

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

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COMMUNITY VISION

A place for people, with a sense of community, one that is active, vibrant, engaged and connected.

A place that is safe and secure.

A place that nurtures its youth and aging population; and retains its health and medical services.

A place that grows and has employment opportunities, through commercial diversity which is based on our competitive advantage.

Principal place of business:

55 Abel Street,
BOYUP BROOK WA 6244

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

LOCAL GOVERNMENT ACT 1995
Local Government (Financial Management) Regulations 1996

STATEMENT BY ACTING CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Boyup Brook 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 Boyup Brook 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 Seventh day of December 2018



Acting Chief Executive Officer

Stephen Carstairs

Acting 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	21(a)	2,670,517	2,659,375	2,559,913
Operating grants, subsidies and contributions	2(a)	1,600,404	795,625	2,033,696
Fees and charges	2(a)	1,433,495	1,347,175	1,356,501
Interest earnings	2(a)	75,399	74,940	76,087
Other revenue	2(a)	91,154	76,350	101,643
		5,870,969	4,953,465	6,127,840
Expenses				
Employee costs		(2,652,663)	(2,617,510)	(2,516,117)
Materials and contracts		(1,016,497)	(1,220,242)	(1,083,429)
Utility charges		(167,672)	(170,655)	(162,579)
Depreciation on non-current assets	9(b)	(3,147,290)	(3,060,245)	(2,976,847)
Interest expenses	2(a)	(28,462)	(21,320)	(31,292)
Insurance expenses		(166,934)	(181,710)	(171,128)
Other expenditure		(246,719)	(194,590)	(161,923)
		(7,426,237)	(7,466,272)	(7,103,315)
		(1,555,268)	(2,512,807)	(975,475)
Non-operating grants, subsidies and contributions	2(a)	9,476,648	7,832,632	2,170,607
Profit on asset disposals	9(a)	-	-	2,282
(Loss) on asset disposals	9(a)	(88,791)	(65,100)	(7,035)
Net result		7,832,589	5,254,725	1,190,379
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(58,362,486)	-	363,666
Total other comprehensive income		(58,362,486)	-	363,666
Total comprehensive income		(50,529,897)	5,254,725	1,554,045

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		270	500	
General purpose funding		3,980,141	3,343,115	4,404,503
Law, order, public safety		293,324	93,500	120,162
Health		977,545	877,845	878,589
Education and welfare		7,589	7,875	7,681
Housing		71,282	56,400	56,559
Community amenities		205,044	204,225	202,637
Recreation and culture		43,567	58,510	54,090
Transport		123,545	126,245	191,659
Economic services		102,358	118,625	107,769
Other property and services		66,304	66,625	103,775
		5,870,969	4,953,465	6,127,424
Expenses				
Governance		(300,857)	(330,040)	(293,893)
General purpose funding		(111,445)	(123,360)	(118,384)
Law, order, public safety		(438,120)	(322,850)	(377,970)
Health		(1,164,022)	(1,039,320)	(1,007,728)
Education and welfare		(87,149)	(94,701)	(89,501)
Housing		(128,550)	(122,637)	(117,749)
Community amenities		(324,287)	(359,054)	(345,273)
Recreation and culture		(793,171)	(852,313)	(816,762)
Transport		(3,497,054)	(3,599,207)	(3,396,943)
Economic services		(446,631)	(503,760)	(468,855)
Other property and services		(106,489)	(97,710)	(38,965)
		(7,397,775)	(7,444,952)	(7,072,023)
Finance Costs				
	2(a)			
Health		-	-	(435)
Education and welfare		(16,361)	(13,484)	(16,372)
Housing		(3,648)	(2,603)	(4,068)
Community amenities		(628)	(341)	(830)
Recreation and culture		(6,593)	(4,122)	(7,412)
Economic services		(259)	(265)	(1,062)
Other property and services		(973)	(505)	(1,113)
		(28,462)	(21,320)	(31,292)
		(1,555,268)	(2,512,807)	(975,891)
Non-operating grants, subsidies and contributions	2(a)	9,476,648	7,832,632	2,170,607
Profit on disposal of assets	9(a)	-	-	2,282
(Loss) on disposal of assets	9(a)	(88,791)	(65,100)	(7,035)
		9,387,857	7,767,532	2,165,854
		7,832,589	5,254,725	1,189,963
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(58,362,486)	-	363,666
		(58,362,486)	-	363,666
Total comprehensive income				
		(50,529,897)	5,254,725	1,553,629

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	3,112,018	3,170,776
Trade and other receivables	5	323,784	249,519
Inventories	6	6,109	6,730
TOTAL CURRENT ASSETS		3,441,911	3,427,025
NON-CURRENT ASSETS			
Property, plant and equipment	7	15,942,219	15,883,118
Infrastructure	8	111,980,398	162,716,810
TOTAL NON-CURRENT ASSETS		127,922,617	178,599,928
TOTAL ASSETS		131,364,529	182,026,954
CURRENT LIABILITIES			
Trade and other payables	11	(262,879)	(442,916)
Current portion of long term borrowings	12(a)	(53,078)	(38,938)
Provisions	13	(692,679)	(597,294)
TOTAL CURRENT LIABILITIES		(1,008,636)	(1,079,147)
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	(472,599)	(525,676)
Provisions	13	(42,257)	(51,192)
TOTAL NON-CURRENT LIABILITIES		(514,856)	(576,868)
TOTAL LIABILITIES		(1,523,492)	(1,656,015)
NET ASSETS		129,841,037	180,370,939
EQUITY			
Retained surplus		58,692,760	52,179,049
Reserves - cash backed	4	2,958,129	1,639,256
Revaluation surplus	10	68,190,148	126,552,634
TOTAL EQUITY		129,841,037	180,370,939

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

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

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	
		\$	\$	\$	\$
Balance as at 1 July 2016		51,277,863	1,350,479	126,188,968	178,817,310
Comprehensive income					
Net result		1,189,963	-	-	1,189,963
Changes on revaluation of assets	10	-	-	363,666	363,666
Total comprehensive income		1,189,963	-	363,666	1,553,629
Transfers from/(to) reserves		(288,777)	288,777	-	-
Balance as at 30 June 2017		52,179,049	1,639,256	126,552,634	180,370,939
Comprehensive income					
Net result		7,832,589	-	-	7,832,589
Changes on revaluation of assets	10	-	-	(58,362,486)	(58,362,486)
Total comprehensive income		7,832,589	-	(58,362,486)	(50,529,897)
Transfers from/(to) reserves		(1,318,873)	1,318,873	-	-
Balance as at 30 June 2018		58,692,760	2,958,129	68,190,148	129,841,042

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		2,638,451	2,664,643	2,582,324
Operating grants, subsidies and contributions		1,587,794	840,621	2,053,541
Fees and charges		1,433,495	1,347,175	1,356,501
Interest earnings		75,399	74,940	76,087
Goods and services tax		(29,589)	38,577	(47,592)
Other revenue		91,154	76,350	101,643
		5,796,704	5,042,306	6,122,504
Payments				
Employee costs		(2,564,181)	(2,599,536)	(2,496,571)
Materials and contracts		(1,198,227)	(1,187,318)	(840,672)
Utility charges		(167,672)	(170,655)	(162,579)
Interest expenses		(28,180)	(22,225)	(32,096)
Insurance expenses		(166,934)	(181,710)	(171,128)
Other expenditure		(246,719)	(194,590)	(161,923)
		(4,371,913)	(4,356,034)	(3,864,969)
Net cash provided by (used in) operating activities	14	1,424,791	686,272	2,257,535
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	7(b)	(979,331)	(2,817,899)	(513,610)
Payments for construction of infrastructure	8(b)	(10,196,286)	(9,026,975)	(2,769,697)
Non-operating grants, subsidies and contributions	2(a)	9,476,648	7,832,632	2,170,607
Proceeds from sale of fixed assets	9(a)	254,360	446,380	43,227
Net cash provided by (used in) investment activities		(1,444,610)	(3,565,862)	(1,069,473)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(38,939)	(41,535)	(53,696)
Proceeds from new borrowings		-	700,000	-
Less: Prepayments		-	-	(40,700)
Net cash provided by (used in) financing activities		(38,939)	658,465	(94,396)
Net increase (decrease) in cash held		(58,758)	(2,221,125)	1,093,666
Cash at beginning of year		3,170,776	3,106,745	2,077,110
Cash and cash equivalents at the end of the year	14	3,112,018	885,620	3,170,776

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)				
		1,708,032	1,604,274	760,376
Revenue from operating activities (excluding rates)				
Governance		270	500	416
General purpose funding		1,309,624	683,740	1,845,480
Law, order, public safety		293,324	93,500	120,162
Health		977,545	877,845	878,589
Education and welfare		7,589	7,875	7,681
Housing		71,282	56,400	56,559
Community amenities		205,044	204,225	202,637
Recreation and culture		43,567	58,510	54,090
Transport		123,545	126,245	193,943
Economic services		102,358	118,625	107,769
Other property and services		66,304	66,625	103,775
		3,200,452	2,294,090	3,571,101
Expenditure from operating activities				
Governance		(300,857)	(330,040)	(293,893)
General purpose funding		(111,445)	(123,360)	(118,384)
Law, order, public safety		(438,120)	(328,130)	(377,970)
Health		(1,164,022)	(1,043,645)	(1,008,163)
Education and welfare		(103,510)	(108,185)	(105,873)
Housing		(132,198)	(125,240)	(121,817)
Community amenities		(324,915)	(359,395)	(346,103)
Recreation and culture		(799,764)	(863,870)	(831,209)
Transport		(3,582,055)	(3,641,107)	(3,396,943)
Economic services		(446,890)	(504,025)	(469,917)
Other property and services		(111,252)	(104,375)	(40,078)
		(7,515,028)	(7,531,372)	(7,110,350)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	-	-	(2,282)
Loss on disposal of assets	9(a)	88,791	65,100	7,035
Movement in Accrued Salaries & Wages		2,032	-	11,919
Movement in employee benefit provisions (current)		95,385	-	(8,827)
Movement in employee benefit provisions (non-current)		(8,935)	1,721	16,454
Movement in Accrued Expenses		(342,554)	-	381,058
Movement in Inventory		621	-	(870)
Movement in Accrued Interest		282	-	(804)
Depreciation and amortisation on assets	9(b)	3,147,290	3,060,245	2,976,847
Amount attributable to operating activities		376,367	(505,942)	601,657
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	9,476,648	7,832,632	2,170,607
Proceeds from disposal of assets	9(a)	254,360	446,380	43,227
Purchase of property, plant and equipment	7(b)	(979,331)	(2,817,900)	(513,610)
Purchase and construction of infrastructure	8(b)	(10,196,286)	(9,026,975)	(2,769,697)
Amount attributable to investing activities		(1,444,609)	(3,565,863)	(1,069,473)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(38,939)	(41,535)	(53,696)
Movement in Prepayments	12(b)	16,251	0	(40,700)
Proceeds from new loans		-	700,000	-
Transfers to reserves (restricted assets)	4	(2,077,870)	(1,105,370)	(429,055)
Transfers from reserves (restricted assets)	4	758,997	1,860,195	140,278
Amount attributable to financing activities		(1,341,561)	1,413,290	(383,173)
Surplus(deficiency) before general rates		(2,409,803)	(2,658,515)	(850,991)
Total amount raised from general rates	21	2,670,517	2,658,515	2,559,023
Net current assets at June 30 c/fwd - surplus/(deficit)	22	260,714	-	1,708,032

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.

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.

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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 24 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

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

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Significant revenue		
Federal Assistance Grants - 50% advance payment	641,600	609,312
Other revenue		
Other	91,154	101,643
	91,154	101,643
Fees and Charges		
Governance	270	416
General purpose funding	17,781	31,659
Law, order, public safety	19,370	20,838
Health	977,545	877,504
Housing	69,933	55,957
Community amenities	195,509	197,420
Recreation and culture	44,180	42,055
Transport	4,055	5,940
Economic services	96,823	105,854
Other property and services	8,029	18,858
	1,433,495	1,356,501

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

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

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	2017
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	1,216,445	1,736,844
Law, order, public safety	271,020	99,324
Education and welfare	7,588	7,681
Housing	1,351	602
Recreation and culture	91	12,035
Transport	87,645	150,591
Economic services	5,535	1,916
Other property and services	10,729	24,703
	1,600,404	2,033,696
Non-operating grants, subsidies and contributions		
Recreation and culture	71,100	160,116
Transport	9,405,548	2,010,491
	9,476,648	2,170,607
Total grants, subsidies and contributions	11,077,052	4,204,303

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 20. 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

- Loans receivable - clubs/institutions
 - Reserve funds
 - Other funds
- Other interest revenue (refer note 21(e))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
	29,455	26,750	26,297
	21,037	25,585	27,898
	24,907	22,605	21,892
	75,399	74,940	76,087

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report

Interest expenses (finance costs)

Long term borrowings (refer Note 12(a))

Accrue Interest on Loans

Rental charges

- Operating leases

	2018	2017
	\$	\$
	16,300	15,250
	16,300	15,250
	28,179	32,096
	283	(804)
	28,462	31,292
	7,269	5,004
	7,269	5,004

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

3. CASH AND CASH EQUIVALENTS	NOTE	2018 \$	2017 \$
Unrestricted		125,274	1,396,107
Restricted		2,986,744	1,774,669
Conditions over contributions	20	28,615	135,413
Reserves		2,958,129	1,639,256
		3,112,018	3,170,776
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4	49,246	48,377
Plant Reserve	4	219,701	482,961
Building Reserve	4	740,589	17,680
Community Housing Reserve	4	93,950	75,194
Emergency Reserve	4	12,011	11,799
Insurance Claim Reserve	4	14,639	14,381
Other Recreation reserve	4	77,764	76,395
Commercial Reserve	4	514,499	469,932
Bridges Reserve	4	147	145
Swimming Pool Reserve	4	118,975	32,000
Aged Accommodation Reserve	4	374,568	368,590
Road Contributions Reserve	4	27,540	27,052
IT/Office Equipment Reserve	4	38,425	9,750
Civic Receptions Reserve	4	13,075	5,000
Unspent Grants Reserve	4	655,020	-
Unspent Community Grants Reserve	4	7,980	-
Unspent loans	12(c)	353,789	354,429
Less: Unspent loan(s) transfered to Reserve	12(c)	(353,789)	(354,429)
		2,958,129	1,639,256

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk

Cash and cash equivalents (Continued)

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

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

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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	48,377	869	-	49,246	48,380	790	-	49,170	47,453	924	-	48,377
Plant Reserve	482,961	347,000	(610,260)	219,701	482,960	347,000	(699,170)	130,790	148,931	337,030	(3,000)	482,961
Building Reserve	17,680	768,205	(45,296)	740,589	17,830	471,120	(467,090)	21,860	632	32,668	(15,620)	17,680
Depot Reserve	-	-	-	-	-	-	-	-	10,446	203	(10,649)	-
Community Housing Reserve	75,194	36,191	(17,435)	93,950	75,195	30,325	(18,175)	87,345	66,980	30,559	(22,345)	75,194
Emergency Reserve	11,799	212	-	12,011	11,795	190	-	11,985	10,627	1,172	-	11,799
Insurance Claim Reserve	14,381	258	-	14,639	14,380	235	-	14,615	14,106	275	-	14,381
Flaxmill Shed Reserve	-	-	-	-	-	-	-	-	24,384	475	(24,859)	-
Other Recreation reserve	76,395	2,469	(1,100)	77,764	76,400	17,745	(26,500)	67,645	95,454	2,611	(21,670)	76,395
Commercial Reserve	469,932	105,811	(61,244)	514,499	469,930	139,565	(146,650)	462,845	479,907	9,345	(19,320)	469,932
Bushfire Radio Reserve	-	-	-	-	-	-	-	-	947	18	(965)	-
Infrastructure Reserve	-	-	-	-	-	-	-	-	439	9	(448)	-
Bridges Reserve	145	2	-	147	145	5	-	150	142	3	-	145
Medical Services Reserve	-	-	-	-	-	-	-	-	114	2	(116)	-
Swimming Pool Reserve	32,000	88,575	(1,600)	118,975	32,000	36,520	(68,000)	520	36,934	719	(5,653)	32,000
Town Hall Reserve	-	-	-	-	-	-	-	-	1	-	(1)	-
Admin Office Building reserve	-	-	-	-	-	-	-	-	1,974	38	(2,012)	-
Aged Accommodation Reserve	368,590	6,618	(640)	374,568	368,590	6,025	(374,610)	5	364,130	7,090	(2,630)	368,590
Road Contributions Reserve	27,052	488	-	27,540	27,050	440	-	27,490	26,535	517	-	27,052
IT/Office Equipment Reserve	9,750	50,097	(21,422)	38,425	9,750	50,410	(60,000)	160	11,543	225	(2,018)	9,750
Transfer Station Reserve	-	-	-	-	-	-	-	-	91	2	(93)	-
Caravan Park Reserve	-	-	-	-	-	-	-	-	7,641	149	(7,790)	-
Library Furniture Reserve	-	-	-	-	-	-	-	-	1,068	21	(1,089)	-
Civic Receptions Reserve	5,000	8,075	-	13,075	5,000	5,000	-	10,000	-	5,000	-	5,000
Unspent Grants Reserve	-	655,020	-	655,020	-	-	-	-	-	-	-	-
Unspent Community Grants Reserve	-	7,980	-	7,980	-	-	-	-	-	-	-	-
	1,639,256	2,077,870	(758,997)	2,958,129	1,639,405	1,105,370	(1,860,195)	884,580	1,350,479	429,055	(140,278)	1,639,256

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

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	a	- to be used to fund annual, long service leave and redundancy requirements.
Plant Reserve	a	- to be used for the purchase of plant items, including graders, trucks, utes, sedans, rollers etc.
Building Reserve	a	- to be used to fund future maintenance of shire owned buildings, including heritage buildings.
Depot Reserve	30-Jun-17	- was used to fund future requirements relating to upgrade of depot facilities.
Community Housing Reserve	a	- to be used to fund maintenance of the Homeswest Housing Units in Forrest & Proctor Streets.
Emergency Reserve	a	- to be used to fund emergency situations outside working hours for example trees on roads, major flooding, car accidents and supply of services/materials deemed necessary in an emergency.
Insurance Claim Reserve	a	- to be used to fund the excess on certain insurance claims.
Flaxmill Shed Reserve	30-Jun-17	- was used to fund future upgrades and maintenance of the large sheds.
Other Recreation reserve	a	- to be used to fund improvements to the recreation facilities and grounds.
Commercial Reserve	a	- to be used to fund future economic development, enhancement & promotion of the district.
Bushfire Radio Reserve	30-Jun-17	- was used to fund bush fire radio change over, future radio requirements, and to maintain the bush fire radio tower.
Infrastructure Reserve	30-Jun-17	- was used to fund the development of infrastructure in the shire.
Bridges Reserve	a	- to be used to fund future requirements of bridge works.
Medical Services Reserve	30-Jun-17	- was used to fund medical services requirements.
Swimming Pool Reserve	a	- to be used to fund major improvements/maintenance projects to the swimming pool.
Town Hall Reserve	30-Jun-17	- was used to fund major improvements/maintenance projects.
Admin Office Building reserve	30-Jun-17	- was used to fund major improvements/maintenance projects.
Aged Accommodation Reserve	a	- to be used to fund future requirements of aged accommodation.
Road Contributions Reserve	a	- to set aside contributions from developers.
IT/Office Equipment Reserve	a	- to be used to fund future IT requirements.
Transfer Station Reserve	30-Jun-17	- was used to fund future upgrades to the Waste Transfer Station.
Caravan Park Reserve	30-Jun-17	- was used to fund future upgrades to the Caravan Park.
Library Furniture Reserve	30-Jun-17	- was used to fund future furniture needs.
Civic Receptions Reserve	a	- to be used to fund future receptions needs.
Unspent Grants Reserve	a	- to be used to quarantine grants received in advance, and unspent grants.
Unspent Community Grants Reserve	a	- to be used to hold unallocated community grants so as to fund future community grants needs.
	a	None of these reserves are expected to be used within a set period as further transfers to the accounts are expected as the funds are utilised.

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
Sundry debtors
GST receivable
Prepaid Expenses

	2018	2017
	\$	\$
	126,308	94,242
	95,846	66,985
	77,181	47,592
	24,449	40,700
	323,784	249,519

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

	2018	2017
	\$	\$
	6,109	6,730
	6,109	6,730

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.

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

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

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:		
- Independent valuation 2017 - level 2	2,165,272	2,165,272
- Additions after valuation - cost	41,531	41,531
	2,206,803	2,206,803
Total land	2,206,803	2,206,803
Buildings at:		
- Independent valuation 2017 - level 2	10,460,356	10,460,356
- Additions after valuation - cost	291,471	149,983
Less: accumulated depreciation	(248,886)	(1,382)
	10,502,941	10,608,957
Total buildings	10,502,941	10,608,957
Total land and buildings	12,709,744	12,815,760
Furniture and equipment at:		
- Independent valuation 2016 - level 2 or 3	81,537	81,537
- Additions after valuation - cost	123,679	86,859
Less: accumulated depreciation	(79,090)	(37,693)
	126,126	130,703
Plant and equipment at:		
- Independent valuation 2016 - level 2	2,791,989	2,791,989
- Additions after valuation - cost	931,151	411,829
Less: accumulated depreciation	(616,791)	(267,163)
	3,106,349	2,936,655
Total property, plant and equipment	15,942,219	15,883,118

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

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	Buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	2,154,500	10,347,209	12,501,709	120,695	2,972,097	15,594,501
Additions	41,531	149,982	191,513	45,313	276,784	513,610
(Disposals)	-	-	-	-	(47,981)	(47,981)
Revaluation increments/ (decrements) transferred to revaluation surplus	10,772	352,894	363,666	-	-	363,666
Revaluation (loss)/ reversals transferred to profit or loss	-	-	-	-	-	-
Impairment (losses)/reversals	-	-	-	-	-	-
Depreciation (expense)	-	(241,128)	(241,128)	(35,306)	(264,245)	(540,679)
Transfers	-	-	-	-	-	-
Carrying amount at 30 June 2017	2,206,803	10,608,957	12,815,760	130,702	2,936,655	15,883,117
Additions	-	141,488	141,488	36,821	801,022	979,331
(Disposals)	-	-	-	-	(343,152)	(343,152)
Depreciation (expense)	-	(247,504)	(247,504)	(41,397)	(360,976)	(649,877)
Transfers	-	-	-	-	72,800	72,800
Carrying amount at 30 June 2018	2,206,803	10,502,941	12,709,744	126,126	3,106,349	15,942,219

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	2	Market approach	Independent Registered Valuer	June 2017	Using recent observable market data for similar properties / income approach using discounted cash flow methodology.
Buildings - non-specialised	2	Market approach	Independent Registered Valuer	June 2017	Using recent observable market data for similar properties / income approach using discounted cash flow methodology.
Furniture and equipment					
	2	Market approach	Independent Registered Valuer	June 2016	Direct comparison, summation or income approaches
	3	Cost approach	Independent Registered Valuer	June 2016	Using depreciated replacement cost.
Plant and equipment					
	2	Market approach	Independent Valuer	June 2016	Consideration to type, standard and condition

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**

	2018	2017
	\$	\$
Infrastructure - Roads		
- Independent valuation 2016 - level 3	-	107,262,403
- Management valuation 2018 - level 3	90,526,914	-
- Additions after valuation - cost	-	3,733,162
Less: accumulated depreciation	(14,932,924)	(1,648,431)
	<u>75,593,990</u>	<u>109,347,134</u>
Infrastructure - Footpaths		
- Independent valuation 2016 - level 3	-	203,326
- Management valuation 2018 - level 3	1,367,885	-
- Additions after valuation - cost	-	68,611
Less: accumulated depreciation	(231,324)	(6,633)
	<u>1,136,561</u>	<u>265,304</u>
Infrastructure - Drainage		
- Independent valuation 2016 - level 3	-	41,589,577
- Management valuation 2018 - level 3	18,031,443	-
- Additions after valuation - cost	-	81,385
Less: accumulated depreciation	(7,336,496)	(553,673)
	<u>10,694,947</u>	<u>41,117,289</u>
Infrastructure - Parks and Ovals		
- Independent valuation 2016 - level 3	-	277,280
- Management valuation 2018 - level 3	1,337,600	-
- Additions after valuation - cost	-	35,982
Less: accumulated depreciation	(772,500)	(55,752)
	<u>565,100</u>	<u>257,510</u>
Infrastructure - Bridges		
- Independent valuation 2016 - level 3	-	8,093,027
- Management valuation 2018 - level 3	49,384,000	-
- Additions after valuation - cost	-	1,931,257
Less: accumulated depreciation	(30,823,500)	(399,036)
	<u>18,560,500</u>	<u>9,625,248</u>
Infrastructure - Other Infrastructure		
- Independent valuation 2016 - level 3	-	251,672
- Management valuation 2018 - level 3	6,974,400	-
- Additions after valuation - cost	-	241,790
- Adjustments	-	774
Less: accumulated depreciation	(3,382,400)	(40,190)
	<u>3,592,000</u>	<u>454,046</u>
Infrastructure - Recreation Infrastructure		
- Independent valuation 2016 - level 3	-	1,357,729
- Management valuation 2018 - level 3	3,989,800	-
- Additions after valuation - cost	-	427,747
Less: accumulated depreciation	(2,152,500)	(135,197)
	<u>1,837,300</u>	<u>1,650,279</u>
Total infrastructure	<u>111,980,398</u>	<u>162,716,810</u>

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

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 - Bridges	Infrastructure - Other Infrastructure	Infrastructure - Recreation Infrastructure	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	109,316,279	243,405	41,623,730	280,404	8,818,847	443,668	1,656,946	162,383,279
Additions	1,679,286	28,532	47,232	2,337	932,118	24,425	55,769	2,769,699
Depreciation (expense)	(1,648,431)	(6,633)	(553,673)	(25,231)	(125,717)	(14,047)	(62,436)	(2,436,168)
Transfers	-	-	-	-	-	-	-	-
Carrying amount at 30 June 2017	109,347,134	265,304	41,117,289	257,510	9,625,248	454,046	1,650,279	162,716,810
Additions	1,639,829	3,043	42,261	0	8,477,494	30,961	2,698	10,196,286
Revaluation increments/ (decrements) transferred to revaluation surplus	(33,748,953)	875,364	(29,909,713)	332,833	636,915	3,194,744	256,325	(58,362,485)
Depreciation (expense)	(1,644,020)	(7,150)	(554,890)	(25,243)	(179,157)	(14,951)	(72,002)	(2,497,413)
Transfers	-	-	-	-	-	(72,800)	-	(72,800)
Carrying amount at 30 June 2018	75,593,990	1,136,561	10,694,947	565,100	18,560,500	3,592,000	1,837,300	111,980,398

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	3	Cost Approach using depreciated replacement cost	Independent Valuer	June 2018	Current replacement costs, condition assessments, depreciated values, residual values and remaining estimated usefullife
Infrastructure - Footpaths	3	Cost Approach using depreciated replacement cost	Independent Valuer	June 2018	Current replacement costs, condition assessments, depreciated values, residual values and remaining estimated usefullife
Infrastructure - Drainage	3	Cost Approach using depreciated replacement cost	Independent Valuer	June 2018	Current replacement costs, condition assessments, depreciated values, residual values and remaining estimated usefullife
Infrastructure - Parks and Ovals	3	Cost Approach using depreciated replacement cost	Independent Registered Valuer	June 2018	Current replacement costs, condition assessments, depreciated values, residual values and remaining estimated usefullife
Infrastructure - Bridges	3	Cost Approach using depreciated replacement cost	Independent Registered Valuer	June 2016	Current replacement costs, condition assessments, depreciated values, residual values and remaining estimated usefullife
Infrastructure - Other Infrastructure	3	Cost Approach using depreciated replacement cost	Independent Registered Valuer	June 2018	Current replacement costs, condition assessments, depreciated values, residual values and remaining estimated usefullife
Infrastructure - Recreation Infrastructure	3	Cost Approach using depreciated replacement cost	Independent Registered Valuer	June 2018	Current replacement costs, condition assessments, depreciated values, residual values and remaining estimated usefullife

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.

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								
Law, order, public safety								
Ranger's Vehicle - not disposed of	-	-	-	-	15,280	10,000	-	(5,280)
Health								
Doctor's Vehicle - not disposed of	-	-	-	-	34,325	30,000	-	(4,325)
Recreation and culture								
Parks Ute - not disposed of	-	-	-	-	10,435	3,000	-	(7,435)
Transport								
Plant as follows:					410,280	368,380	-	(41,900)
- (Mercedes) Prime Mover	24,397	6,180	-	(18,217)				
- (Volvo) Grader	83,033	59,322	-	(23,711)				
- (Isuzu FVZ 1400) Tip Truck	88,320	63,775	-	(24,545)				
- (Ford Courier) Utility	9,033	3,772	-	(5,261)				
- (Komatsu) Loader	70,979	60,724	-	(10,255)				
- (Ford PX XL Ranger) Utility	27,557	24,545	-	(3,012)				
Other property and services								
CEO's Jeep Station Sedan	39,832	36,042	-	(3,790)	41,160	35,000	-	(6,160)
	343,151	254,360	-	(88,791)	511,480	446,380	-	(65,100)

(b) Depreciation

	2018	2017
	\$	\$
Buildings	247,504	241,128
Furniture and equipment	41,397	35,306
Plant and equipment	360,976	264,245
Infrastructure - Roads	1,644,020	1,648,431
Infrastructure - Footpaths	7,150	6,633
Infrastructure - Drainage	554,890	553,673
Infrastructure - Parks and Ovals	25,243	25,231
Infrastructure - Bridges	179,157	125,717
Infrastructure - Other Infrastructure	14,951	14,047
Infrastructure - Recreation Infrastructure	72,002	62,436
	3,147,290	2,976,847

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	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous	20 years
- asphalt	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping & drainage systems	75 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				2017					
	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 and Buildings	9,058,027	-	-	-	9,058,027	8,694,361	363,666	-	363,666	9,058,027
Revaluation surplus -Furniture and equipment	26,663	-	-	-	26,663	26,663	-	-	-	26,663
Revaluation surplus -Plant and equipment	697,785	-	-	-	697,785	697,785	-	-	-	697,785
Revaluation surplus - Infrastructure - Roads	66,365,659	-	(33,748,953)	(33,748,953)	32,616,706	66,365,659	-	-	-	66,365,659
Revaluation surplus - Infrastructure - Footpaths	103,018	875,364	-	875,364	978,382	103,018	-	-	-	103,018
Revaluation surplus - Infrastructure - Drainage	41,088,432	-	(29,909,713)	(29,909,713)	11,178,719	41,088,432	-	-	-	41,088,432
Revaluation surplus - Infrastructure - Parks and Ovals	199,383	332,833	-	332,833	532,216	199,383	-	-	-	199,383
Revaluation surplus - Infrastructure - Bridges	7,736,359	636,915	-	636,915	8,373,274	7,736,359	-	-	-	7,736,359
Revaluation surplus - Infrastructure - Other Infrastructure	99,245	3,194,744	-	3,194,744	3,293,989	99,245	-	-	-	99,245
Revaluation surplus - Infrastructure - Recreation Infrastructure	1,178,063	256,325	-	256,325	1,434,388	1,178,063	-	-	-	1,178,063
	126,552,634	5,296,181	(63,658,667)	(58,362,486)	68,190,148	126,188,968	363,666	-	363,666	126,552,634

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

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
Accrued Expenses

	2018	2017
	\$	\$
	192,510	32,307
	7,244	6,962
	24,621	22,589
	38,504	381,058
	262,879	442,916

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.

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

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Education and welfare								
L118 Aged Accommodation	347,183	-	14,846	14,846	332,337	332,337	16,489	16,490
Housing								
L115 Staff Housing	65,148	-	5,677	5,677	59,471	59,471	3,748	3,750
Community amenities								
L112 Landfill	9,773	-	1,491	1,491	8,282	8,282	341	340
Recreation and culture								
L114 Pool	118,496	-	10,322	10,322	108,174	108,174	6,830	6,830
Economic services								
L106 Flax Mill Complex	2,979	-	2,979	2,979	-	-	105	105
L109 Flax Mill Water	5,110	-	2,516	5,110	2,594	-	161	160
Other property and services								
L110 Administration Building	15,928	-	1,108	1,110	14,820	14,818	505	505
	564,617	-	38,939	41,535	525,678	523,082	28,179	28,180

All other loan repayments were financed by general purpose revenue.
All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	53,078	38,938
Non-current	472,599	525,676
	525,678	564,614

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

12. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

During 2017-18 no new borrowings were taken out.

(c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 17	Borrowed During Year	Expended During Year	Unspent Balance 30 June 18
		\$	\$	\$	\$
L118 Aged Accommodation	April 2013	354,429	0	(640)	353,789
		354,429	0	(640)	353,789

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit	50,000	50,000
Bank overdraft at balance date	-	(27,153)
Credit card limit	10,000	10,000
Credit card balance at balance date	(1,564)	(8,102)
Total amount of credit unused	58,436	24,745

Loan facilities

Loan facilities - current	53,078	38,938
Loan facilities - non-current	472,599	525,676
Total facilities in use at balance date	525,678	564,614

Unused loan facilities at balance date

	2018	2017
	\$	\$
	50,000	50,000
	-	(27,153)
	10,000	10,000
	(1,564)	(8,102)
	58,436	24,745
	53,078	38,938
	472,599	525,676
	525,678	564,614
	353,789	354,429

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
Amounts used

Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Current provisions	323,300	273,994	597,294
Non-current provisions	0	51,192	51,192
	323,300	325,186	648,486
Additional provision	57,863	93,134	150,997
Amounts used	19,117	45,430	64,547
	362,046	372,890	734,936
Current	362,046	330,633	692,679
Non-current		42,257	42,257
	362,046	372,890	734,936

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.

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

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	3,112,018	885,620	3,170,776

**Reconciliation of Net Cash Provided By
Operating Activities to Net Result**

Net result	7,832,589	5,254,725	1,190,379
Non-cash flows in Net result:			
Depreciation	3,147,290	3,060,245	2,976,847
(Profit)/loss on sale of asset	88,791	65,100	4,753
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(74,265)	88,841	(5,336)
(Increase)/decrease in inventories	621	860	(870)
Increase/(decrease) in payables	(180,037)	49,133	254,742
Increase/(decrease) in provisions	86,450	-	7,627
Grants contributions for the development of assets	(9,476,648)	(7,832,632)	(2,170,607)
Net cash from operating activities	1,424,791	686,272	2,257,534

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	72,212	23,501
General purpose funding	1,879,389	1,578,641
Law, order, public safety	368,371	449,009
Health	911,463	1,002,207
Education and welfare	838,980	860,909
Housing	2,833,115	2,786,814
Community amenities	253,977	294,474
Recreation and culture	9,011,133	6,310,479
Transport	107,423,425	161,418,011
Economic services	2,105,724	2,031,163
Other property and services	5,666,740	5,271,747
Unallocated	-	-
	131,364,529	182,026,955

16. CONTINGENT LIABILITIES

There were no known contingent liabilities which might have financial ramifications for Council.

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

17. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

2018	2017
\$	\$
56,604	-
-	148,400
-	-

The capital expenditure project outstanding at the end of the current reporting period represents building refurbishments at the Lodge.

(b) Operating Lease Commitments

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

B363 Photocopier (2017);

Payable:

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

2,570	515
2,180	-
-	-
4,750	515

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.

17. JOINT ARRANGEMENTS

During 2017-18 the shire was not involved in any joint venture arrangements.

18. Investment in Associates

During 2017-18 the shire did not invest in any associates.

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	67,000	66,625	65,202
President's Allowance	7,195	7,190	6,627
Deputy President's Allowance	1,799	1,800	1,730
Travelling Expenses	6,904	4,290	4,183
Telecommunications Allowance	10,159	10,075	10,000
	<u>93,057</u>	<u>89,980</u>	<u>87,742</u>

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	771,711	793,131
Post-employment benefits	73,532	76,042
Other long-term benefits	17,068	16,570
	<u>862,311</u>	<u>885,743</u>

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	-	Not reported
Purchase of goods and services	54,582	Not reported

Joint venture entities:

Distributions received from joint venture entities

-	-
---	---

Amounts outstanding from related parties:

Trade and other receivables

-	-
---	---

Loans to associated entities

-	-
---	---

Loans to key management personnel

-	-
---	---

Amounts payable to related parties:

Trade and other payables

968	-
-----	---

Loans from associated entities

-	-
---	---

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the proportionate consolidation method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting.

18. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2017-2018 financial year.

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2017-2018 financial year.

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

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
DFES - Bushfire Risk Defence	29,322	-	(2,490)	26,832	-	(11,810)	15,022
DFES - Bushfire Risk Management	122,508	34,649	(148,105)	9,052	162,823	(170,174)	1,701
Recreation and culture							
DSR - KidSport Program	6,600	12,000	(14,497)	4,103	-	(4,103)	-
Transport							
WA LG Grants Commission	11,015	-	(11,015)	-	-	-	-
DRD - Roads to Recovery	72,807	1,502,961	(1,480,342)	95,426	800,739	(884,273)	11,892
Banks Road Development	5,213	-	(5,213)	-	-	-	-
Total	247,465	1,549,610	(1,661,662)	135,413	963,562	(1,070,360)	28,615

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.

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

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
General Rate - GRV	0.128775	292	3,185,525	410,216	1,975	-	412,191	410,215	-	-	410,215
Unimproved valuations											
General Rate - UV Rural	0.007268	647	265,776,142	1,931,661	(27,265)	(33)	1,904,363	1,931,661	1,615	-	1,933,276
General Rate UV - Mining	0.093845	11	499,100	46,838	(4,703)	21,677	63,812	46,838	-	-	46,838
Sub-Total		950	269,460,767	2,388,715	(29,993)	21,644	2,380,366	2,388,714	1,615	0	2,390,329
Minimum payment											
Gross rental valuations											
General Rate - GRV	897	56	254,120	50,232	-	-	50,232	50,232	-	-	50,232
Unimproved valuations											
General Rate - UV Rural	824	286	20,292,560	236,900	-	-	236,900	215,064	-	-	215,064
General Rate UV - Mining	851	5	10,495	4,255	-	-	4,255	4,255	-	-	4,255
Sub-Total		347	20,557,175	291,387	-	-	291,387	269,551	-	-	269,551
		1,297	290,017,942	2,680,102	(29,993)	21,644	2,671,753	2,658,265	1,615	-	2,659,880
Concessions							(1,236)				(1,365)
Total amount raised from general rate							2,670,517				2,658,515
Write off of rates small balances less than \$3 is completed annually.							(235)				(250)
Ex-gratia rates							1,111				1,100
Totals							2,671,393				2,659,365

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.

21. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the Shire during the financial year ended 2018.

(c) Service Charges

No service charges were imposed by the Shire during the financial year ended 2018.

21. RATING INFORMATION (Continued)

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

Waivers or Concessions

Rate or Fee and
Charge to which
the Waiver or
Concession is Granted

Type	Discount	Actual	Budget	
	%	\$	\$	
Rate	Concession	50.00%	1,236	1,365
Rate	Write Offs		235	250
			1,471	1,615

Write off of rates small balances less than \$3 is completed annually.

Rate or Fee and
Charge to which
the Waiver or
Concession is Granted

Circumstances in which
the Waiver or Concession is
Granted and to whom it was
available

Objects of the Waiver
or Concession

Reasons for the Waiver
or Concession

Rate	Three (3) Boyup Brook properties straddle the Shire of Donnybrook-Balingup (SD-B) boundary.	Collectively, Minimum Rated Rural UV properties contribute >10% to the UV Rates pool.	This concession is subject to the SD-B also affording the 3 properties a 50% concession.
Rate	Writing off of rates small balances is <\$3 a concession which is available to all rate payers in the district.		

21. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				
Single full payment	11-Oct-17			
Option Two				
First instalment				
Second instalment				
Option Three				
First instalment	11-Oct-17			
Second instalment	13-Dec-17	13.50	5.50%	11.00%
Third instalment	14-Feb-18	13.50	5.50%	11.00%
Fourth instalment	11-Apr-18	13.50	5.50%	11.00%
		2018		
		2018	Budget	
		\$	\$	
Interest on unpaid rates		18,664	17,130	
Interest on instalment plan		6,243	5,475	
Charges on instalment plan		8,019	6,525	
		32,926	29,130	

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

22. NET CURRENT ASSETS

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

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	260,714	1,708,032	1,708,032
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	125,274	1,396,107	1,396,107
Restricted			
Conditions over contributions	28,615	135,413	135,413
Reserves	2,958,129	1,639,256	1,639,256
Receivables			
Rates outstanding	126,308	94,242	94,242
Sundry debtors	95,846	66,985	66,985
GST receivable	77,181	47,592	47,592
Prepaid Expenses	24,449	40,700	40,700
Inventories			
Fuel and Materials	6,109	6,730	6,730
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(192,510)	(32,307)	(32,307)
Accrued interest on long term borrowings	(7,244)	(6,962)	(6,962)
Accrued salaries and wages	(24,621)	(22,589)	(22,589)
Accrued Expenses	(38,504)	(381,058)	(381,058)
Current portion of long term borrowings	(53,078)	(38,938)	(38,938)
Provisions			
Provision for annual leave	(362,046)	(323,300)	(323,300)
Provision for long service leave	(330,633)	(273,994)	(273,994)
Unadjusted net current assets	2,433,275	2,347,877	2,347,877
Adjustments			
Less: Reserves - restricted cash	(2,958,129)	(1,639,256)	(1,639,256)
Less: Inventories	(6,109)	(6,730)	(6,730)
Less: Prepaid expenses	(24,449)	(40,700)	(40,700)
Add: Current portion of long term borrowings	53,078	38,938	38,938
Add: Accrued expenses	38,504	381,058	381,058
Add: Provisions	692,679	597,294	597,294
Add: Accrued interest on Debentures	7,244	6,962	6,962
Add: Accrued Salaries & Wages	24,621	22,589	22,589
Adjusted net current assets - surplus/(deficit)	260,714	1,708,032	1,708,032

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**

23. 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	3,112,018	3,170,776	3,112,018	3,170,776
Receivables	323,784	249,519	323,784	249,519
	3,435,802	3,420,295	3,435,802	3,420,295
Financial liabilities				
Payables	(262,879)	(442,916)	(262,879)	(442,916)
Borrowings	(525,678)	(564,614)	(525,678)	(564,614)
	(788,557)	(1,007,530)	(788,557)	(1,007,530)

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.

23. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

The Shire's objective is to maximise its return on cash 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.

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

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 10% ⁽¹⁾ movement in price of cash	\$	\$
- Equity	311,202	317,078
- Statement of Comprehensive Income	311,202	317,078
Impact of a 1% ⁽¹⁾ movement in interest rates on cash	\$	\$
- Equity	31,120	
- Statement of Comprehensive Income	31,120	31,708

Notes:

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

23. 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	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	63%	89%
- Overdue	37%	11%

23. 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	262,879	-	-	262,879	262,879
Borrowings	79,543	237,150	393,067	709,760	525,677
	342,422	237,150	393,067	972,639	788,556
2017					
Payables	442,916	-	-	442,916	442,916
Borrowings	86,676	238,991	450,977	776,644	564,614
	529,592	238,991	450,977	1,219,560	1,007,530

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	(17,414)	(8,282)	-	-	-	(499,981)	(525,677)	5.24%
Weighted average Effective interest rate	6.44%	7.07%				5.16%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	(24,017)	-	(9,773)	-	-	(530,824)	(564,614)	5.26%
Weighted average Effective interest rate	6.53%		7.07%			5.18%		

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

24. 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
	\$	\$	\$	\$
Bonds - Relocated Houses	37,242	5,000	(5,000)	37,242
Bonds - Council Houses	1,632	2,660	(3,269)	1,023
Deposits - Hall Hire	1,080	1,300	(1,100)	1,280
Fruit Fly Baiting Scheme	5,397	-	-	5,397
Deposits - Kerbing	1,400	-	-	1,400
Boyup Brook Community Foudnation	315	-	-	315
Deposits - Road Contributions	9	-	-	9
Interest on Trust Monies	5,245	-	-	5,245
Police Licensing	8,108	652,120	(657,646)	2,582
Bonds - Commercial	390	-	-	390
Bonds - Landscaping	2,000	-	-	2,000
Construction Training Fund	343	6,201	(5,889)	655
Buiding Service Levy	935	6,928	(6,976)	887
Equipment	295	290	(200)	385
Council Nominations	-	400	(400)	-
Unclaimed Monies	36	-	-	-
	<u>64,427</u>			<u>58,846</u>

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

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

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

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<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.

25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	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

26. 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.

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

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE AND ACTIVITIES
GOVERNANCE	Member of Council Allowances and Reimbursements. Civic Functions. Election Expenses and Governance of the Shire.
GENERAL PURPOSE FUNDING	Rates Levied. Interest on late payment of rates. General Purpose Grants & Interest Received on Investments.
LAW, ORDER, PUBLIC SAFETY	Fire Prevention. Supervision of various Local Laws. Ranger Services and Animal Control. Civil Emergency Services.
HEALTH	Environmental Health. Food Control. Pest Control. Immunisation and Provision of Medical Services.
EDUCATION AND WELFARE	Pre-Schools and other Education. Aged and Disabled. Senior Citizen Services and Youth Welfare.
HOUSING	Includes the provision of Public (i.e. affordable Community) and Staff Housing.
COMMUNITY AMENITIES	Refuse Collection Services. Landfill Site Operations. Protection of the Environment. Administration of the Town Planning Scheme. Cemetery and Memorials Maintenance and Urban and Storm Water Drainage Works.
RECREATION AND CULTURE	Maintenance of Halls. Swimming Pool. Reserves and Parks & Gardens. Sport and Recreation. Libraries and Other Culture.
TRANSPORT	Maintenance of Roads. Bridges and Footpaths. Street Lighting. Crossovers. Verge Maintenance. Street Sweeping. Street Trees. Vehicle Licencing. Traffic Management & Parking. Airstrip.
ECONOMIC SERVICES	Weed Control. Area Promotion. Caravan Park & Flax Mill. Implementation of Building Controls. Swimming Pool Inspections. Saleyards & Satndpipes.
OTHER PROPERTY AND SERVICES	Private Works. Public Works Overheads. Plant operations. Materials. Salaries and Wages Controls. Administration Services. Other Unclassified Activities

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

28. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	0.47	1.60	0.86
Asset consumption ratio	0.67	0.68	0.69
Asset renewal funding ratio	0.45	0.22	0.22
Asset sustainability ratio	0.66	0.66	1.15
Debt service cover ratio	22.82	23.64	8.98
Operating surplus ratio	(0.39)	(0.25)	(0.70)
Own source revenue coverage ratio	0.56	0.56	0.50

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.

INDEPENDENT AUDITOR'S REPORT

To the Council of Shire of Boyup Brook

Report on the Audit of the Financial Report

Opinion

We have audited the annual financial report of the Shire of Boyup Brook which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion the annual financial report of the Shire of Boyup Brook:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire of Boyup Brook 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 of Boyup Brook in accordance with the relevant 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. 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 Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling Shire of Boyup Brook'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 of Boyup Brook 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 of Boyup Brook'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 of Boyup Brook.

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of our 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 Australian Auditing Standards, we exercise professional judgment 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, misrepresentations, 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 of Boyup Brook'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 of Boyup Brook'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.

Report on Other Legal and Regulatory Requirements

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

- (i) In our opinion, the following matters indicate significant adverse trends in the financial position of the Shire of Boyup Brook:
 - a. Operating surplus ratio as reported in Note 29 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.700, 2017: -0.250 and 2018: -0.390); and
 - b. Asset renewal funding ratio as reported in Note 29 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of 0.6 for the last three years; (2016: 0.220, 2017: 0.220 and 2018: 0.450).
- (ii) There were no instances of 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 identified during the course of our audit.

- (iii) All required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the asset renewal funding ratio and asset consumption ratio included in the annual financial report are 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 Shire of Boyup Brook for the year ended 30 June 2018 included on the Shire of Boyup Brook's website. Shire of Boyup Brook's management is responsible for the integrity of the Shire of Boyup Brook website. This audit does not provide assurance on the integrity of the Shire of Boyup Brook'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.

AMD Chartered Accountants



TIM PARTRIDGE
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this 10th day of December 2018