1,734,344)
Depreciation (expense)	(1,256,192)	(86,912)	(251,743)	(27,014)	(73,239)	(13,016)	0	(1,708,116)
Transfers	186,335	410,602	2,884,582	2,080,198	4,310,796	0	(11,411,646)	(1,539,133)
Carrying amount at 30 June 2017	77,665,690	2,913,424	12,668,976	2,354,291	7,959,744	624,781	0	104,186,906
Additions	1,251,775	57,961	288	544,100	491,964	0	0	2,346,088
Revaluation increments/ (decrements) transferred to revaluation surplus	44,564,474	(1,048,162)	(2,100,034)	1,223,650	1,588,497	(247,574)	0	43,980,851
Depreciation (expense)	(1,272,321)	(88,480)	(283,414)	(112,573)	(162,924)	(13,016)	0	(1,932,728)
Carrying amount at 30 June 2018	122,209,618	1,834,743	10,285,816	4,009,468	9,877,281	364,191	0	148,581,117

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 2018	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 2018	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 2018	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 2018	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 2018	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 2018	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.

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

Land under control

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

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

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.

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
Toyota Prado VX Wagon 01KA (MV106)	0	0	0	0	49,034	53,000	3,966	0
Mitsubishi Triton 1EWS472 (MV97)	17,507	27,500	9,993	0	21,206	28,000	6,794	0
Toyota Camry Atara Wagon KA1100 (MV102)	0	0	0	0	17,538	25,000	7,462	0
Colorado Trailblazer KA472 (MV104)	18,261	27,273	9,012	0	18,199	30,000	11,801	0
Colorado Trailblazer KA189 (MV113)	28,441	33,818	5,377	0	28,367	32,000	3,633	0
Mazda CX-5 KA03 (MV107)	0	0	0	0	24,940	30,000	5,060	0
Mazda CX-5 KA108 (MV93)	19,258	20,000	742	0	23,326	21,000	0	(2,326)
Colorado Trailblazer KA062 (MV111)	28,441	33,182	4,741	0	28,367	32,000	3,633	0
Education and welfare								
Early Childhood Hub (B2096)	524,603	0	0	(524,603)	0	0	0	0
Transport								
Isuzu Road Sweeper KA533 (HP08)	21,028	4,545	0	(16,483)	0	0	0	0
Isuzu Giga Tip Truck KA1993 (HP12)	16,822	62,273	45,451	0	18,000	62,273	44,273	0
CAT Grader KA6000 (P6162)	0	0	0	0	122,918	50,000	0	(72,918)
Colorado Trailblazer KA00 (MV110)	29,034	35,455	6,421	0	28,958	32,000	3,042	0
Mitsubishi Triton Dual Cab KA673 (P6158)	0	0	0	0	8,112	4,000	0	(4,112)
Ford Ranger KA130 (PE66)	0	0	0	0	9,010	6,000	0	(3,010)
Ford Ranger KA24665 (MV80)	9,625	19,545	9,920	0	11,563	12,000	437	0
	713,020	263,591	91,657	(541,086)	409,538	417,273	90,101	(82,366)

Note: In 2015, the Shire was awarded grant funding through the Royalties for Regions program for construction of an Early Childhood Hub. Expenditure across the four financial years was recognised as capital expenditure (asset), however the project is currently under review at the direction of the Minister for Regional Development. Expenditure on this project has now been recognised as operating expenditure and reflected through the Statement of Comprehensive Income.

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	105,406	53,988
Buildings - specialised	1,702,369	850,050
Furniture	1,786	1,786
Plant	438,144	403,016
Paintings and Sculptures	2,306	2,306
Motor Vehicles	174,011	153,743
Equipment	110,152	91,204
Infrastructure - Roads	1,272,321	1,256,192
Infrastructure - Footpaths	88,480	86,912
Infrastructure - Drainage	283,414	251,743
Infrastructure - Parks and Ovals	112,573	27,014
Infrastructure - Other	162,924	73,239
Infrastructure - Bridges	13,016	13,016
	4,466,902	3,264,209

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

Buildings - non-specialised	50 Years
Buildings - specialised	50 Years
Furniture & Fittings	10 Years
Plant	5 - 10 Years
Equipment	3 - 10 Years
Motor Vehicles	4 Years
Paintings & Sculptures	100 Years
Infrastructure - Roads	20 - 40 Years
Infrastructure - Footpaths	50 Years
Infrastructure - Drainage	50 Years
Infrastructure - Parks & Ovals	20 Years
Infrastructure - Other	20 - 50 Years
Infrastructure - Bridges	50 Years

Depreciation (Continued)

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

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

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

10. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land - freehold land	5,916,036	0	0	0	5,916,036	0	5,916,036	0	5,916,036	5,916,036
Revaluation surplus -Buildings - non-specialised	299,740	0	0	0	299,740	0	299,740	0	299,740	299,740
Revaluation surplus -Buildings - specialised	6,300,165	0	0	0	6,300,165	7,435,230	(1,135,065)	0	(1,135,065)	6,300,165
Revaluation surplus -Furniture	1,773	0	0	0	1,773	1,773	0	0	0	1,773
Revaluation surplus -Plant	1,011,022	0	0	0	1,011,022	1,011,022	0	0	0	1,011,022
Revaluation surplus -Paintings and Sculptures	210,339	29,727	0	29,727	240,066	210,339	0	0	0	210,339
Revaluation surplus -Motor Vehicles	160,555	0	0	0	160,555	160,555	0	0	0	160,555
Revaluation surplus -Equipment	579,346	0	0	0	579,346	579,346	0	0	0	579,346
Revaluation surplus - Infrastructure - Roads	37,843,770	44,564,474	0	44,564,474	82,408,244	39,578,114	0	(1,734,344)	(1,734,344)	37,843,770
Revaluation surplus - Infrastructure - Footpaths	2,528,431	0	(1,048,162)	(1,048,162)	1,480,269	2,528,431	0	0	0	2,528,431
Revaluation surplus - Infrastructure - Drainage	12,554,137	0	(2,100,034)	(2,100,034)	10,454,103	12,554,137	0	0	0	12,554,137
Revaluation surplus - Infrastructure - Parks and Ovals	263,516	1,223,650	0	1,223,650	1,487,166	263,516	0	0	0	263,516
Revaluation surplus - Infrastructure - Other	2,490,477	1,588,497	0	1,588,497	4,078,974	2,490,477	0	0	0	2,490,477
Revaluation surplus - Infrastructure - Bridges	307,400	0	(247,574)	(247,574)	59,826	307,400	0	0	0	307,400
	70,466,707	47,406,348	(3,395,770)	44,010,578	114,477,285	67,120,340	5,080,711	(1,734,344)	3,346,367	70,466,707

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

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

11. TRADE AND OTHER PAYABLES

Current

	2018	2017
	\$	\$
Sundry creditors	569,224	205,231
Accrued interest on Debentures	15,418	343
Accrued Salaries and Wages	30,011	28,966
ATO liabilities	78,546	24,688
Accrued Expenses	604,898	842,402
Income Received in Advance	18,155,070	17,893,879
Amherst Deposits	1,132,239	1,145,298
	20,585,406	20,140,807

Non-Current

Provision for excess on changeover Amherst Village Units	22,565	22,565
	22,565	22,565

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments		Institution	Interest Rate
	\$	\$	Actual	Budget	Actual	Budget	Actual	Budget		
Governance										
Loan 158 - New Administration Building	0	2,500,000	0	0	2,500,000	0	18,108	0	WATC	3.80%
Housing										
Loan 146 - Conroy Street Duplex	27,038	0	27,038	27,038	0	0	1,900	1,729	WATC	7.30%
Community amenities										
Loan 154 - Plant Purchase (Compactor)	17,492	0	17,492	17,492	0	0	660	562	WATC	3.33%
Recreation and culture										
Loan 148 - Katanning Aquatic Centre	72,759	0	22,841	22,841	49,918	49,918	4,753	4,519	WATC	5.97%
Other property and services										
Loan 155 - Footpath Sweeper	27,754	0	13,641	13,641	14,113	14,113	1,088	1,012	WATC	3.43%
Loan 156 - Road Sweeper	292,000	0	55,625	55,625	236,375	236,375	8,665	8,677	WATC	2.42%
Loan 157 - Tipping Truck	190,459	0	36,282	36,282	154,177	154,177	5,652	5,660	WATC	2.42%
	627,502	2,500,000	172,919	172,919	2,954,583	454,583	40,826	22,159		

All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	217,874	172,919
Non-current	2,736,709	454,583
	2,954,583	627,502

12. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance
	Actual	Budget						Actual	Budget	Unspent
	\$	\$				\$	%	\$	\$	\$
Loan 158 - New Administration Building	2,500,000	3,500,000	WATC	Advance	20	1,091,769	3.80%	2,202,061	3,500,000	297,939
	2,500,000	3,500,000				1,091,769		2,202,061	3,500,000	297,939

(c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 17	Borrowed During Year	Expended During Year	Unspent Balance 30 June 18
		\$	\$	\$	\$
Loan 157 - Plant purchase - Tipping Truck	July 2017	190,459	0	(190,459)	0
Loan 158 - New Administration Building	January 2018	0	2,500,000	(2,202,061)	297,939
		190,459	2,500,000	(2,392,520)	297,939

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
	\$	\$
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	(9,087)	(7,224)
Total amount of credit unused	305,913	307,776

Loan facilities

Loan facilities - current	217,874	172,919
Loan facilities - non-current	2,736,709	454,583
Total facilities in use at balance date	2,954,583	627,502

Unused loan facilities at balance date

	0	0
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12. INFORMATION ON BORROWINGS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

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

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

Borrowing costs

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

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision

Balance at 30 June 2018

Comprises

Current
Non-current

Provision for Annual Leave	Provision for Long Service Leave	Total
\$	\$	\$
379,154	333,561	712,715
0	156,149	156,149
379,154	489,710	868,864
30,127	(54,409)	(24,282)
409,281	435,301	844,582
409,281	269,909	679,190
0	165,392	165,392
409,281	435,301	844,582

Annual leave and current long service leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Current Provisions

Within 12 months of the end of the reporting period
More than 12 months after the end of the reporting period

Annual Leave	Long Service Leave	Total
\$	\$	\$
223,907	67,822	291,729
185,374	202,087	387,461
409,281	269,909	679,190

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Provisions

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	32,605,020	22,019,062	32,016,825
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(2,020,470)	5,353,195	2,444,974
Non-cash flows in Net result:			
Depreciation	4,466,902	2,964,909	3,264,209
(Profit)/loss on sale of asset	449,429	(7,735)	674,263
Fair value adjustments to fixed assets at fair value through profit or loss	(14,288)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	376,945	317,266	(1,108,193)
(Increase)/decrease in inventories	20,487	0	0
Increase/(decrease) in payables	444,599	(3,740,475)	(2,444,869)
Increase/(decrease) in provisions	(24,282)	22,000	184,493
Grants and contributions for the development of assets	(967,224)	(7,271,413)	(3,548,354)
Net cash from operating activities	2,732,098	(2,362,253)	(533,477)

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

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	4,332,947	1,024,231
General purpose funding	0	1,085,109
Law, order, public safety	238,967	515,549
Health	244,118	262,648
Education and welfare	330,653	930,758
Housing	6,334,613	6,909,108
Community amenities	1,080,301	516,266
Recreation and culture	28,839,665	17,497,778
Transport	141,885,313	93,357,682
Economic services	23,207,474	31,259,973
Other property and services	40,986	5,249,471
Unallocated	34,367,372	37,556,330
	240,902,409	196,164,903

16. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities as at 30 June 2018 and 2017.

17. LEASING COMMITMENTS

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

2018	2017
\$	\$
18,253	9,840
20,093	22,139
0	0
38,346	31,979

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	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	88	2,000	0
Telecommunications Allowance	9,900	9,900	9,900
	124,988	126,900	124,900

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	744,756	691,338
Post-employment benefits	80,371	78,664
Other long-term benefits	17,324	14,144
Termination benefits	60,942	0
	903,393	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 above.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Sale of goods and services - KMP	34,281	60,292
Purchase of goods and services - KMP	177,821	107,918
Amounts outstanding from related parties:		
Trade and other receivables - KMP	10,563	0

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.

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$
Governance							
Country Local Government Fund 2011/2012 (Reg. Gym/Entertainment Centre)	40,858	0	(40,858)	0	0	0	0
Country Local Government Fund 2012/2013 Admin Building	614	0	(614)	0	0	0	0
Supertown - RDL	916,068	0	(614,754)	301,314	0	(17,903)	283,411
RDL - Early Childhood Hub	5,780,599	0	(306,594)	5,474,005	0	(177,193)	5,296,812
RDL Main Street Stage 2	85,716	0	(85,716)	0	0	0	0
Supertown - Heritage - RDL	15,720,000	0	(118,190)	15,601,810	0	(919,333)	14,682,477
Katanning Country Club Redevelopment Project (Auspice)	0	0	0	0	27,555	0	27,555
Law, order, public safety							
Cat Act Sterilisation Project	481	0	(227)	254	0	0	254
State CCTV Strategy Infrastructure Fund	0	115,231	(115,231)	0	0	0	0
Education and welfare							
Youth Activities	0	31,668	(31,668)	0	31,931	(31,931)	0
National Youth Week (CPFS Grant)	0	1,000	(1,000)	0	1,000	(1,000)	0
NAIDOC Week	555	2,500	(1,964)	1,091	0	0	1,091
Thank a Volunteer Day	0	1,000	(1,000)	0	0	0	0
Harmony Festival	0	30,909	(30,909)	0	42,818	(42,818)	0
All Ways 5 Days	0	28,351	(7,000)	21,351	5,808	(22,029)	5,130
Seniors Week	0	1,000	(1,000)	0	1,000	(1,000)	0
Drumbeats	0	75,319	(27,507)	47,812	0	(39,301)	8,511
PIAF	0	4,000	0	4,000	0	(3,000)	1,000
Community Childcare Feasibility Study	0	14,100	(14,100)	0	0	0	0
Recreation and culture							
Kidsport	1,109	10,000	(11,109)	0	11,546	(11,146)	400
Children's Book Week	0	2,600	(2,600)	0	0	0	0
Community Pool Grant	0	32,000	(32,000)	0	0	0	0
Club Development Officer	0	20,000	(20,000)	0	20,000	(20,000)	0
Community Water Supply Project	0	90,000	(90,000)	0	10,000	(10,000)	0
Transport							
Community Safe Speed Promise Grant	1,004	0	0	1,004	0	0	1,004
Regional Road Group	0	230,726	(230,726)	0	491,933	(491,933)	0
Roads to Recovery	119,609	442,397	(562,006)	0	440,736	(430,288)	10,448
WANDRRA	0	690,325	(690,325)	0	1,718,127	(1,718,127)	0
RADS	0	71,119	(71,119)	0	13,000	(13,000)	0
Economic services							
Hidden Treasures (Auspice)	0	46,000	(40,978)	5,022	78,793	(71,279)	12,536
Business Activation	0	0	0	0	19,492	(16,559)	2,933
Total	22,666,613	1,940,245	(3,149,195)	21,457,663	2,913,739	(4,037,840)	20,333,562
	2016			2017			2018
	\$			\$			\$
Grants received recognised as revenue	2,284,669			3,563,784			2,178,492
Grants received recognised as a liability - see Note 11	20,381,944			17,893,879			18,155,070
	22,666,613			21,457,663			20,333,562

Notes:

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

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

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

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	2017 Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
Gross Rental Value	0.098009	1,133	18,704,190	1,833,179	(780)	3,418	1,835,817	1,761,677	1,832,373	5,000	1,000	1,838,373
Unimproved valuations												
Unimproved Value	0.010500	207	115,994,000	1,217,937	(5,618)	(2,605)	1,209,714	1,184,681	1,217,147	0	0	1,217,147
Sub-Total		1,340	134,698,190	3,051,116	(6,398)	813	3,045,531	2,946,358	3,049,520	5,000	1,000	3,055,520
Minimum payment												
Gross rental valuations												
Gross Rental Value	960	668	4,369,506	641,280	0	0	641,280	598,410	641,280	0	0	641,280
Unimproved valuations												
Unimproved Value	960	120	6,278,958	115,200	0	0	115,200	94,245	115,200	0	0	115,200
Sub-Total		788	10,648,464	756,480	0	0	756,480	692,655	756,480	0	0	756,480
		2,128	145,346,654	3,807,596	(6,398)	813	3,802,011	3,639,013	3,806,000	5,000	1,000	3,812,000
Discounts/concessions (refer note 20(b))							(42,721)	(42,620)				(43,000)
Rates Adjustments							(478)	(1,334)				(1,000)
Total amount raised from general rate							3,758,812	3,595,059				3,768,000
Ex-gratia rates							4,008	3,830				4,000
Totals							3,762,820	3,598,889				3,772,000

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

20. RATING INFORMATION (Continued)

(b) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts

Rate or Fee Discount Granted	Discount	2018 Actual	2018 Budget	2017 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	
General Rates	2.00%	41,294	41,573	40,690	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.
		41,294	41,573	40,690	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	2018 Actual	2018 Budget	2017 Actual
		%	\$	\$	\$
Katanning Country Club	Concession	50.00%	1,427	1,427	1,930
			1,427	1,427	1,930

Rate or Fee and Charge to which the Waiver or Concession is Granted	Reasons for the Waiver or Concession
Katanning Country Club	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.

20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	16/10/2017	0	0.00%	11.00%
Option Two				
First instalment	16/10/2017	0	5.50%	11.00%
Second instalment	19/02/2018	10	5.50%	11.00%
Option Three				
First instalment	16/10/2017	0	5.50%	11.00%
Second instalment	18/12/2017	10	5.50%	11.00%
Third instalment	19/02/2018	10	5.50%	11.00%
Fourth instalment	20/04/2018	10	5.50%	11.00%

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Interest on unpaid rates	56,226	55,000	52,449
Interest on instalment plan	12,273	13,000	12,745
Charges on instalment plan	10,653	1,500	12,460
	79,152	69,500	77,654

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

21. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	5,245,655	5,889,670
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	2,427,553	1,258,716
Restricted	30,177,467	30,758,109
Investments	122,620	0
Receivables		
Rates outstanding	586,818	450,760
Sundry debtors	1,017,065	729,763
GST receivable	144,986	69,267
Accrued Income	21,637	1,025,748
Provision for Doubtful Debts	(303,608)	(351,814)
Payments in Advance	59,616	250
Inventories		
Fuel and Materials	4,821	10,516
History Books	0	14,792
LESS: CURRENT LIABILITIES		
Trade and other payables		
Sundry creditors	(569,224)	(205,231)
Accrued interest on Debentures	(15,418)	(343)
Accrued Salaries and Wages	(30,011)	(28,966)
ATO liabilities	(78,546)	(24,688)
Accrued Expenses	(604,898)	(842,402)
Income Received in Advance	(18,155,070)	(17,893,879)
Current portion of long term borrowings	(217,874)	(172,919)
Provisions		
Provision for annual leave	(409,281)	(379,154)
Provision for long service leave	(269,909)	(333,561)
Unadjusted net current assets	13,908,744	14,084,964
Adjustments		
Less: Reserves - restricted cash	(9,545,966)	(9,109,987)
Less: Payments in Advance	(59,616)	(250)
Add: Employee entitlements	679,190	712,715
Add: Current portion of long term borrowings	217,874	172,919
Add: Accrued wages and interest	45,429	29,309
Adjusted net current assets - surplus/(deficit)	5,245,655	5,889,670

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

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

22. FINANCIAL RISK MANAGEMENT

The Shire's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Shire's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Shire.

The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council.

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	32,605,020	32,016,825	32,605,020	32,016,824
Investments	122,620	108,332	0	108,332
Receivables	1,757,531	2,134,476	1,763,605	2,134,476
	34,485,171	34,259,633	34,368,625	34,259,632
Financial liabilities				
Payables	20,585,406	20,163,372	20,161,867	20,163,372
Borrowings	2,954,583	627,502	3,054,655	629,358
	23,539,989	20,790,874	23,216,522	20,792,730

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

22. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Shire.

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	326,050	320,168
- Statement of Comprehensive Income	326,050	320,168

Notes:

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

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Shire's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Shire makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Shire's credit risk at balance date was:

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	100.00%	100.00%
- Overdue	0.00%	0.00%
Percentage of Sundry debtors		
- Current	58.00%	39.00%
- Overdue	42.00%	61.00%

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
2018	\$	\$	\$	\$	\$
Payables	20,585,406	22,565	0	20,607,971	20,607,971
Borrowings	323,943	1,233,879	2,514,238	4,072,060	2,954,583
	20,909,349	1,256,444	2,514,238	24,680,031	23,562,554
2017					
Payables	20,140,807	22,565	0	20,163,372	20,163,372
Borrowings	190,814	480,290	0	671,104	627,502
	20,331,621	502,855	0	20,834,476	20,790,874

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	14,113	49,918	0	390,552	0	2,500,000	2,954,583	3.32%
Weighted average Effective interest rate	3.43%	5.97%	0.00%	2.42%	0.00%	3.80%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	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%		

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

23. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Transport Licensing	37,728	3,036,466	(3,046,826)	27,368
Saleyard Bonds	350	2,600	(2,100)	850
Katanning Leisure Centre Bonds	(1,145)	5,000	(7,000)	(3,145)
Town Hall Bonds	640	750	0	1,390
Cat Trap Bonds	90	240	(240)	90
Other Bonds & Guarantees	7,800	245	(395)	7,650
Carpark Contribution Liability	8,168	0	0	8,168
Public Open Space Contributions	38,000	0	0	38,000
Agricultural Society Contributions	11,818	2,000	0	13,818
BCITF License Levy	956	11,943	(12,378)	521
Building License Levy	476	4,177	(4,653)	0
Sale of Paintings	(143)	541	(478)	(80)
Art Prize Sponsorship	200	0	0	200
	104,938			94,830

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

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	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p>

Notes:

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

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

	Title	Issued / Compiled	Applicable (1)	Impact
(iv)	AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - 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.

Adoption of New and Revised Accounting Standards

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

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

(i)	AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
(ii)	AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

26. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	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	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Food quality and pest control, inspection of abattoir and operation of child health clinic, analytical testing and Environmental Health administration.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Year round care, housing for the aged and educational services.
HOUSING	To provide and maintain staff and elderly residents housing.	Provision and maintenance of staff and elderly residents housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish and recycling collection services, operation of rubbish disposal site, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social well being of the community.	Maintenance of town hall, public halls, civic centres, aquatic centre, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, art gallery and other cultural facilities.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, bridges, footpaths, depot, airport and traffic control. Cleaning of streets and maintenance of street trees and street lighting. Purchase and disposal of Council's Road Plant.
ECONOMIC SERVICES	To help promote the Shire and its economic wellbeing.	Tourism and area promotion. Maintenance and operation of the Saleyards. Building Control. Provision of rural services including weed control, vermin control and standpipes.
OTHER PROPERTY AND SERVICES	To monitor and control Council's overheads operating accounts.	Private works operation, plant repair and operational costs and engineering operation costs.

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

27. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	2.58	2.47	1.09
Asset consumption ratio	0.67	0.98	0.97
Asset renewal funding ratio	0.89	1.07	N/A
Asset sustainability ratio	0.62	0.73	1.31
Debt service cover ratio	7.11	24.74	6.79
Operating surplus ratio	(0.46)	(0.18)	(0.36)
Own source revenue coverage ratio	0.46	0.46	0.62

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	1,032,382	1,032,229	0
Amount of Financial Assistance Grant received in prior year relating to current year.	1,032,229	0	1,000,441
Amount of reimbursement for flood damage received	1,718,127	1,716,079	0
Expenditure on flood damage re-instatement	1,823,256	1,318,112	0

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

	2018	2017	2016
Current ratio	1.91	1.68	1.09
Debt service cover ratio	7.60	12.98	14.36
Operating surplus ratio	(0.44)	(0.41)	(0.20)
Own source revenue coverage ratio	0.53	0.51	0.62

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

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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 2018, 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:

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

Basis for Opinion

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.

Emphasis of Matter – Basis of Preparation

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF THE SHIRE OF KATANNING****REPORT ON THE AUDIT OF THE FINANCIAL REPORT (CONTINUED)****Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives of the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF THE SHIRE OF KATANNING**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) In our opinion, the following matters indicate a significant adverse trend in the financial position of the Shire:
 - i) The Operating Surplus Ratio has been below the DLGSCI standard for the past 3 years.
 - ii) The Asset Sustainability Ratio for the current year and last year is below the DLGSCI standard, and the current year is below last year.
- b) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law were identified during the course of our audit:
 - i) For 50% of purchase transactions we sampled, purchase orders were made after the invoices were received. This increases the likelihood of goods and services being purchased without appropriate authorisation.

In addition, we found one instance where there was inadequate or no evidence to suggest a sufficient number of quotations were obtained to test the market with no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.
- c) All required information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.
- e) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

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

MOORE STEPHENS
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

Date: 11 December 2018
Perth, WA